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**Andrew P. Wachter**  
Director of Finance and Regulation

**PNG Companies LLC**  
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October 1, 2021

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Petition of Peoples Gas Company To Establish A Mechanism To Distribute The  
Tax Savings Associated With Tax Cuts and Jobs Act of 2017 For The Period Between  
January 1, 2018 and June 30, 2018.  
P-2021-3025898**

Dear Secretary Chiavetta:

Enclosed please find one (1) copy of Peoples Gas Company LLC's responses to the following Bureau of Technical Utility Services data requests in the above referenced petition.

**TUS-1 – TUS 5**

Respectfully submitted,

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Andrew P. Wachter

Cc: Marc Hoffer (via-email)

**Docket No. P-2021-3025898**  
**Peoples Gas Company LLC**  
**Data Request**

**Respondent: Andrew Wachter**

**TUS - 1** Explain the method used or to be used to return excess accumulated deferred income tax (ADIT) to ratepayers as a result of the Tax Cuts and Jobs Act (TCJA) for both protected and unprotected ADIT.

**Response:** Unprotected excess deferred income taxes for non-plant items were adjusted from 35% to 21% with a reduction to deferred income tax expense as of December 31, 2017. Protected and unprotected plant excess deferred income taxes are being amortized using the average rate assumption method. The amortization is subsequently reclassified to a regulatory liability in order to be addressed in the next rate case.

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**Data Request**

**Respondent: Christine Saball**

**TUS - 2** Provide a breakdown between (1) ADIT and (2) excess ADIT (broken down by protected and unprotected) and explain how many years remain on the amortization.

**Response:** Unprotected excess deferred income taxes for non-plant items were adjusted from 35% to 21% with a reduction to deferred income tax expense as of December 31, 2017. Protected and unprotected plant excess deferred income taxes are being amortized using the average rate assumption method. The amortization is subsequently reclassified to a regulatory liability in order to be addressed in the next rate case. Both protected and unprotected excess deferred taxes will continue to be amortized over the remaining book life of the underlying assets.

	<b>12/31/2020</b>
<b>Federal Plant DTL</b>	(19,031,172)
<b>Federal/State Other DTL</b>	484,229
<b>Federal Plant Protected EDIT</b>	(7,927,140)
<b>Federal Plant Unprotected EDIT</b>	(479,824)
<b>GU on EDIT</b>	(3,415,863)
<b>Regulatory Liability - ARAM</b>	(1,011,021)
<b>GU on Regulatory Liability - ARAM</b>	(410,791)
<b>State Plant DTL</b>	(9,696,127)
<b>State Other DTL</b>	-
<b>FAS 109 Reg Asset</b>	13,522,782
	<u>(27,964,928)</u>

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**TUS - 3** State the amount of excess ADIT being flowed back to ratepayers in 2018, 2019, 2020 and 2021, indicating precisely how and where this was accomplished.

**Response:** The Company has not flowed back excess ADIT to customers at this time as excess ADIT has not been part of the Company's calculation of Rider TCJA since its inception. In the secretarial letter dated July 9, 2018, the PUC approved the Company's initial calculation of Rider TCJA and no further investigation has been conducted to revise the methodology of calculating the rate.

By Order at Docket No. R-2018-3000502 entered May 17, 2018, the Commission directed the Company to established a deferred regulatory liability account to record the tax savings resulting from the stub period of January 2018 – June 2018. The order did not specify that the Company should flow back excess ADIT to customers resulting from TCJA. As a result, Peoples Gas established a deferred regulatory liability related to the stub period.

Peoples Gas reported the stub period liability of (\$3,087,632) on April 30, 2019 in the Company's 1307(e) annual reconciliation. The methodology Peoples Gas used to calculate the stub period liability was similar to the method Peoples Gas has used to calculate Rider TCJA which did not include excess ADIT. This calculation was accepted by the PUC via the Secretarial Letter dated May 30, 2019.

The resolution of this will be determined in the Company's next base rate case.

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**Peoples Gas Company LLC**  
**Data Request**

**Respondent: Christine Saball & Andrew Wachter**

**TUS - 4** Provide a detailed calculation and supporting documentation for the calculation of Current Period Federal Tax as indicated in the Rider TCJA Annual Reconciliation Under Section 1307(e) for 2018, 2019, and 2020.

