

*Adm Hfd  
4/19/05 CHS*

STAFF-NORTH SHORE GROUP EXHIBIT #1

**List of Public and Redacted Documents  
for NORTH SHORE GAS Stipulation**

DOCKET NO. 01-0706

-- Sorted by Document Description

Sheet #s	Public/ Redacted/ Confidential	Document Description	Witness or Subponaed Individual
001-025	Redacted	Bates #s 01PGL 047931-6, 047941-60 and 059003-7 [Aruba Analysis]	Rodriguez
26	Public	Deposition: Hermann TR p. 10	Hermann
027-028	Public	Deposition: Hermann TR p. 18 - 19	Hermann
030-032	Public	Deposition: Morrow TR pp. 43-45	Morrow
034-037	Public	Deposition: Rodriguez TR p. 76 - 79	Rodriguez
084-086	Public	POL 16.15b (Dep. Exhibit #94)	Hermann

OFFICIAL FILE

DOCKET NO. 01-0706  
STAFF/north shore exhibit No. group 2x1 (pub)

Witness  
Date: 4/19/05 Version: TR

ARUBA ANALYSIS.

CONFIDENTIAL  
01PGL 04793

11-5-04  
DEPOSITION  
EXHIBIT 27  
PENGAD 800-631-6989

ST-NS 001

## SUPPORTING LOGIC BEHIND THE ECONOMIC ANALYSIS

### Analyzing Supply Agreements

Companies economic analysis on gas supply agreements (pipeline and supply contracts) based on market information know today vs. market info looking forward. The use of such information for economic analysis is NOT NEW to the ICC staff. In all cases historical information was NOT the driving force in selecting the service. Example: PGL has not never turned down Gage supply at Midcont + \$.08 because 5 yrs ago it was at Midcont +\$.01.

Examples of such agreements that company has performed forward looking analysis include, but not limited too:

Supply Contracts	MDQ	TERM (month)	Total Purchase (Bcf)	Price
EPEM Trunkline City Gate Service (98,99)	[REDACTED]	10.0	[REDACTED]	City Gate
EPEM MGT City Gate Purchase	[REDACTED]	10.0	[REDACTED]	City Gate
Midcon 50 day	[REDACTED]	24	[REDACTED]	City Gate
Midcon S-2 (intra day citygate agreement)	[REDACTED]	24	[REDACTED]	City Gate
All supplies on NGPL GAGE/HARPER	[REDACTED]	36	[REDACTED]	Field
TPC NSS (storage mgmt program)	[REDACTED]	24	[REDACTED]	Storage Spreads
NGPL Amarillo Capacity	[REDACTED]	12	[REDACTED]	Demand Charge
FY 98 City Gate Portfolio	[REDACTED]	5	[REDACTED]	City Gate

### Daily Indices vs. FOM indices

Allocation of percent (such as 50%/50% or 75%/25%) is not applicable in determining if this contract benefits the consumer. Historical measurement of these splits tells one thing, differences in FOM to Daily are volatile and cannot and WILL not be predicted.

### Historical vs Forward

The logic of a forward looking analysis is not skewed by applying percentages to an unpredictable relationship between FOM and Daily indices. The important thing to look at is what is the VALUE of commodity in relation to its location. For example if gas in Texas is the same as gas in Chicago, indicates there is no value in holding Stx capacity for that month. The fact that I have firm gas at 75% FOM/25% Daily does NOT make a buyer go out and purchase STX cap.

### SUMMARY

THE IMPORTANT FACTOR WE MUST ACCEPT (OR NOT) IS WHAT THE SPREADS ARE FROM PGL/NSG CONTRACTED FIELD LOCATION TO CHICAGO. THE QUESTION WE MUST ASK OURSELVES: IS THE NET SPREADS THAT ENRON IS PROVIDING TODAY GOOD FOR THE CONSUMER IN YEARS 2-5?

WHAT THIS ANALYSIS TELLS US IS WE ARE TAKING THE VALUE OF CAPACITY TODAY AND "HEDGING" IT AGAINST WHAT THE PIPELINE VALUE MAY BE TOMORROW TO SECURE INDEX MINUS PRICING.



**PGUNSG TERMINATION PAYMENT  
BASED ON THE ENRON SALES REQUIREMENT**

	PEOPLES GAS		NSQ		TOTAL		
	BASELOAD VOLUME PLUS THE MIN SUMMER INCREMENTAL	EXPECTED SALES VOLUME UNDER A NORMAL YEAR	BASELOAD VOLUME PLUS MIN SUMMER INCREMENTAL	EXPECTED SALES VOLUME UNDER A NORMAL YEAR	BASELOAD VOLUME PLUS MIN SUMMER INCREMENTAL	EXPECTED SALES VOLUME UNDER A NORMAL YEAR	PERCENT OF NORMAL DEMAND
FISCAL YEAR 00							
FISCAL YEAR 01							
FISCAL YEAR 02							
FISCAL YEAR 03							
FISCAL YEAR 04							
<b>Totals</b>	354,813,359	608,515,787	98,409,171	126,298,178	453,222,530	734,811,943	82%

Assumptions  
1) Assumed the minimum expected sale volume ECT will guarantee at the [redacted]

	EXIT CONTRACT 4 YEARS PRIOR TO EXPIRATION	EXIT CONTRACT 5 YEARS PRIOR TO EXPIRATION
	Chicago Index (-\$.04)	\$ (3,438,411)
Chicago Index (-\$.03)	\$ 6,872,821	\$ 4,968,743
Chicago Index Flat	\$ 10,309,232	\$ 7,453,114
Chicago Index + \$.01	\$ 13,745,642	\$ 9,937,486
Chicago Index + \$.02	\$ 17,182,053	\$ 12,421,857
Chicago Index + \$.03	\$ 20,618,463	\$ 14,906,228
Chicago Index + \$.04	\$ 24,054,874	\$ 17,390,600
<b>AVERAGE</b>	\$ 17,182,053	\$ 12,421,857

Assumptions

	Value of Hedging Realized by Enron	On Hedged Volume	On Hedged Volume	On Hedged Volume
FISCAL YEAR 00	\$ 4,782,774	\$ 3,866,179	\$ 7,332,359	\$ 8,290
FISCAL YEAR 01	\$ 2,587,437	\$ 3,866,179	\$ 7,332,359	\$ 7,332,359
FISCAL YEAR 02	\$ 1,800,289	\$ 3,866,179	\$ 7,332,359	\$ 7,332,359
FISCAL YEAR 03	\$ 2,641,047	\$ 3,866,179	\$ 7,332,359	\$ 7,332,359
FISCAL YEAR 04	\$ 2,133,229	\$ 3,866,179	\$ 7,332,359	\$ 7,332,359
<b>Totals</b>	\$ 13,982,757	\$ 18,330,897	\$ 38,661,784	\$ 0.100

0.01

PRELIMINARY

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### The Peoples Gas Light and Coke Company Summary of Baseload Percent of Annual Total Purchases

	Fiscal 2000			Fiscal 2001		
	Warm	Normal	Cold	Warm	Normal	Cold
Baseload Volumes (Dth)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Summer Incremental Baseload Volumes (Dth)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Daily (Short Imbalance) Purchase Volumes (Dth)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Volumes (Dth)	125,192,738	135,592,544	147,413,455	107,895,056	126,481,875	139,324,193
Total Baseload Percent	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Daily Purchase Percent	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Daily (Long Imbalance) Forced Sales Volumes (Dth)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>Customer Owned Gas</u>						
Forecast used in above analysis	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fiscal 1998 Actual	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fiscal 1999: 10 month actual + 2 months estimated	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Average Baseload Percent		[REDACTED]			[REDACTED]	
Average Daily Purchase Percent		[REDACTED]			[REDACTED]	
Weighted Average Baseload Percent		[REDACTED]			[REDACTED]	
Weighted Average Daily Purchase Percent		[REDACTED]			[REDACTED]	

