

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

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**Rider ICTA
Invested Capital Tax Adjustment**

Applicable to Service Classification Nos. 1, 2, 4 and 8 and Riders QIP, SSC, UEA, VBA, and VITA

Section A – Applicability and Purpose

The Invested Capital Tax Adjustment (ICTA), expressed on a cents per them basis, stabilizes collection of the Invested Capital Tax. The Company shall determine separate adjustments for Service Classification Nos. 1 (separately for Heating and Non-Heating), 2, 4, and 8.

The Company shall determine annual adjustments under this rider. The adjustments, as defined in Section C, shall be filed with the Commission or postmarked, no later than April 20 of each year (beginning April 20, 2018), and shall be in effect for the twelve-month period commencing the following May 1 (beginning May 1, 2018). The initial ICTAs shall be calculated for the Tax Period running January 1, 2017 through December 31, 2017, and be applicable to service rendered during the twelve monthly billing periods beginning on or after May 1, 2018.

The amount of the ICTA will be separately designated on each customer's bill as "Tax Cost Adjustment" or similar legend.

* **Section B – Definitions**

As used in this rider, the terms below are defined as follows:

"Base Rates" shall include Service Classification Nos. 1, 2, 4, and 8 and Riders QIP, SSC, UEA, VBA, and VITA of this rate schedule. Base Rates shall not include Service Classification Nos. 5 and 7 and Riders 1, 2, 9, 11, EOA, FST, SST, P, SBO, UEA-GC, SPC, and IT of this rate schedule.

"Effective Period" means the twelve-month period of May 1 through April 30, during which the ICTA will be in effect.

"ICT" means Invested Capital Tax as determined under the Gas Revenue Tax Act (35 ILCS 615/1 *et seq.*).

"Reconciliation Period" means the nine-month period of August 1 through April 30.

"Tax Period" means the calendar year period of January 1 through December 31.

Section C – Determination of Invested Capital Tax True Up (ICTTU)

The amount of the Invested Capital Tax True Up (ICTTU) applicable to each Tax Period may be a positive or negative value. It shall be determined annually using the following formula:

$$\text{ICTTU} = (\text{ICT Costs} - \text{ICT Base Rate Allowance})$$

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Date Effective: SEPTEMBER 1, 2020

Asterisk (*) indicates change.

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Section C – Determination of Invested Capital Tax True Up (ICTTU) – continued

Where:

ICT Costs = The total dollar liability of the Company for the ICT due on account of the Company's taxable invested capital during the Tax Period, calculated as provided in the Gas Revenue Tax Act (35 ILCS 615/1 *et seq.*), as amended. In the event that the Company's ICT liability due on account of the Company's taxable invested capital during the Tax Period is adjusted after the payment by the Company of ICT for that Tax Period, then that adjustment (which may be positive or negative) will be added to the next annual ICT Costs calculated under this rider.

ICT Base Rate Allowance = The amount of ICT liability included in the revenue requirement from which the Base Rates in effect during the applicable Tax Period are derived. If Base Rates applicable to service provided by the Company during the applicable Tax Period are derived from more than one such revenue requirement, then the ICT Base Rate Allowance shall be the arithmetic mean of the amounts of ICT liability included in each such revenue requirement, weighted by the number of days of service during the applicable Tax Period that the rates that are derived from that revenue requirement were in effect.

Section D – Determination of Adjustment

The Invested Capital Tax Adjustment (ICTA) for each Tax Period shall be billed over a twelve-month period beginning May 1 of the filing year. A separate per therm adjustment shall be determined annually for each of Service Classification Nos. 1, (separately for Heating and Non-Heating), 2, 4 and 8 in accordance with the following formula:

$$\text{ICTA} = ((\text{ICTTU} \times \text{BR} \times 100) / \text{T}) + ((\text{RA} + \text{O}) / \text{T}_R)$$

Where:

ICTA = Invested Capital Tax Adjustment for each Service Classification in cents per therm.

ICTTU = Invested Capital Tax True Up as described in Section C of this rider.

