

Peoples Gas KY LLC

Summary of Proposed Tariff Rates

| | <u>Current Tariff Rate</u> | <u>Current GCR Rate</u> | <u>Proposed GCR Rate</u> | <u>Difference</u> | <u>Proposed Tariff Rate</u> |
|---------|--------------------------------|-----------------------------|------------------------------|-------------------|---------------------------------|
| | (1) | (2) | (3) | (4) | (5) |
| | \$/Mcf | \$/Mcf | \$/Mcf | \$/Mcf | \$/Mcf |
| | (a) | (b) | | (3) - (2) | (1) + (4) |
| All MCF | 6.3817 | 4.2495 | 3.5680 | (0.6815) | 5.7002 |

(a) Non-Gas Rate approved by the Commission at Case No. 2003-00411.

(b) Rate approved by the Commission at Case No. 2017-00373.

Peoples Gas KY LLC

Summary of Gas Cost Recovery Rate
Proposed to Become Effective for the
Period February 1, 2018 through April 30, 2018

| Line No. | <u>Units</u> (1) | <u>Amount</u> (2) | |
|--|---------------------|----------------------|-----------------------|
| <u>GCR Components</u> | | | |
| 1 | \$/Mcf | 3.4486 | |
| 2 | \$/Mcf | 0.0000 | |
| 3 | \$/Mcf | 0.2106 | |
| 4 | \$/Mcf | <u>(0.0912)</u> | |
| 5 | \$/Mcf | <u>3.5680</u> | |
| | | | (EGC + RA + ACA + BA) |
| <u>Expected Gas Cost Calculation (EGC)</u> | | | |
| 6 | \$ | 716,191 | (a) |
| 7 | Mcf | <u>207,678</u> | (b) |
| 8 | \$/Mcf | <u>3.4486</u> | |
| | | | (Line 6 ÷ Line 7) |
| <u>Supplier Refund Adjustment Summary</u> | | | |
| 9 | \$/Mcf | 0.0000 | (c) |
| 10 | \$/Mcf | 0.0000 | (d) |
| 11 | \$/Mcf | 0.0000 | (e) |
| 12 | \$/Mcf | <u>0.0000</u> | (f) |
| 13 | \$/Mcf | <u>0.0000</u> | |
| <u>Actual Cost Adjustment Summary</u> | | | |
| 14 | \$/Mcf | 0.0825 | (g) |
| 15 | \$/Mcf | 0.2461 | (d) |
| 16 | \$/Mcf | 0.2459 | (e) |
| 17 | \$/Mcf | (0.3639) | (f) |
| 18 | \$/Mcf | <u>0.2106</u> | |
| <u>Balance Adjustment Summary</u> | | | |
| 19 | \$/Mcf | 0.0046 | (h) |
| 20 | \$/Mcf | 0.0431 | (d) |
| 21 | \$/Mcf | (0.1314) | (e) |
| 22 | \$/Mcf | (0.0075) | (f) |
| 23 | \$/Mcf | <u>(0.0912)</u> | |

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during August 2017 through October 2017.

(d) As approved in Case No. 2017-00373.

(e) As approved in Case No. 2017-00239.

(f) As approved in Case No. 2017-00152.

(g) See Schedule 4.

(h) See Schedule 5.

Peoples Gas KY LLC

Calculation of Expected Gas Cost Based on Purchases
for the Twelve Months Ended October 2017 At Supplier
Costs Estimated to Become Effective February 1, 2018

| | <u>Purchases</u> | <u>Purchases</u> | <u>Average Rate</u> | <u>Annual Cost</u> |
|------------------|------------------|------------------|---------------------|--------------------|
| | (1) | (2) | (3) | (4) |
| | Mcf | Dth | \$/Dth | \$ |
| | | | (a) | (2) x (3) |
| <u>PURCHASES</u> | | | | |
| 1 November 2016 | 17,986 | 2,961 | 3.5064 | 10,382 |
| 2 December | 36,356 | 3,641 | 3.5064 | 12,767 |
| 3 January 2017 | 32,636 | 8,211 | 3.5064 | 28,792 |
| 4 February | 22,602 | 15,576 | 3.5064 | 54,616 |
| 5 March | 26,134 | 44,536 | 3.5064 | 156,163 |
| 6 April | 9,976 | 39,979 | 3.5064 | 140,184 |
| 7 May | 9,268 | 24,101 | 3.5064 | 84,509 |
| 8 June | 4,498 | 32,014 | 3.5064 | 112,253 |
| 9 July | 3,386 | 12,221 | 3.5064 | 42,851 |
| 10 August | 3,529 | 11,354 | 3.5064 | 39,810 |
| 11 September | 4,214 | 5,510 | 3.5064 | 19,320 |
| 12 October 2017 | 9,997 | 4,148 | 3.5064 | 14,544 |
| 13 Total | <u>180,583</u> | <u>204,253</u> | <u>-</u> | <u>716,191</u> |

(a) Estimated average rate based on average Nymex prices plus TCO basis for a 3 month period, plus \$0.7251/Dth VTS Rate from Kentucky West Virginia Gas Company, and adjusted for 11% retainage.