**Response:** Refer to the attachment.

**Rider TCJA Monthly True-Up  
Peoples Gas Company LLC (FKA PEOPLES TWP)  
2018**

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
Regulated Pre-Tax Subject to TCJA	(1,146,525)	(987,091)	(1,226,700)	963,004	4,257,343	6,147,994	8,008,025
Remove impact of rider TCJA TCJA refunded	(269,665)	(168,347)	(163,051)	(302,081)	(380,403)	(596,316)	(1,879,863)
Pre-tax w/o TCJA revenue	(876,860)	(818,744)	(1,063,649)	1,265,085	4,637,746	6,744,310	14,136,187
Perm	8,773	8,950	4,217	4,096	4,421	6,687	37,144
	(711,436)	(727,534)	(719,487)	(677,824)	(700,546)	(1,413,985)	(4,950,812)
	(711,436)	(727,534)	(719,487)	(677,824)	(700,546)	(1,413,985)	(4,950,812)
PA Depreciation Adjustment	(8,035)	(8,035)	(8,034)	(8,035)	(8,034)	(7,901)	(48,074)
State Income Tax	185,537	171,200	194,805	(28,096)	(354,963)	(472,806)	(304,323)
<b>Regulatory Taxable Income</b>	<b>(1,663,651)</b>	<b>(1,534,475)</b>	<b>(1,747,165)</b>	<b>261,180</b>	<b>3,206,255</b>	<b>4,267,890</b>	<b>9,185,375</b>
<b>35% v 21% federal income tax rate</b>							
Current federal (14% x regulatory taxable income)	232,911	214,827	244,603	(36,565)	(448,876)	(597,505)	(390,605)
Deferred federal (14% x timing differences)	(99,601)	(101,855)	(100,728)	(94,895)	(98,076)	(197,958)	(693,114)
<b>14% - Difference in federal rate</b>	<b>133,310</b>	<b>112,972</b>	<b>143,875</b>	<b>(131,461)</b>	<b>(546,952)</b>	<b>(795,462)</b>	<b>(1,083,718)</b>
<b>Additional return</b>							
per TCJA filing	7.38%	7.38%	7.38%	7.38%	7.41%	7.42%	
Additional return granted (14% x timing differences x ROR)	7,351.00	7,517	7,434	7,003	7,267	14,698	<b>51,270</b>
<b>Gross-up Factor</b> <b>1/(1-28.89%)</b>	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	
<b>(Due to) Due From Customers</b>	<b>197,813</b>	<b>169,444</b>	<b>212,788</b>	<b>(175,026)</b>	<b>(758,965)</b>	<b>(1,098,004)</b>	<b>(1,451,950)</b>
June 2018 Unbilled Margin Adjustment	(279,434)						
<b>Total</b>	<b>(81,621)</b>	<b>169,444</b>	<b>212,788</b>	<b>(175,026)</b>	<b>(758,965)</b>	<b>(1,098,004)</b>	<b>(1,731,384)</b>