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**Peoples Energy Corporation**  
**Booked and Index Variable Cost of Purchases Comparison**  
**All Off-System Sales Revenues Removed**

**Pricing Scenario:**

**50% Gas Daily Large End User Chicago Citygate & 50% Natural Gas Intelligence Weekly First of Month Chicago Citygate**

<u>Company</u>	<u>Fiscal Year</u>	<u>Booked Purchase Dth</u>	<u>Booked Purchase \$</u>	<u>Booked Wtd Avg \$/dth</u>	<u>Index Purchase \$</u>	<u>Index Wtd Avg \$/dth</u>
PGLC	1995	104,932,148	\$179,316,196		\$168,914,975	
PGLC	1996	172,336,795	\$426,162,837		\$490,220,669	
PGLC	1997	153,294,213	\$416,885,253		\$431,867,469	
PGLC	1998	118,527,254	\$294,967,738		\$298,910,224	
PGLC (1)	1999	101,115,793	\$226,831,836		\$209,103,070	
Totals		650,206,203	\$1,544,163,860	<u>\$2.3749</u>	\$1,599,016,405	<u>\$2.4592</u> \$0.0844 3.43%
Avg. Cost Difference						
Avg. Cost Percent of Index Difference						
NSG	1995	20,293,678	\$34,928,818		\$32,533,729	
NSG	1996	27,990,575	\$63,966,141		\$78,118,120	
NSG	1997	27,226,347	\$71,855,627		\$75,851,636	
NSG	1998	21,836,757	\$53,042,921		\$54,052,522	
NSG (1)	1999	20,537,908	\$45,420,176		\$42,280,016	
Totals		117,885,265	\$269,213,684	<u>\$2.2837</u>	\$282,836,023	<u>\$2.3992</u> \$0.1156 4.82%
Avg. Cost Difference						
Avg. Cost Percent of Index Difference						

Note: 1. Fiscal 1999 contains booked results through the end of July.

Historical Benchmark less offsystem sales Fiscal 95 to 99

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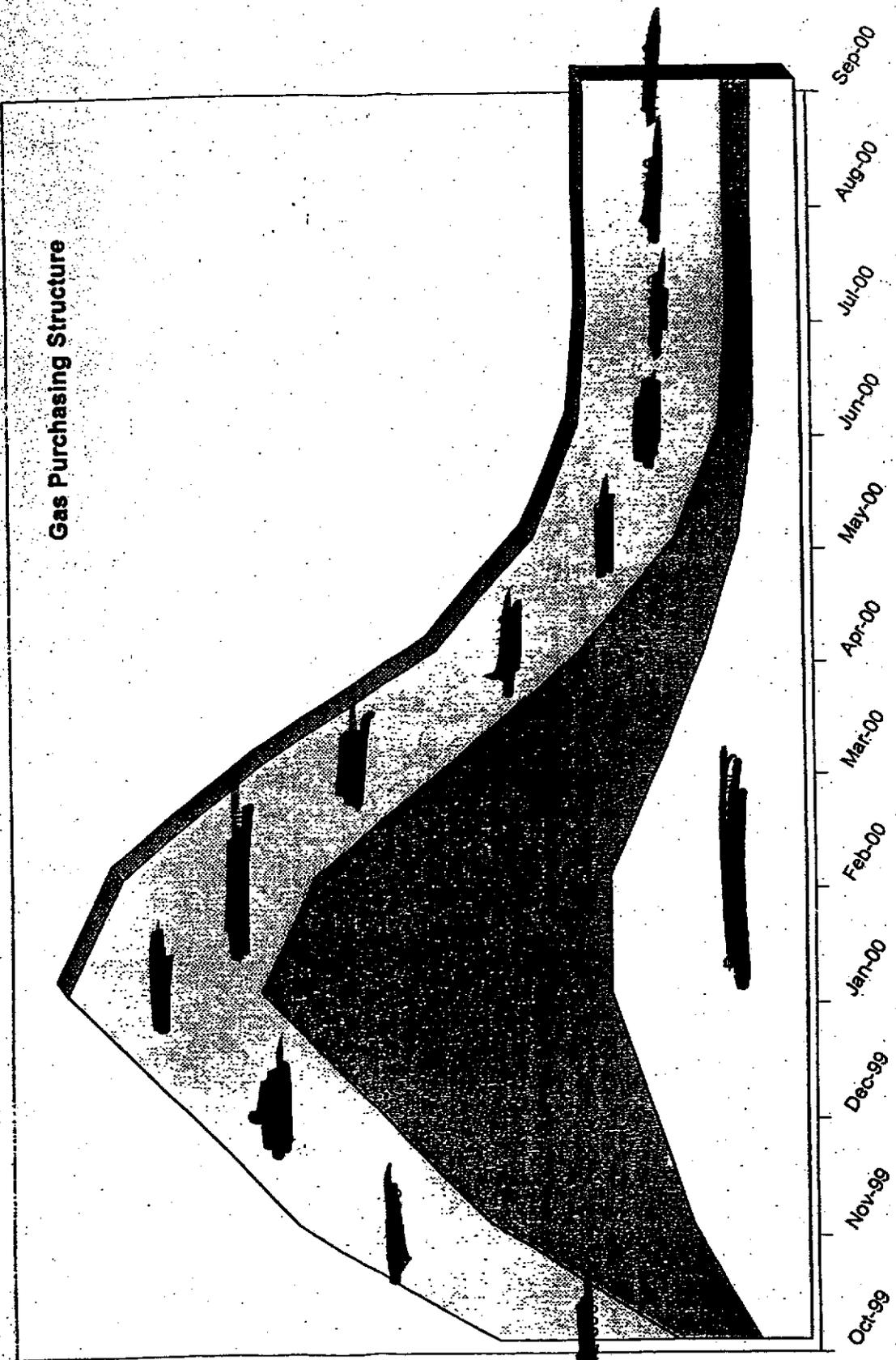
I. BASELOAD AND/OR SUMMER INCREMENTAL QUANTITY

PGLC GAS PURCHASE AND AGENCY AGREEMENT					NS GAS PURCHASE AND AGENCY AGREEMENT				
	Baseload	SIQ	Min Baseload	Max Baseload		Baseload	SIQ	Min Baseload	Max Baseload
Oct-99					Oct-99				
Nov-99					Nov-99				
Dec-99					Dec-99				
Jan-00					Jan-00				
Feb-00					Feb-00				
Mar-00					Mar-00				
Apr-00					Apr-00				
May-00					May-00				
Jun-00					Jun-00				
Jul-00					Jul-00				
Aug-00					Aug-00				
Sep-00					Sep-00				
Oct-00					Oct-00				
Nov-00					Nov-00				
Dec-00					Dec-00				
Jan-01					Jan-01				
Feb-01					Feb-01				
Mar-01					Mar-01				
Apr-01					Apr-01				
May-01					May-01				
Jun-01					Jun-01				
Jul-01					Jul-01				
Aug-01					Aug-01				
Sep-01					Sep-01				
Oct-01					Oct-01				
Nov-01					Nov-01				
Dec-01					Dec-01				
Jan-02					Jan-02				
Feb-02					Feb-02				
Mar-02					Mar-02				
Apr-02					Apr-02				
May-02					May-02				
Jun-02					Jun-02				
Jul-02					Jul-02				
Aug-02					Aug-02				
Sep-02					Sep-02				
Oct-02					Oct-02				
Nov-02					Nov-02				
Dec-02					Dec-02				
Jan-03					Jan-03				
Feb-03					Feb-03				
Mar-03					Mar-03				