Peoples Gas KY LLC

Summary of Normalized Sales

| <u>Line</u> <u>No.</u> | <u>Month</u> | <u>Normalized</u> <u>Sales</u> (1) Mcf |
|---------------------------|--------------|---|
| 1 | November | 21,662 |
| 2 | December | 36,642 |
| 3 | January | 41,025 |
| 4 | February | 34,027 |
| 5 | March | 27,819 |
| 6 | April | 15,648 |
| 7 | May | 6,522 |
| 8 | June | 3,351 |
| 9 | July | 3,459 |
| 10 | August | 3,456 |
| 11 | September | 3,358 |
| 12 | October | 10,709 |
| 13 | Total | <u>207,678</u> |

Peoples Gas KY LLC

Calculation of Actual Cost Adjustment for the Period
August 2017 through October 2017

| <u>Description</u> | <u>Unit</u> | <u>August</u> | <u>September</u> | <u>October 1/</u> | <u>Total</u> |
|---|-------------|---------------|------------------|-------------------|--------------|
| | (1) | (2) | (3) | (4) | (5) |
| 1 Supply Volume Per Invoice | Mcf | 3,394 | 4,625 | 9,997 | 18,016 |
| 2 Supply Cost Per Books | \$ | 17,539 | 17,800 | 48,401 | 83,740 |
| 3 Sales Volume | Mcf | 3,529 | 4,214 | 9,997 | 17,740 |
| 4 EGC Revenue | \$ | 13,229 | 15,845 | 37,531 | 66,605 |
| 5 Over/(Under) Recovery (Line 5 - Line 2) | \$ | (4,310) | (1,955) | (10,869) | (17,135) |
| 6 Total Current Quarter Actual Cost to be included in rates | | | | | (17,135) |
| 7 Normalized Sales | | | | | 207,678 |
| 8 Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8) | | | | | 0.0825 |

1/ October 2017 costs are estimated.

Peoples Gas KY LLC

Calculation of Balancing Adjustment for
Over/(Under) Recoveries of Gas Cost Incurred
During the Twelve Month Period Beginning November 20

| | <u>Sales</u> | <u>ACA</u> <u>Recovery</u> | <u>Over/(Under)</u> <u>Collection</u> <u>Balance</u> |
|---|--------------------|-------------------------------|--|
| | (1) | (2) | (3) |
| | Mcf | \$ | \$ |
| Balance Approved by the Commission in Case No. 2016-00331. | | | (7,895) |
| <u>Actual</u> | | | |
| November 2016 | 12,715 | 735 | (7,160) |
| December | 36,356 | 1,449 | (5,711) |
| January 2017 | 52,310 | 1,228 | (4,483) |
| February | 2,928 | 852 | (3,631) |
| March | 26,134 | 985 | (2,645) |
| April | 16,442 | 376 | (2,269) |
| May | 2,802 | 349 | (1,920) |
| June | 4,498 | 170 | (1,750) |
| July | 5,418 | 128 | (1,623) |
| August | 1,497 | 133 | (1,490) |
| September | 4,214 | 159 | (1,331) |
| October 2017 | 18,622 | 377 | (954) |
| Total | <u>183,937</u> | <u>6,941</u> | |

Normalized Sales 207,678 Mcf

Balancing Adjustment \$0.0046 /Mcf
(\$954) ÷ 207,678 Mcf

Peoples Gas KY

Calculation of Average Rate on Schedule 2 (February 2018 Quarterly Filing)

| Line No. | | <u>Nymex</u> (1) | <u>TCO Basis</u> (2) | <u>Total</u> (3) = (1 + 2) |
|----------|---|---------------------------|-------------------------|-------------------------------|
| 1 | February 2018 | (See attachment) \$ 2.732 | \$ (0.209) | \$ 2.523 |
| 2 | March | (See attachment) \$ 2.704 | \$ (0.222) | \$ 2.482 |
| 3 | April | (See attachment) \$ 2.631 | \$ (0.210) | \$ 2.421 |
| 4 | Total | (Sum Lines 1-3) | | \$ 7.426 |
| 5 | Estimated 3 month average | (Line 4 / 3) | | \$ 2.475 |
| 6 | Retainage 11% | (Line 5 / (1-0.11)) | | \$ 2.7813 |
| 7 | VTS Rate | | | \$ 0.7251 |
| 8 | Projected Average Rate on Schedule 2 (February 2018 Quarterly Filing (Line 6 + Line 7) | | | <u>\$ 3.5064</u> |

