**Section 556.50 Recoverable Costs – Return on QIP**

a) The pre-tax return (PTR) is the return on the QIP. The pre-tax return shall be calculated using the weighted cost of debt and weighted cost of equity determined in the utility's last gas rate case proceeding. The weighted cost of equity shall be multiplied by the gross revenue conversion factor (GRCF). The product shall be added to the weighted cost of debt to obtain the pre-tax return.

b) The pre-tax return shall be calculated by using the following formulas:

|  |  |  |
| --- | --- | --- |
| PTR | = | ((WCCE + WCPE) x GRCF) + WCLTD + WCSTD |

|  |  |  |
| --- | --- | --- |
| GRCF | = |  1 |
| (1 – (PPTRIT+ SIT)) x (1 - FIT)  |

Where:

|  |  |  |
| --- | --- | --- |
| GRCF | = | Gross Revenue Conversion Factor. |
| PPTRIT | = | Illinois Personal Property Tax Replacement Income Tax rate in effect at the time of the filing. |
| SIT | = | Illinois State income tax rate in effect at the time of the filing. |
| FIT | = | Federal income tax rate in effect at the time of the filing. |
| PTR | = | Pre-tax return. |
| WCCE | = | Weighted cost of common equity approved in the utility's last rate case proceeding. |
| WCPE | = | Weighted cost of preferred equity approved in the utility's last rate case proceeding. |
| WCLTD | = | Weighted cost of long term debt and credit facilities fees approved in the utility's last rate case proceeding. |
| WCSTD | = | Weighted cost of short term debt approved in the utility's last rate case proceeding. |