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Gas Purchasing Structure



		PEOPLE'S		SUMMER		PGL		NSG		NSG		NSG		LOW CASE		HIGH CASE	
		BASELOAD		INCREMENTS		BaseLoad & Min Summer		Total BaseLoad & Min Summer		Total BaseLoad & Min Summer							
		SALE		TAL SALE		Incremental		Incremental									
Oct-99	31																
Nov-99	30																
Dec-99	31																
Jan-00	31																
Feb-00	29																
Mar-00	31																
Apr-00	30																
May-00	31																
Jun-00	30																
Jul-00	31																
Aug-00	31																
Sep-00	30																
Oct-00	31																
Nov-00	30																
Dec-00	31																
Jan-01	31																
Feb-01	28																
Mar-01	31																
Apr-01	30																
May-01	31																
Jun-01	30																
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Jan-02	31																
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Jan-04	31																
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Mar-04	31																
Apr-04	30																
May-04	31																
Jun-04	30																
Jul-04	31																
Aug-04	31																
Sep-04	30																
Oct-04	31																

Fiscal 00  
Fiscal 01  
Fiscal 02  
Fiscal 03  
Fiscal 04

[REDACTED]

302,775,244      364,796,400      444,152,190      599,223,190

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LNG BLOWOUT

TIDAL WAVE

ST-NS010  
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VALUATION OF GAS SUPPLY TRANSACTION  
LOW CASE (MIN SUMMER PUTS)

	PEOPLES GAS & NORTH SHORE GAS			VALUE TO ECT FOR HEDGING DAILY INCREMENTAL VOLUMES	VALUE TO PGL FOR SELLING A SUMMER PUT OPTION AT \$2.11	VALUE TO PGL FOR ELIMINATION OF SUPPLY DEMAND CHARGES	NET VALUE REALIZED BY ENRON	EXPECTED DISCOUNT TO BASELOAD VOLUME	Payment Schedule For Put Option NPV @ 6%	Payment Schedule For Cap. Hedges NPV @ 6%	TOTAL VALUE INCLUSIVE OF DISCOUNT CASH FLOW
	BASELOAD VOLUME PLUS THE MAX SUMMER INCREMENTAL	DAILY INCREMENTAL VOLUME (max FT-baseload)	NET PIPELINE CAPACITY VALUE less a \$0.01 Liquidity Premium (WTD AVG.)								
FISCAL YEAR 00											
FISCAL YEAR 01											
FISCAL YEAR 02											
FISCAL YEAR 03											
FISCAL YEAR 04											
TOTAL	444,113,110	366,617,949	\$ 0.0375	\$ 13,962,757	\$ 11,407,000	\$ (1,700,000)	\$ 23,689,757	\$ (0.0533) WTD avg	\$ 10,152,266	\$ 12,726,758	\$ 21,181,025

Valued owed to PGL/NSG: \$ (13,323,393)  
PGL/NSG Value: \$ (0.030)

				TOTAL TO ECT
Total Profit plus NPV to Enron	\$ (10,366,964)	\$ (1,254,734)	\$ (1,253,999)	\$ (12,875,096)
Total Profit plus NPV to Enron (per dth):	\$ (0.023)	\$ (0.0028)	\$ (0.0028)	\$ (0.029)

Assumptions

- Daily incremental volumes are a function of the Total contracted pipeline capacity less the baseload and summer incremental quantity.
- Assumed Enron undertakes a basis spread on the daily incremental volume (sells the field, buys Chicago)
- Net capacity value (see attached) is the net cost to deliver supply from the field basins to the Chicago market area. 5 year basis quotes were taken on 8/20/99. A liquidity premium of \$0.015 was factored in due to the magnitude of volumes that would be hedged.
- Value of giving someone the right to swing (from the FOM price) during the period Apr-Nov. Quote was taken from the Market on 9/9/99.
- Value to Enron was based on...
- NPV CALCULATION ASSUMED AS 5 YEAR T-NOTE RATE OF 6%. NPV CALCULATION WAS BASED OFF THE VALUE OF THE HEDGED DAILY INCREMENTAL VOLUMES AND THE VALUE OF THE PUT OPTION

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**VALUATION OF GAS SUPPLY TRANSACTION  
HIGH CASE (MAX SUMMER PUTS)**

Based on market	PEOPLES GAS & NORTH SHORE GAS			VALUE TO ECT FOR HEDGING DAILY INCREMENTAL VOLUMES	VALUE TO PGL FOR SELLING A SUMMER PUT OPTION AT \$0.11	VALUE TO PGL FOR ELIMINATION OF SUPPLY DEMAND CHARGES	NET VALUE REALIZED BY ENRON	EXPECTED DISCOUNT TO BASELOAD VOLUME	Payment Schedule For Put Option NPV @ 6%	Payment Schedule For Cap. Hedges NPV @ 6%	TOTAL VALUE INCLUSIVE OF DISCOUNT CASH FLOW
	BASELOAD VOLUME PLUS THE MAX SUMMER INCREMENTAL	DAILY INCREMENTAL VOLUME (max FT-baseload)	NET PIPELINE CAPACITY VALUE less a \$0.01 Liquidity Premium (WTD AVG.)								
FISCAL YEAR 00			\$	\$	\$	\$	\$	\$	\$	\$	\$
FISCAL YEAR 01			\$	\$	\$	\$	\$	\$	\$	\$	\$
FISCAL YEAR 02			\$	\$	\$	\$	\$	\$	\$	\$	\$
FISCAL YEAR 03			\$	\$	\$	\$	\$	\$	\$	\$	\$
FISCAL YEAR 04			\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>TOTAL</b>	599,323,110	211,407,949	\$ 0.0375	\$ 8,166,034	\$ 11,407,000	\$ (1,700,000)	\$ 17,873,034	\$ (0.0238) WTD avg	\$ 10,152,266	\$ 7,528,493	\$ 15,990,760

Valued owed to PGLNSG : \$ (17,979,693)  
PGLNSG Value: \$ (0.030)

				TOTAL TO ECT
Total Profit plus NPV to Enron	\$ 106,659	\$ (1,254,734)	\$ (637,541)	\$ (1,785,616)
Total Profit plus NPV to Enron (per dth):	\$ 0.0002	\$ (0.0021)	\$ (0.0011)	\$ (0.003)

**Assumptions**

- Daily incremental volumes are a function of the Total contracted pipeline capacity less the baseload and summer incremental quantity.
- Assumed Enron undertakes a basis spread on the daily incremental volume (sells the field, buys Chicago).
- Net capacity value (see attached) is the net cost to deliver supply from the field basins to the Chicago market area. 5 year basis quotes were taken on 8/20/99. A liquidity premium of \$0.015 was factored in due to the magnitude of volumes that would be hedged.
- Value of giving someone the right to swing (from the FOM price) during the period Apr-Nov. Quote was taken from the Market on 9/9/99.
- Value to Enron was based on [REDACTED]
- NPV CALCULATION ASSUMED AS 5 YEAR T-NOTE RATE OF 6%. NPV CALCULATION WAS BASED OFF THE VALUE OF THE HEDGED DAILY INCREMENTAL VOLUMES AND THE VALUE OF THE PUT OPTION

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**VALUATION OF GAS SUPPLY TRANSACTION  
LOW CASE (MIN SUMMER PUTS)**