Rider TCJA Monthly True-Up  
Peoples Gas Company LLC (FKA PEOPLES TWP)  
2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Regulated Pre-Tax Subject to TCJA	7,496,726	5,156,464	5,350,347	1,345,045	89,604	(360,431)	(691,351)	(1,562,568)	(399,548)	346,693	4,067,517	5,174,149	26,012,647
Remove impact of rider TCJA TCJA refunded	(536,748)	(407,331)	(398,973)	(220,179)	(190,753)	(140,056)	(139,179)	(137,807)	(132,754)	(215,543)	(415,549)	(515,405)	(3,450,277)
Pre-tax w/o TCJA revenue	8,033,474	5,563,795	5,749,320	1,565,224	280,357	(220,375)	(552,172)	(1,424,761)	(266,794)	562,236	4,483,066	5,689,554	44,047,046
Perm	5,882	5,882	5,882	5,882	5,882	5,882	5,882	5,882	5,882	5,882	5,882	5,882	70,578
<b>Regulatory Schedule Ms:</b>													
	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(8,221,203)
	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(685,100)	(8,221,203)
PA Depreciation Adjustment	(8,024)	(8,024)	(8,024)	(8,024)	(8,024)	(8,024)	(8,024)	(8,024)	(8,024)	(8,024)	(8,024)	(8,024)	(96,282)
State Income Tax	(680,267)	(446,475)	(465,844)	(65,714)	59,704	104,663	137,721	224,756	108,570	34,021	(337,689)	(448,242)	(1,774,797)
<b>Regulatory Taxable Income</b>	<b>6,134,197</b>	<b>3,978,171</b>	<b>3,777,726</b>	<b>390,650</b>	<b>(688,969)</b>	<b>(1,096,294)</b>	<b>(1,383,476)</b>	<b>(2,185,346)</b>	<b>(1,435,466)</b>	<b>(450,410)</b>	<b>2,895,721</b>	<b>3,886,735</b>	<b>35,825,843</b>
<b>35% v 21% federal income tax rate</b>													
Current federal (14% x regulatory taxable income)	(858,788)	(556,944)	(528,882)	(54,691)	96,456	153,481	193,687	305,948	200,965	63,057	(405,401)	(544,143)	(1,935,253)
Deferred federal (14% x timing differences)	(95,914)	(95,914)	(95,914)	(95,914)	(95,914)	(95,914)	(95,914)	(95,914)	(95,914)	(95,914)	(95,914)	(95,914)	(1,150,968)
<b>14% - Difference in federal rate</b>	<b>(954,702)</b>	<b>(652,858)</b>	<b>(624,796)</b>	<b>(150,605)</b>	<b>542</b>	<b>57,567</b>	<b>97,773</b>	<b>210,034</b>	<b>105,051</b>	<b>(32,857)</b>	<b>(501,315)</b>	<b>(640,057)</b>	<b>(3,086,222)</b>
<b>Additional return</b>													
per TCJA filing	5.93%	5.93%	5.93%	5.93%	7.27%	7.27%	7.27%	7.27%	7.27%	7.27%	7.27%	7.27%	
Additional return granted (14% x timing differences x ROR)	5,688	5,688	5,688	5,688	6,973	6,973	6,973	6,973	6,973	6,973	6,973	6,973	<b>78,536</b>
<b>Gross-up Factor</b> 1/(1-28.89%)	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	
<b>(Due to) Due From Customers</b>	<b>(1,334,571)</b>	<b>(910,097)</b>	<b>(870,634)</b>	<b>(203,793)</b>	<b>10,568</b>	<b>90,761</b>	<b>147,301</b>	<b>305,171</b>	<b>157,537</b>	<b>(36,399)</b>	<b>(695,179)</b>	<b>(890,288)</b>	<b>(4,229,624)</b>

