**Section 656.50 Recoverable Qualifying Infrastructure Plant Costs**

QIP costs shall include the pre-tax return on QIP and the net depreciation expense applicable to QIP.

a) The pre-tax return is calculated using the weighted cost of debt and weighted cost of equity determined in the utility's last rate case for the rate zone. The weighted cost of equity is multiplied by the gross revenue conversion factor (GRCF). The product is then added to the weighted cost of debt to obtain the pre-tax return. The pre-tax return is calculated using the following formulas:

$$GRCF=\frac{1}{\left(1-\left(PPTRIT+SIT\right)\right)×\left(1-FIT\right)}$$



Where:

|  |  |  |
| --- | --- | --- |
| GRCF | = | Gross Revenue Conversion Factor. |
| PPTRIT | = | Illinois Personal Property Tax Replacement Income Tax rate in effect at the time of the initial, annual or quarterly filing. |
| SIT | = | Illinois State income tax rate in effect at the time of the initial, annual or quarterly filing. |
| FIT | = | Federal income tax rate in effect at the time of the initial, annual or quarterly filing. |
| PTR | = | Pre-tax return. |
| WCCE | = | Weighted cost of common equity from the utility's last rate case for the rate zone. |
| WCPE | = | Weighted cost of preferred equity from the utility's last rate case for the rate zone. |
| WCLTD | = | Weighted cost of long term debt from the utility's last rate case for the rate zone. |
| WCSTD | = | Weighted cost of short term debt from the utility's last rate case for the rate zone. |

b) Net depreciation expense shall be calculated by applying the utility's approved depreciation rate to each category of QIP. The depreciation expense for QIP shall be reduced by the depreciation expense on the plant being replaced.

(Source: Amended at 43 Ill. Reg. 8843, effective August 2, 2019)