	PEOPLES GAS & NORTH SHORE GAS			VALUE TO ECT FOR HEDGING DAILY INCREMENTAL VOLUMES	VALUE TO PGL FOR SELLING A SUMMER PUT OPTION AT \$0.11	VALUE TO PGL FOR ELIMINATION OF SUPPLY DEMAND CHARGES	NET VALUE REALIZED BY ENRON	EXPECTED DISCOUNT TO BASELOAD VOLUME	Payment Schedule		TOTAL VALUE INCLUSIVE OF DISCOUNT CASH FLOW
	BASELOAD VOLUME PLUS THE MAX SUMMER INCREMENTAL	DAILY INCREMENTAL VOLUME (max FT-base load)	NET PIPELINE CAPACITY VALUE less a \$0.01 Liquidity Premium (WTD AVG.)						For Put Option NPV @ 6%	For Cap. Hedges NPV @ 6%	
FISCAL YEAR 00	[REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
FISCAL YEAR 01	[REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
FISCAL YEAR 02	[REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
FISCAL YEAR 03	[REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
FISCAL YEAR 04	[REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
<b>TOTAL</b>	<b>4,44,113,110</b>	<b>365,621,807</b>	<b>\$ 0.0373</b>	<b>\$ 13,865,859</b>	<b>\$ 11,407,000</b>	<b>\$ (1,700,000)</b>	<b>\$ 23,572,859</b>	<b>\$ (0.0531) WTD avg</b>	<b>\$ 10,152,266</b>	<b>\$ 12,611,860</b>	<b>\$ 21,064,126</b>

Valued owed to PGL/NSG : \$ (13,323,393)  
PGL/NSG Value: \$ (0.030)

75000

	TOTAL TO ECT			
Total Profit plus NPV to Enron	\$ (10,249,466)	\$ (1,254,734)	\$ (1,253,999)	\$ (12,758,198)
Total Profit plus NPV to Enron (per dth):	\$ (0.023)	\$ (0.0028)	\$ (0.0028)	\$ (0.029)

**Assumptions**

- Daily incremental volumes are a function of the Total contracted pipeline capacity less the base load and summer incremental quantity.
- Assumed Enron undertakes a basis spread on the daily incremental volume (sells the field, buys Chicago).
- Net capacity value (see attached) is the net cost to deliver supply from the field basins to the Chicago market area. 5 year basis quotes were taken on 8/20/99. A liquidity premium of \$0.015 was factored in due to the magnitude of volumes that would be hedged.
- Value of giving someone the right to swing [REDACTED] (from the FOM price) during the period Apr-Nov. Quote was taken from the Market on 9/9/99.
- Value to Enron was based on [REDACTED].
- NPV CALCULATION ASSUMED AS 5 YEAR T-NOTE RATE OF 6%. NPV CALCULATION WAS BASED OFF THE VALUE OF THE HEDGED DAILY INCREMENTAL VOLUMES AND THE VALUE OF THE PUT OPTION.

*+ option cost on 35K (.0106)  
0.033/dth*

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01PGL 047947



Peoples Gas/North Shore Capacity Value

(Print)

	Number of Days	Oct-99 31	Nov-99 30	Dec-99 31	Jan-00 31	Feb-00 29	Mar-00 31	Apr-00 30	May-00 31	Jun-00 30	Jul-00 31	Aug-00 31	Sep-00 30
<b>NYMEX</b>	09/0999	\$2,851	\$2,985	\$3,060	\$3,100	\$2,835	\$2,755	\$2,595	\$2,508	\$2,496	\$2,496	\$2,506	\$2,531
Wtd Avg Delivered Cost to Chicago		\$ 2,859	\$ 3,074	\$ 3,147	\$ 3,187	\$ 3,020	\$ 2,846	\$ 2,821	\$ 2,527	\$ 2,509	\$ 2,506	\$ 2,510	\$ 2,548
Chicago Citygate (Nymex+basis)		\$ 2,921	\$ 3,138	\$ 3,238	\$ 3,300	\$ 3,123	\$ 2,938	\$ 2,860	\$ 2,558	\$ 2,531	\$ 2,526	\$ 2,546	\$ 2,581
Net Difference		\$ (0.06)	\$ (0.06)	\$ (0.09)	\$ (0.11)	\$ (0.10)	\$ (0.09)	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.03)
<b>NGPL</b>													
Amarillo (Gage)		\$2,7635	\$2,9750	\$3,0475	\$3,0850	\$2,9200	\$2,7475	\$2,5250	\$2,4355	\$2,4160	\$2,4135	\$2,4160	\$2,4585
Trunkline													
So. Texas		N/A	\$2,9200	\$2,9600	\$3,0050	\$2,8400	\$2,6900	N/A	N/A	N/A	N/A	N/A	N/A
Louisiana		\$2,8010	\$2,9400	\$3,0075	\$3,0450	\$2,8850	\$2,7125	\$2,5475	\$2,4605	\$2,4485	\$2,4485	\$2,4585	\$2,4835
Louisiana (QNT)		N/A	\$2,9400	\$3,0075	\$3,0450	\$2,8850	\$2,7125	N/A	N/A	N/A	N/A	N/A	N/A
Northern Border													
Iowa-IL (Harper)		\$2,8135	\$3,0850	\$3,1575	\$3,1950	\$3,0300	\$2,8575	\$2,5900	\$2,5005	\$2,4810	\$2,4785	\$2,4810	\$2,5235
Ventura		\$2,7635	\$2,9075	\$3,1008	\$3,1750	\$3,0250	\$2,8400	\$2,6600	\$2,4330	\$2,4160	\$2,4065	\$2,4160	\$2,4335
TENNMGT													
TENN-500 Leg.		N/A	\$2,9025	\$2,9425	\$2,9875	\$2,8225	\$2,6725	N/A	N/A	N/A	N/A	N/A	N/A
ANR													
TransCanada		\$2,8560	\$2,9950	\$3,0688	\$3,1063	\$2,9425	\$2,7663	\$2,6075	\$2,5230	\$2,5085	\$2,5035	\$2,5123	\$2,5335
Total (Weighted Average)		\$2,8038	\$3,0037	\$3,0753	\$3,1143	\$2,9509	\$2,7797	\$2,5792	\$2,4859	\$2,4690	\$2,4653	\$2,4696	\$2,5064
Receipt Zone to Market Fuel (%)													
Total (Weighted Average) Mkt Fuel		1.69%	1.89%	1.89%	1.89%	1.89%	1.89%	1.43%	1.43%	1.43%	1.43%	1.43%	1.43%
Receipt Zone to Market Commodity = ACA + GRI + Commodity for Fuel (\$/Dth)													
Total (Weighted Average)		\$0.0066	\$0.0128	\$0.0128	\$0.0128	\$0.0128	\$0.0128	\$0.0048	\$0.0048	\$0.0048	\$0.0048	\$0.0048	\$0.0048
<b>DELIVERED COST</b>													
NGPL													
So. Texas		N/A											
Iowa-IL (Harper)		N/A											
Amarillo (Gage)		\$2,8627	\$3,0611	\$3,1569	\$3,1948	\$3,0243	\$2,8461	\$2,6163	\$2,5239	\$2,5037	\$2,5011	\$2,5037	\$2,5476
Trunkline													
So. Texas		N/A	\$3,0181	\$3,0592	\$3,1054	\$2,9359	\$2,7819	N/A	N/A	N/A	N/A	N/A	N/A
Louisiana		\$2,8959	\$3,0386	\$3,1079	\$3,1464	\$2,9821	\$2,8050	\$2,6355	\$2,5462	\$2,5338	\$2,5338	\$2,5441	\$2,5698
Louisiana (QNT)		N/A	\$3,0386	\$3,1079	\$3,1464	\$2,9821	\$2,8050	N/A	N/A	N/A	N/A	N/A	N/A
Northern Border													
Iowa-IL (Harper)		\$2,8333	\$3,1067	\$3,1798	\$3,2175	\$3,0514	\$2,8776	\$2,6083	\$2,5181	\$2,4985	\$2,4960	\$2,4985	\$2,5413
Ventura		\$2,7914	\$2,9369	\$3,1313	\$3,2071	\$3,0556	\$2,8687	\$2,6869	\$2,4576	\$2,4404	\$2,4328	\$2,4404	\$2,4581