BR = Projected Base Rate revenue for the Service Classification as a percentage of the total forecasted Base Rate revenue for all applicable service classification.

T = Projected number of therms of gas to be delivered to the Service Classification by the Company, including the number of therms of customer-owned or supplier-owned gas delivered by the Company, for the Effective Period.

T_R = Projected number of therms of gas to be delivered to the Service Classification by the Company, including the number of therms of customer-owned or supplier-owned gas delivered by the Company, for the Reconciliation Period.

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Asterisk (*) indicates change.

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Section D – Determination of Adjustment – continued

RA = Reconciliation Adjustment, which shall be determined annually for each Service Classification by subtracting actual booked ICTA revenues from expected ICTA revenues. Expected ICTA revenues shall be calculated based upon the previous Effective Period's ICTA multiplied by the projected number of therms of gas to be delivered (T_R). The RA shall be effective for the Reconciliation Period. No reconciliation component shall be included in the May through July period.

O = Commission ordered adjustment amount for each Service Classification, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission for deposits under 83 Illinois Administrative Code Part 280. Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the ICTA.

* **Section E – Information Sheet Filings**

The ICTA shall be filed with the Commission or postmarked on an Information Sheet with supporting data no later than April 20 of each calendar year. An Information Sheet with supporting data filed after that date, but prior to the effective date, shall be accepted only if it corrects an error or errors from a timely filed Information Sheet for the same effective date. If the Company determines that it is appropriate to revise the ICTA to better match revenues or expected revenue with costs incurred or expected to be incurred, the Company may, from time to time, calculate a revised ICTA to become effective at the beginning of any monthly billing period.

A new ICTA shall become effective on May 1, with a new RA component becoming effective, if required, on August 1.

Section F – Annual Reconciliation

No later than July 31 of each calendar year, the Company shall file a petition with the Commission seeking initiation of an annual reconciliation process. The petition shall include a reconciliation that compares (a) the actual total incremental collections or credits under this rider on account of bills rendered during the twelve-month period commencing on May 1 of the prior calendar year with (b) the total ICTTU used in the calculation of the ICTA. Any adjustment made through the RA component shall be in effect for nine months commencing on the August 1 immediately following submittal of the annual reconciliation. In conjunction with the reconciliation filing, a new Information Sheet may be filed adjusting the then effective ICTAs under this rider for the amount to be reconciled. Supporting documentation and workpapers affecting the information presented in the Company's reconciliation petition shall be provided to the Commission's Accounting Staff at the time of this filing.

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Asterisk (*) indicates change.

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**Issued by Theodore Eidukas, Vice President – Regulatory Affairs
200 East Randolph Street, Chicago, Illinois 60601**

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Section F – Annual Reconciliation – continued

If the Commission finds, after hearing, that any amounts were incorrectly calculated, debited, or credited during the applicable reconciliation year to the extent that the adjustment has not already been reflected through an adjustment to the RA component of the ICTA, the Commission may by order require that the rider be adjusted through the O component in the ICTA formula in Section D of this rider. Amounts either collected or refunded through the O component shall accrue interest at the rate established by the Commission under 83 Illinois Administrative Code Part 280. Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the ICTA.

*** Section G – Annual Internal Audit**

The Company shall submit annually by electronic mail to the Commission's Director of the Financial Analysis Division, no later than November 1 for the previous Tax Period, an internal audit of the revenue recovered or refunded pursuant to this rider. Such report shall be verified by an officer of the Company. The initial internal audit under this rider shall be submitted no later than November 1, 2020. All internal audits conducted under this rider shall include at least the following tests:

- (1) Rider ICTA adjustments are accurate and in compliance with the tariff;
- (2) Rider ICTA revenues are not collected through other approved tariffs;
- (3) Rider ICTA adjustments are being properly billed to customers; and
- (4) Rider ICTA revenues are recorded in the appropriate accounts.

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Asterisk (*) indicates change.

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**Issued by Theodore Eidukas, Vice President – Regulatory Affairs
200 East Randolph Street, Chicago, Illinois 60601**