NATURAL GAS FUTURES

NYMEX Jan up 3.7 cents; supply-demand tightens

The NYMEX January gas futures contract settled Wednesday at \$2.715/MMBtu, up 3.7 cents from Tuesday's close, as the national supply-demand balance tightens.

January traded Wednesday between \$2.656/MMBtu and \$2.751/MMBtu, chipping away at the 38-cent drop the contract has experienced since December 1.

Platts Analytics' Bentek Energy supply-demand data shows total US demand is expected to roll over the 100 Bcf/d level Thursday, a 1.2 Bcf/d jump from current levels and consistent with a steady upward swing seen in recent days.

Largely driving the demand swing is the Northeast, where demand is expected to surge to 31.1 Bcf/d Thursday, and remain above the 30 Bcf/d threshold into the weekend, about 7.4 Bcf/d above the previous seven-day average, Platts Analytics data shows.

Moving to another segment of the demand stack, exports moving south to Mexico hit a near 30-day high Wednesday at just under 4.6 Bcf/d, marking only the 13th time that exports have reached this level on record.

Concurrently, production Wednesday is coming in at a slight decline from previous sessions at around 76.4 Bcf/d, slightly below the December-to-date average of 76.7 Bcf/d, but around 600 MMcf/d down from weekend levels.

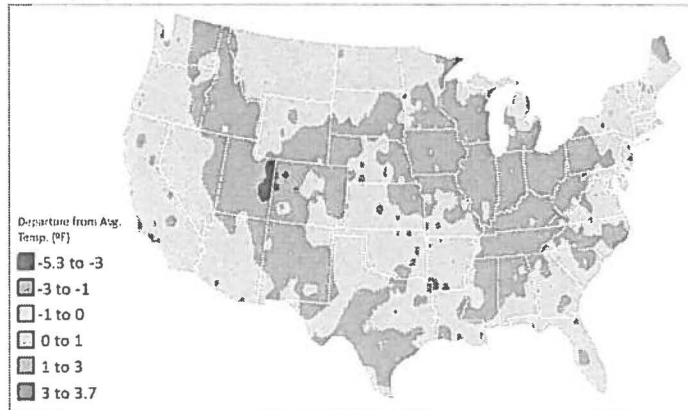
While the market is inching higher Wednesday following consistent weakening throughout much of December, how the contract will close out the trading week will hinge heavily on the upcoming US Energy Information Administration weekly gas storage report, to be released Thursday.

According to a consensus of analysts surveyed by S&P Global Platts, the storage period for the week ending December 8 is projected to see a 63 Bcf withdrawal from storage, well below the 147 Bcf withdrawal experienced last year.

If projections come to fruition, the gap in supplies with historical levels could rapidly narrow, likely resulting in additional prompt-month downward pressure as production levels remain robust.