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Peoples Gas/North Shore Capacity Values

( Print

	Number of Days	Oct-99 21	Nov-99 30	Dec-99 31	Jan-00 31	Feb-00 29	Mar-00 31	Apr-00 30	May-00 31	Jun-00 30	Jul-00 31	Aug-00 31	Sept-00 30
<b>NYMEX</b>	09/09/99	\$2,851	\$2,985	\$3,060	\$3,100	\$2,935	\$2,755	\$2,895	\$2,508	\$2,496	\$2,496	\$2,504	\$2,531
Wtd Avg Delivered Cost to Chicago		\$ 2,859	\$ 3,074	\$ 3,147	\$ 3,187	\$ 3,020	\$ 2,846	\$ 2,821	\$ 2,527	\$ 2,509	\$ 2,508	\$ 2,510	\$ 2,544
Chicago Citygate (Nymex+basis)		\$ 2,921	\$ 3,158	\$ 3,238	\$ 3,308	\$ 3,123	\$ 2,938	\$ 2,640	\$ 2,558	\$ 2,531	\$ 2,526	\$ 2,546	\$ 2,581
Net Difference		\$ (0.06)	\$ (0.08)	\$ (0.09)	\$ (0.11)	\$ (0.10)	\$ (0.09)	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.03)
<b>TENNMG</b>	TENN-500 Leg	N/A	\$3,0753	\$3,1167	\$3,1633	\$2,9924	\$2,8371	N/A	N/A	N/A	N/A	N/A	N/A
<b>ANR</b>	TransCanada	\$2,9048	\$3,0457	\$3,1204	\$3,1585	\$2,9925	\$2,8138	\$2,6529	\$2,5672	\$2,5525	\$2,5475	\$2,5563	\$2,5779
Wtd Avg Delivered Cost to Chicago		\$2,8587	\$3,0741	\$3,1470	\$3,1868	\$3,0202	\$2,8457	\$2,8214	\$2,5268	\$2,5088	\$2,5059	\$2,5103	\$2,5476
* Fuel is calculated based on receipt volumes													
Basis Differential from Henry Hub (\$/Dth)													
Chicago Basis	Chicago	\$0.0700	\$0.1525	\$0.1775	\$0.2000	\$0.1875	\$0.1825	\$0.0650	\$0.0500	\$0.0350	\$0.0300	\$0.0400	\$0.0500
Receipt Zone (\$/Dth)													
Chicago Citygate (Nymex+basis)	Chicago	\$2,9210	\$3,1375	\$3,2375	\$3,3000	\$3,1225	\$2,9375	\$2,6600	\$2,5580	\$2,5310	\$2,5260	\$2,5460	\$2,5810

Peoples Gas/North Shore Capacity Value

Print

	09/09/99	Oct-99 31	Nov-99 30	Dec-99 31	Jan-00 31	Feb-00 29	Mar-00 31	Apr-00 30	May-00 31	Jun-00 30	Jul-00 31	Aug-00 31	Sep-00 30
<b>NYMEX</b>		\$2,851	\$2,985	\$3,080	\$3,100	\$2,935	\$2,755	\$2,595	\$2,508	\$2,496	\$2,496	\$2,506	\$2,531
Wtd Avg Delivered Cost to Chicago		\$ 2,859	\$ 3,874	\$ 3,147	\$ 3,187	\$ 3,020	\$ 2,846	\$ 2,821	\$ 2,527	\$ 2,509	\$ 2,506	\$ 2,516	\$ 2,548
Chicago Citygate (Nymex+basis)		\$ 2,821	\$ 3,158	\$ 3,238	\$ 3,300	\$ 3,123	\$ 2,938	\$ 2,660	\$ 2,558	\$ 2,531	\$ 2,526	\$ 2,546	\$ 2,581
Net Difference		\$ (0.06)	\$ (0.06)	\$ (0.09)	\$ (0.11)	\$ (0.10)	\$ (0.09)	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.03)
In(Out) of the Money (\$/Dth)													
<b>NET SPREAD</b>													
<b>NGPL</b>													
Amarillo (Gage)		\$0.0583	\$0.0564	\$0.0815	\$0.1052	\$0.0982	\$0.0914	\$0.0437	\$0.0341	\$0.0273	\$0.0249	\$0.0423	\$0.0334
Trunkline													
So. Texas		N/A	\$0.1194	\$0.1783	\$0.1946	\$0.1866	\$0.1558	N/A	N/A	N/A	N/A	N/A	N/A
Louisiana		\$0.0251	\$0.0989	\$0.1296	\$0.1536	\$0.1404	\$0.1325	\$0.0245	\$0.0118	(\$0.0026)	(\$0.0076)	\$0.0019	\$0.0112
Louisiana (ONT)		N/A	\$0.0989	\$0.1296	\$0.1536	\$0.1404	\$0.1325	N/A	N/A	N/A	N/A	N/A	N/A
Northern Border													
Iowa-IL (Harper)		\$0.0877	\$0.0306	\$0.0577	\$0.0825	\$0.0711	\$0.0589	\$0.0517	\$0.0398	\$0.0325	\$0.0300	\$0.0475	\$0.0397
Ventura		\$0.1296	\$0.2006	\$0.1062	\$0.0929	\$0.0689	\$0.0688	(\$0.0299)	\$0.1004	\$0.0908	\$0.0937	\$0.1056	\$0.1229
TENN/MGT													
TENN-500 Leg		N/A	\$0.0627	\$0.1208	\$0.1367	\$0.1301	\$0.1004	N/A	N/A	N/A	N/A	N/A	N/A
ANR													
TransCanada		\$0.0162	\$0.0918	\$0.1171	\$0.1415	\$0.1300	\$0.1237	\$0.0071	(\$0.0092)	(\$0.0215)	(\$0.0215)	(\$0.0103)	\$0.0031
Total (Wtd Average) SPREAD		\$0.0623	\$0.0634	\$0.0905	\$0.1132	\$0.1023	\$0.0918	\$0.0386	\$0.0312	\$0.0224	\$0.0201	\$0.0357	\$0.0334
													\$0.0588
<b>CAPACITY VALUE</b>													
<b>NGPL</b>													
Amarillo (Gage)		\$206,172	\$192,787	\$287,955	\$371,938	\$324,592	\$322,890	\$98,917	\$78,259	\$60,526	\$57,003	\$96,920	\$74,054
Trunkline													
So. Texas		N/A	\$0	\$0	\$0	\$0	\$0	N/A	N/A	N/A	N/A	N/A	N/A
Louisiana		\$84,182	\$358,069	\$473,954	\$561,698	\$480,364	\$484,811	\$36,737	\$18,354	(\$4,252)	(\$12,144)	\$2,937	\$16,830
Louisiana (ONT)		N/A	\$74,167	\$100,414	\$119,004	\$101,772	\$102,714	N/A	N/A	N/A	N/A	N/A	N/A
Northern Border													
Iowa-IL (Harper)		\$868,372	\$228,217	\$438,906	\$626,927	\$505,866	\$454,981	\$380,616	\$303,083	\$239,148	\$228,250	\$361,137	\$292,114
Ventura		\$61,824	\$82,631	\$50,881	\$44,336	\$29,878	\$32,830	(\$12,405)	\$47,911	\$41,828	\$44,451	\$50,379	\$56,752
TENN/MGT													
TENN-500 Leg		N/A	\$102,662	\$205,969	\$233,090	\$207,433	\$171,121	N/A	N/A	N/A	N/A	N/A	N/A
ANR													
TransCanada		\$30,182	\$168,266	\$217,722	\$263,268	\$228,257	\$230,072	N/A	N/A	N/A	N/A	N/A	N/A
<b>TOTAL VALUE</b>		\$1,048,712	\$1,203,789	\$1,775,581	\$2,220,260	\$1,876,161	\$1,799,119	\$501,864	\$447,608	\$337,248	\$317,560	\$511,374	\$439,749
													\$12,479,336