Rider TCJA Monthly True-Up  
Peoples Gas Company LLC (FKA PEOPLES TWP)  
2020

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Regulated Pre-Tax Subject to TCJA	5,694,322	4,529,539	2,409,079	1,864,721	723,021	(614,935)	(604,642)	(832,477)	(904,823)	1,052,812	871,376	4,703,793	18,891,786
Remove impact of rider TCJA TCJA refunded	(971,161)	(793,960)	(561,236)	(471,678)	(381,422)	(202,495)	(206,548)	(202,997)	(224,595)	(369,759)	(544,018)	(773,187)	(5,703,056)
Pre-tax w/o TCJA revenue	6,665,483	5,323,499	2,970,315	2,336,399	1,104,443	(412,440)	(398,094)	(629,480)	(680,228)	1,422,571	1,415,394	5,476,980	30,375,126
Perm	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	69,000
<b>Regulatory Schedule Ms:</b>													
	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(10,866,130)
	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(905,511)	(10,866,130)
PA Depreciation Adjustment	(9,533)	(9,533)	(9,533)	(9,533)	(9,533)	(9,533)	(9,533)	(9,533)	(9,533)	(9,533)	(9,533)	(9,533)	(114,390)
State Income Tax	(478,024)	(361,663)	(149,829)	(95,447)	18,609	152,270	151,242	174,003	181,230	(14,338)	3,788	(379,071)	(797,229)
<b>Regulatory Taxable Income</b>	<b>4,282,092</b>	<b>3,218,221</b>	<b>1,342,388</b>	<b>909,888</b>	<b>(124,007)</b>	<b>(1,306,817)</b>	<b>(1,308,857)</b>	<b>(1,513,876)</b>	<b>(1,633,789)</b>	<b>(866,033)</b>	<b>19,361</b>	<b>3,426,163</b>	<b>19,508,996</b>
<b>35% v 21% federal income tax rate</b>													
Current federal (14% x regulatory taxable income)	(599,493)	(450,551)	(187,934)	(127,384)	17,361	182,954	183,240	211,943	228,730	121,245	(2,711)	(479,663)	(902,263)
Deferred federal (14% x timing differences)	(126,772)	(126,772)	(126,772)	(126,772)	(126,772)	(126,772)	(126,772)	(126,772)	(126,772)	(126,772)	(126,772)	(126,772)	(1,521,258)
<b>14% - Difference in federal rate</b>	<b>(726,264)</b>	<b>(577,322)</b>	<b>(314,706)</b>	<b>(254,156)</b>	<b>(109,411)</b>	<b>56,183</b>	<b>56,468</b>	<b>85,171</b>	<b>101,959</b>	<b>(5,527)</b>	<b>(129,482)</b>	<b>(606,434)</b>	<b>(2,423,521)</b>
<b>Additional return</b>													
per TCJA filing	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%	
Additional return granted (14% x timing differences x ROR)	10,585	10,585	10,585	10,585	10,585	10,585	10,585	10,585	10,585	10,585	10,585	10,585	<b>127,020</b>
<b>Gross-up Factor</b> 1/(1-28.89%)	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	1.4063	
<b>(Due to) Due From Customers</b>	<b>(1,006,440)</b>	<b>(796,987)</b>	<b>(427,677)</b>	<b>(342,527)</b>	<b>(138,976)</b>	<b>93,894</b>	<b>94,295</b>	<b>134,659</b>	<b>158,267</b>	<b>7,113</b>	<b>(167,202)</b>	<b>(837,926)</b>	<b>(3,229,505)</b>



**Docket No. P-2021-3025898**  
**Peoples Gas Company LLC**  
**Data Request**

**Respondent: Andrew Wachter**

**TUS - 5** Provide an interest calculation consistent with the methodology utilized in the petition at P-2019-3013366 and the revised petition at Docket No. P-2021-3025909.

**Response:** Within the petition, Peoples Gas calculated the interest on the stub period amount consistent with the methodology used in the Company's 1307(e) annual reconciliation filed at Docket No. M-2019-3009278 on April 30, 2019. While the Company believes this is the correct methodology to use to calculate the interest on the stub period amount, refer to the attachment for an interest calculation consistent with the methodology used in the petitions referenced above.

**Peoples Gas Stub Period Balance**

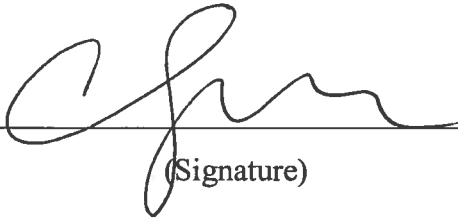
Month		<u>Over(Under)</u>	<u>Time</u>	<u>Interest</u>	<u>Interest</u>
		(1)	Factor	Rate (a)	(1)*(2)*(3)
			(2)	(3)	
January	2018	\$ (1,324,512)	54/12	5.00%	\$ (298,015)
February		(748,003)	53/12	5.00%	\$ (165,184)
March		(936,234)	52/12	5.25%	\$ (212,993)
April		(411,053)	51/12	5.50%	\$ (96,084)
May		(34,967)	50/12	5.50%	\$ (8,013)
June		367,137	49/12	5.50%	\$ 82,453
Total		\$ (3,087,632)			\$ (697,836)

(a) residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.)

VERIFICATION

I, Christine Saball, hereby state that I am Vice President of Tax for Essential Utilities, Inc.; that I am authorized to and make this verification for it; that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: October 1, 2021



(Signature)

## VERIFICATION

I, Andrew P. Wachter, hereby state that I am Director of Finance and Regulation, of PNG Companies LLC; that I am authorized to and make this verification for it; that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: October 1, 2021



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(Signature)