MONTH-AHEAD TEMPERATURE FORECAST MAP

January departure from average



Source: Platts, Custom Weather

NYMEX HENRY HUB GAS FUTURES CONTRACT, DEC 13

| | Settlement | High | Low | +/- | Volume |
|----------|------------|-------|-------|-------|--------|
| Jan 2018 | 2.715 | 2.751 | 2.656 | 0.037 | 91100 |
| Feb 2018 | 2.732 | 2.763 | 2.669 | 0.038 | 23460 |
| Mar 2018 | 2.704 | 2.736 | 2.647 | 0.034 | 11466 |
| Apr 2018 | 2.631 | 2.660 | 2.587 | 0.017 | 8433 |
| May 2018 | 2.638 | 2.666 | 2.597 | 0.018 | 3265 |
| Jun 2018 | 2.675 | 2.702 | 2.635 | 0.015 | 2106 |
| Jul 2018 | 2.712 | 2.738 | 2.672 | 0.013 | 912 |
| Aug 2018 | 2.718 | 2.743 | 2.678 | 0.012 | 670 |
| Sep 2018 | 2.703 | 2.727 | 2.663 | 0.013 | 376 |
| Oct 2018 | 2.730 | 2.755 | 2.689 | 0.011 | 1338 |
| Nov 2018 | 2.790 | 2.814 | 2.748 | 0.009 | 899 |
| Dec 2018 | 2.924 | 2.948 | 2.881 | 0.007 | 369 |
| Jan 2019 | 3.017 | 3.038 | 2.976 | 0.006 | 699 |
| Feb 2019 | 3.002 | 3.025 | 2.958 | 0.004 | 110 |
| Mar 2019 | 2.945 | 2.967 | 2.905 | 0.004 | 458 |
| Apr 2019 | 2.675 | 2.685 | 2.646 | 0.002 | 262 |
| May 2019 | 2.646 | 2.655 | 2.635 | 0.001 | 18 |
| Jun 2019 | 2.670 | 2.684 | 2.665 | 0.001 | 7 |
| Jul 2019 | 2.696 | 2.705 | 2.670 | 0.002 | 9 |
| Aug 2019 | 2.696 | 2.708 | 2.670 | 0.002 | 4 |
| Sep 2019 | 2.681 | 2.681 | 2.660 | 0.002 | 6 |
| Oct 2019 | 2.705 | 2.716 | 2.680 | 0.002 | 11 |
| Nov 2019 | 2.753 | 2.766 | 2.728 | 0.002 | 14 |
| Dec 2019 | 2.896 | 2.905 | 2.880 | 0.002 | 14 |
| Jan 2020 | 3.001 | 3.015 | 3.001 | 0.001 | 5 |
| Feb 2020 | 2.978 | 2.991 | 2.960 | 0.002 | 4 |
| Mar 2020 | 2.928 | 2.945 | 2.900 | 0.003 | 1 |
| Apr 2020 | 2.658 | 2.658 | 2.610 | 0.008 | 10 |
| May 2020 | 2.637 | 2.637 | 2.605 | 0.011 | 2 |
| Jun 2020 | 2.665 | 2.665 | 2.665 | 0.011 | 0 |
| Jul 2020 | 2.695 | 2.695 | 2.695 | 0.011 | 0 |
| Aug 2020 | 2.710 | 2.710 | 2.710 | 0.011 | 0 |
| Sep 2020 | 2.710 | 2.710 | 2.710 | 0.011 | 0 |
| Oct 2020 | 2.740 | 2.740 | 2.740 | 0.011 | 0 |
| Nov 2020 | 2.810 | 2.865 | 2.865 | 0.011 | 3 |
| Dec 2020 | 2.958 | 2.958 | 2.958 | 0.011 | 0 |

Contract data for Tuesday

Volume of contracts traded: 487,243

Front-months open interest:

Jan, 243,196; Feb, 274,168; Mar, 257,168

Total open interest: 1,546,760

Data is provided by a third-party vendor and is accurate as of 5:30 pm Eastern time.

NYMEX PROMPT MONTH FUTURES CONTINUATION

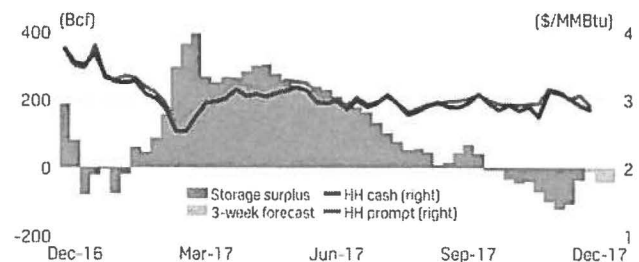
(\$/MMBtu)



Note: The entire wick of the candlestick depicts the high and low daily front-month Henry Hub futures price range. The body of the candlestick depicts the price range between the open and close, with a red candlestick indicating a close on the downside and a green candlestick indicating a close on the high end.

Source: Platts

BENTEK US GAS STORAGE SURPLUS vs ROLLING 5-YEAR AVERAGE





Columbia Gas TCO (Platts IFERC) Basis Futures Settlements

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Futures

Trade Date: Tuesday, 12 Dec 2017 (Final) ▼

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| Month | Open | High | Low | Last | Change | Settle | Estimated Volume | Prior Day Open Interest |
|--------|------|------|-----|------|--------|--------|------------------|-------------------------|
| JAN 18 | - | - | - | - | +.0030 | -.1770 | 0 | 1,209 |
| FEB 18 | - | - | - | - | -.0080 | -.2090 | 0 | 1,036 |
| MAR 18 | - | - | - | - | -.0040 | -.2220 | 0 | 1,209 |
| APR 18 | - | - | - | - | -.0070 | -.2100 | 0 | 420 |