ST-NS 017  
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 01PGL 047982

Peoples Gas/North Shore Capacity Value

Print

	Number of Days	Oct-99 31	Nov-99 30	Dec-99 31	Jan-00 31	Feb-00 29	Mar-00 31	Apr-00 30	May-00 31	Jun-00 30	Jul-00 31	Aug-00 31	Sep-00 30
NYMEX	09/09/99	\$2,851	\$2,965	\$3,098	\$3,100	\$2,935	\$2,755	\$2,595	\$2,508	\$2,496	\$2,496	\$2,506	\$2,531
Wtd Avg Delivered Cost to Chicago		\$ 2,859	\$ 3,874	\$ 3,147	\$ 3,187	\$ 3,029	\$ 2,848	\$ 2,821	\$ 2,527	\$ 2,509	\$ 2,506	\$ 2,518	\$ 2,548
Chicago Citygate (Nymex+basis)		\$ 2,821	\$ 3,138	\$ 3,238	\$ 3,309	\$ 3,123	\$ 2,938	\$ 2,680	\$ 2,558	\$ 2,531	\$ 2,526	\$ 2,546	\$ 2,581
Net Difference		\$ (0.06)	\$ (0.06)	\$ (0.09)	\$ (0.11)	\$ (0.10)	\$ (0.09)	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.03)
NGPL	GAGE	3,534,000	3,420,000	3,534,000	3,534,000	3,306,000	3,534,000	2,217,870	2,291,799	2,217,870	2,291,799	2,291,799	2,217,870
Northern Border	Iowa-IL (Harper)	7,601,200	7,358,000	7,601,200	7,601,200	7,110,800	7,601,200	7,356,000	7,601,200	7,356,000	7,601,200	7,601,200	7,356,000
	Ventura	477,090	461,700	477,090	477,090	446,310	477,090	461,700	477,090	461,700	477,090	477,090	461,700
Trunkline	ELA	3,348,000	3,540,000	3,858,000	3,658,000	3,422,000	3,658,000	1,500,000	1,550,000	1,500,000	1,550,000	1,550,000	1,500,000
TENNAAGT	TENN-500 Leg		1,650,000	1,705,000	1,705,000	1,595,000	1,705,000						
ANR	TransCanada	1,860,000	1,800,000	1,860,000	1,860,000	1,740,000	1,860,000	1,800,000	1,860,000	1,800,000	1,860,000	1,860,000	1,800,000
Total		17,960,989	19,792,058	21,085,223	21,596,243	19,959,839	21,068,731	13,825,029	14,275,608	13,714,648	14,142,100	14,341,841	26,311,407 218,073,717
													135,000,006.00
													\$ 0.092

Sum

57-415 018  
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01PGL 047963

Nymex            Basis            Basis            Basis            Basis            Basis  
 08/19/99        NGPL-STx   NGPL-Midcont Trunkline - ELA   Ventura   Chicago Citygate  
 Month

Month	Nymex 08/19/99	Basis NGPL-STx	Basis NGPL-Midcont	Basis Trunkline - ELA	Basis Ventura	Basis Chicago Citygate
Oct-99	2.927S	-0.0675	-0.12	-0.05	-0.0875	0.07
Nov-99	3.031S	-0.065	-0.115	-0.045	-0.0775	0.1525
Dec-99	3.139S	-0.1	-0.11	-0.0525	0.04	0.1775
Jan-00	3.154S	-0.095	-0.1125	-0.055	0.075	0.2
Feb-00	2.961S	-0.095	-0.115	-0.05	0.09	0.1875
Mar-00	2.760S	-0.065	-0.115	-0.0425	0.085	0.1825
Apr-00	2.560S	-0.08	-0.1075	-0.0475	0.065	0.065
May-00	2.480S	-0.0775	-0.1025	-0.0475	-0.075	0.05
Jun-00	2.465S	-0.0775	-0.1075	-0.0475	-0.08	0.035
Jul-00	2.465S	-0.0775	-0.1175	-0.0475	-0.0875	0.03
Aug-00	2.470S	-0.0775	-0.12	-0.0475	-0.09	0.04
Sep-00	2.480S	-0.0775	-0.1275	-0.0475	-0.0975	0.05
Oct-00	2.520S	-0.08	-0.1075	-0.0475	-0.08	0.055
Nov-00	2.660S	-0.0425	-0.1025	-0.075	-0.075	0.1775
Dec-00	2.803S	-0.0725	-0.12	-0.075	0.0125	0.1775
Jan-01	2.847S	-0.0925	-0.12	-0.075	0.0425	0.1775
Feb-01	2.732S	-0.085	-0.12	-0.075	0.0575	0.1775
Mar-01	2.607S	-0.0675	-0.12	-0.075	0.0525	0.1775
Apr-01	2.490S	-0.075	-0.12	-0.0725	0.0375	0.025
May-01	2.465S	-0.0725	-0.13	-0.0725	-0.09	0.025
Jun-01	2.463S	-0.0725	-0.1325	-0.0725	-0.09	0.025
Jul-01	2.465S	-0.0725	-0.1325	-0.0725	-0.09	0.025
Aug-01	2.470S	-0.0725	-0.1325	-0.0725	-0.09	0.025
Sep-01	2.480S	-0.0725	-0.1325	-0.0725	-0.09	0.025
Oct-01	2.511S	-0.075	-0.1325	-0.0725	-0.09	0.025
Nov-01	2.650S	-0.0425	-0.13	-0.0725	-0.09	0.105
Dec-01	2.790S	-0.0725	-0.125	-0.0725	0.0575	0.165
Jan-02	2.830S	-0.0925	-0.125	-0.0725	0.0575	0.205
Feb-02	2.728S	-0.085	-0.125	-0.0725	0.0575	0.2075
Mar-02	2.621S	-0.0675	-0.125	-0.0725	0.0575	0.1675
Apr-02	2.515S	-0.075	-0.125	-0.075	0.0575	0.02
May-02	2.487S	-0.0725	-0.1325	-0.075	-0.0875	0.02
Jun-02	2.489S	-0.0725	-0.1325	-0.075	-0.0875	0.02
Jul-02	2.496S	-0.0725	-0.1325	-0.075	-0.0875	0.02
Aug-02		-0.0725	-0.1325	-0.075	-0.0875	0.02
Sep-02		-0.0725	-0.1325	-0.075	-0.0875	0.02
Oct-02		-0.075	-0.1325	-0.075	-0.0875	0.02
Nov-02		-0.05	-0.1325	-0.075	-0.0875	0.16
Dec-02		-0.08	-0.125	-0.075		0.16
Jan-03		-0.1	-0.125	-0.075		0.16

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Feb-03		-0.0925	-0.125	-0.075		0.16
Mar-03		-0.075	-0.125	-0.075		0.16
Apr-03		-0.09	-0.125	-0.0775		0.01
May-03		-0.09	-0.125	-0.0775		0.01
Jun-03		-0.09	-0.125	-0.0775		0.01
Jul-03		-0.09	-0.125	-0.0775		0.01
Aug-03		-0.09	-0.125	-0.0775		0.01
Sep-03		-0.09	-0.125	-0.0775		0.01
Oct-03		-0.1	-0.125	-0.085		0.01
Nov-03				-0.0925		0.185
Dec-03				-0.0925		0.185

ST-NS 020

Basis      Basis      Basis  
Tenn. Zn O      :      Iowa-III A

-0.0825	-0.0875	-0.0375
-0.0825	-0.01	0.1
-0.1175	-0.0125	0.0975
-0.1125	-0.015	0.095
-0.1125	-0.015	0.095
-0.0825	-0.0075	0.1025
-0.0575	-0.07	-0.005
-0.055	-0.0725	-0.0075
-0.055	-0.08	-0.015
-0.055	-0.0825	-0.0175
-0.055	-0.09	-0.025
-0.055	-0.0725	-0.0075
-0.0575	-0.07	-0.005
-0.0625	-0.015	0.08
-0.0925	-0.015	0.08
-0.1125	-0.015	0.08
-0.105	-0.015	0.08
-0.0875	-0.015	0.08
-0.07	-0.1	-0.035
-0.07	-0.1	-0.035
-0.065	-0.1	-0.035
-0.0625	-0.1	-0.035
-0.065	-0.1	-0.035
-0.0675	-0.1	-0.035
-0.07	-0.1	-0.035
-0.0525	-0.025	0.07
-0.0825	-0.025	0.07
-0.11	-0.025	0.07
-0.1025	-0.025	0.07
-0.085	-0.025	0.07
-0.0475	-0.1025	-0.0375
-0.0475	-0.1025	-0.0375
-0.0425	-0.1025	-0.0375
-0.04	-0.1025	-0.0375
-0.0425	-0.1025	-0.0375
-0.045	-0.1025	-0.0375
-0.0475	-0.1025	-0.0375
-0.0575	-0.025	0.07
-0.0875	-0.025	0.07
-0.1075	-0.025	0.07

ST-NS 021

CONFIDENTIAL  
01PGL 047956

ST-NS 022

		-0.095
		-0.065
	-0.105	-0.0575
	-0.105	-0.045
	-0.105	-0.0425
	-0.105	-0.04
	-0.105	-0.0425
	-0.105	-0.0475
	-0.105	-0.0475
	-0.025	-0.0825
0.07	-0.025	-0.1

ROLLING THUNDER

ST-NS 023

CONFIDENTIAL  
01PGL 047958

PGL/NSG BREAK EVEN ANALYSIS  
 BASED ON THE ENRON SALES REQUIREMENT

	TOTAL PIPELINE CAPACITY AT 100% LF PGL&NSG	EXPECTED SALES VOLUME BASED ON A NORMAL YEAR	DISCOUNTED BASELOAD VOLUME PLUS THE MAX SUMMER INCREMENTAL	PIPELINE WTD AVG. DELIVERED COST OF GAS TO CHICAGO	CHICAGO INDEX (nymex plus basis) on August 20, 1999	CHICAGO INDEX	COST TO CONSUMER vs. Proposed Enron Contract (b)	Additional BaseLoad Premium required to "Breakeven"
FISCAL YEAR 00				\$	\$	\$	\$	\$
FISCAL YEAR 01				\$	\$	\$	\$	\$
FISCAL YEAR 02				\$	\$	\$	\$	\$
FISCAL YEAR 03				\$	\$	\$	\$	\$
FISCAL YEAR 04				\$	\$	\$	\$	\$
Total	810,731,060	734,811,843	599,323,110	\$ 2.675	\$ 2.727	\$ 2.6972	\$ 19,179,818	\$ (0.0320) (WTD avg.)

FINAL DISCOUNTED ON CONTRACT PRICE : \$ (0.062)

ASSUMPTIONS

- 1) Assumed the minimum expected sale volume ECT will guarantee at the [REDACTED]
- 2) WTD avg. delivered cost was calculated using 5 yr. production area basis plus NYMEX plus the applicable pipeline variable cost.
- 3) 5 year quotes were taken from two marketers on August 18, 1999, revise quotes will be taken prior to Oct 1, 1999. NYMEX price in years 4 and 5 were escalated using at 1.3% WEFA growth factors
- 3) Cost to consumer was calculated as follows:  

$$[(\text{Normal year} * \text{WTD avg. pipeline cost}) - (\text{Index} - \text{[REDACTED]}) * \text{Index flat} * (\text{Normal Sales} - \text{Baseload})]$$

ST-NS 024

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 01PGL 04/959

3/14/2001

9:13 AM

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PGL/NSG BREAK EVEN ANALYSIS  
ON COST TO CONSUMER (LOW CASE)

	TOTAL PIPELINE CAPACITY AT 100% LF PGL&NSG	EXPECTED SALES VOLUME BASED ON A NORMAL YEAR	DISCOUNTED BASELOAD VOLUME PLUS THE MIN SUMMER INCREMENTAL	PIPELINE WTD AVG. DELIVERED COST OF GAS TO CHICAGO	CHICAGO INDEX (nymex plus basis) on August 20, 1999	CHICAGO INDEX	COST TO CONSUMER vs. Proposed Enron Contract	Additional Baseload Premium required to "Breakeven"
FISCAL YEAR 00				\$			\$	\$
FISCAL YEAR 01				\$			\$	\$
FISCAL YEAR 02				\$			\$	\$
FISCAL YEAR 03				\$			\$	\$
FISCAL YEAR 04				\$	2.727	2.6972	\$ 23,836,118	\$ (0.0537)
Total	810,731,060	734,811,943	444,113,110	\$ 2.675				\$ (WTD avg)

FINAL DISCOUNTED ON CONTRACT PRICE : \$ (0.084)

ASSUMPTIONS

- 1) Assumed the minimum expected sale volume ECT will guarantee at the [REDACTED]
  - 2) WTD avg. delivered cost was calculated using 5 yr. production area basis plus NYMEX plus the applicable pipeline variable cost.
  - 3) 5 year quotes were taken from two marketers on August 18, 1999, revise quotes will be taken prior to Oct 1, 1999. NYMEX price in years 4 and 5 were escalated using at 1.3% WEFA growth factors
- 3) Cost to consumer was calculated as follows:  

$$\{(\text{Normal year} * \text{WTD avg. pipeline cost}) - (\text{Index} - \text{Index flat}) * (\text{Normal Sales} - \text{Baseload})\}$$

1 Q Were there actually employees of enovate,  
2 or were you still just a PERC employee doing work  
3 for enovate?

4 A There were no employees of enovate.

5 Q So did you have to ever keep track of the  
6 time that you spent working on enovate related  
7 functions as opposed to PERC related functions?

8 A I don't recall.

9 Q For your current job, do you keep a time  
10 sheet tracking your hours?

11 A No.

12 Q Can you explain your understanding of what  
13 the business goal of enovate was?

14 MR. MULROY: Sean --

15 MS. KLYASHEFF: Objection to the questions about  
16 the substance of what enovate did. Your previous  
17 questions went more towards his duties and  
18 responsibilities. But the substance of what  
19 enovate was doing, its business purpose, all that  
20 we believe is outside the scope of the proceeding.

21 MR. BRADY: Were you going to say something?

22 MR. MULROY: Reread your question.

1       A       My understanding is the Hub is storage and  
2 transmission assets that are not needed by the  
3 ratepayers, excess capabilities if it were.

4       Q       By whose ratepayers?

5       A       Peoples Gas Light.

6       Q       And you're aware that Peoples Gas Light  
7 stores its gas in Manlove Field, correct?

8       A       Yes.

9       Q       What was PERC's role in the operation of  
10 the Hub?

11      A       PERC did not operate the Hub.

12      Q       What was PERC's interaction then with Hub  
13 activities?

14      A       PERC provided some of the marketing of the  
15 Hub services and some of the administrative  
16 functions.

17      Q       Can you explain a little bit on that and  
18 describe what the marketing functions and the  
19 administrative functions are?

20      A       Marketing functions would be selling some  
21 of the Hub services; and administrative functions  
22 would be providing reporting, some customer

1 service, things like that.

2 Q You said marketing involved selling  
3 services.

4 What kinds of services were you selling?

5 A I wasn't selling a lot of them.

6 Can you be a little more specific there.

7 Q I'm sorry. When I meant you, I meant your  
8 staff. You're -- as a manager, you're a manager of  
9 a department, would that be the correct -- you were  
10 director of midstream services at that point, so  
11 when you were a director of a -- what are you a  
12 director of?

13 A Director of midstream services. I had an  
14 employee that worked for me that among other duties  
15 sold Hub services.

16 Q Okay. So can you explain what those Hub  
17 services that was -- that he was selling?

18 A Very generally speaking, storage and  
19 transportation services.

20 Q Which employee was doing that?

21 A Steve Richman.

22 Q Do you know the -- Mr. Richman in selling

1 evaluating the benefits of the GPAA?

2 MR. MULROY: I guess I have to object to the form  
3 of the question.

4 You can answer it if you understand it.

5 BY MR. BRADY:

6 Q. Do you want me to --

7 A. If you could clarify that a bit...

8 Q. How did the team from Peoples go about  
9 evaluating the GPAA prior to entering into the  
10 agreement?

11 A. This wasn't a direct response to a specific  
12 RFP that outlined a number of terms that were maybe  
13 suitable for economic evaluation. This was a  
14 negotiated contract based on a number of contracts  
15 that we had done in the past.

16 I think this is something covered pretty  
17 extensively by Mr. Ware in his testimony and answers  
18 to data requests.

19 He was one of the major parties  
20 participating on our team and certainly had the  
21 responsibility for the area that would subsequently  
22 manage under this particular deal.

1 Q. Thank you.

2 A. It might be more suitable for him.

3 Q. In the course of this -- of the negotiating  
4 the GPAA, how did the Peoples team or how did --  
5 actually, let's just say -- let's speak from just  
6 your perspective.

7 How did you know that this was a good  
8 deal or agreement?

9 A. My staff who I trust who negotiated the deal  
10 certainly told me that they felt this was the best  
11 aggregation of a number of components that they were  
12 seeking.

13 Q. Do you recall more specifically what those  
14 components were?

15 A. Well, I mean the deal itself has any number  
16 of components, from term to no supply or firm  
17 reservation charges, opportunity to put gas back to  
18 them.

19 There is dozens of provisions of the  
20 agreement and the summation of all those were  
21 satisfactory to our team and what they felt was a  
22 good competitive agreement.

1 Q. My mistake. I thought you had meant other  
2 components that would have been outside the terms  
3 that were in the agreement.

4 A. No. No. It all would have been within the  
5 agreement.

6 Q. Okay. Do you recall the review of any  
7 economic studies by the Peoples team?

8 A. No. I don't recall any.

9 Q. Was there a reason why an economic study --  
10 do you know if an economic study was -- let me  
11 rephrase that.

12 Did the Peoples team ask for an economic  
13 study to be performed?

14 A. Did the Peoples team ask? Or did you ask  
15 did the Peoples team perform? I'm not sure what you  
16 mean.

17 Q. Did the Peoples team ask for someone within  
18 the Peoples organization to perform an economic  
19 analysis?

20 A. I would not -- not to my knowledge. The  
21 Peoples team negotiating was the gas supply group,  
22 and if they felt that an evaluation was appropriate,

1 taken your total capacities and calculating that  
2 back in and coming up with what is a fair index  
3 minus number.

4 Q. Were there any -- do you know if there were  
5 any discussions about -- in relation to the finding  
6 here in this document?

7 MR. MULROY: Object to the form of the question.  
8 Discussions.

9 BY MR. BRADY:

10 Q. If you understand my question -- I can  
11 restate it.

12 A. Well, just be a little more specific on the  
13 question.

14 Q. Do you know if there were -- or were you  
15 involved in -- after this document -- after you  
16 finished this document, were you involved in any  
17 discussions about your findings?

18 A. Yes.

19 Q. Did any of those discussions talk about  
20 the -- whether the -- whether this would be a  
21 prudent hedge?

22 A. There's that word prudent, and as you

1 state -- as it relates to -- -- the word prudent, I  
2 don't -- what do you mean by the word --

3 Q. Well, let me -- we'll take out the prudent  
4 and say, did you have any discussions about the  
5 hedging?

6 A. As it relates to --

7 Q. As it was --

8 A. -- capacity value stated? Per my last  
9 statement, right?

10 Q. Correct.

11 A. I mean, that's what you're -- you're trying  
12 get to, the summary --

13 Q. Correct.

14 A. -- specifically?

15 There were discussions on the -- kind of  
16 the assumptions on the capacity, things like that.  
17 We didn't come to a -- any kind of agreement, you  
18 know, across -- you know, within the group. All I  
19 was doing was saying here's another way of looking  
20 at this deal. Do with it as you may.

21 Q. Do you recall who was involved with those  
22 discussions?

1 A. Yeah, I mean, you know, I would be guessing  
2 on who was there.

3 You're asking me who attended the  
4 meeting that I went through this --

5 Q. Exactly.

6 A. -- is that your question?

7 Normally, in -- since, again, I work for  
8 risk management, I was just kind of a person kind  
9 of reviewing and giving kind of a recommendation or  
10 whatever you want to call it.

11 In most cases, you know, people from the  
12 gas supply department at the utility attends  
13 these -- a meeting such as this. So in that  
14 meeting, you would have people like, you know,  
15 Dave Wier, you know, Raleigh DeLara and, like, a  
16 Charlie Blanchett (phonetic), things like -- people  
17 like that, you know.

18 Q. What about Mr. DeLara's supervisors,  
19 Mr. Maro (phonetic), was he at the meeting?

20 A. I don't remember if he was there or not.

21 Q. And do you recall whether the discussions  
22 found your review to be favorable such that you

1 should go forward with the gas purchase, the GPAA?

2 A. You know, I don't know what they were  
3 thinking. So I don't know what -- you know, I  
4 wasn't in the department.

5 And what discussions they had  
6 afterwards, I was not involved -- you know, I was  
7 not involved. You know, whether they said, I agree  
8 with Roy's agreements (sic) or, you know, I think  
9 Roy doesn't know what he's doing, I don't know what  
10 they said. You know. He's an idiot. No, don't  
11 type that.

12 But at that time, I mean, I think they  
13 were having an idea that they were -- if you  
14 notice, this was done, you know, mid-September. I  
15 think they were already, you know, planning on  
16 doing this contract.

17 And so this was just another piece of  
18 information just to use to, you know, to analyze  
19 whether it was a good deal or not.

20 Q. Who asked you to perform the  
21 Aruba Analysis?

22 A. Actually, I kind of took it upon myself in

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Questions POL 16.13 through POL 16.26 relate to the documents attached to the Company's response to POL 15.17 ("enovate audit documents").

POL 16.15 With respect to Finding #1 on page 2 of 7 of the August 24, 2001 departmental correspondence with a subject line "Review of enovate (5740)", provide the following:

- a) a detailed description of the transactions between PEC and Enron that were the subject of Finding #1, including, but not limited to any types of purchases or sales of gas or exchanges or any hub services;
- b) an explanation of the revenue sharing arrangement, as it was understood by the PEC senior management identified in POL 16.13;
- c) the amount of revenue that was shared for each of the years FY00 and FY01 and the amount of revenue that was allocated to each party from the revenue sharing agreement for each of those years;
- d) the journal entries that Peoples Gas recorded on its books in FY00 and FY01 for the revenue transfers from enovate that were referred to in the audit response by PERC/enovate;
- e) the journal entries recorded by PERC for FY00 and FY01 for the revenue transfers from enovate that were referred to in the audit response;
- f) the journal entries recorded on enovate's books in FY00 and FY01 for the revenue transfers referred to in Finding #1 to PERC or an affiliate and to Enron MW or an affiliate;
- g) the details of any revenue transfers occurring subsequent to FY01 not indicated in c) through f);
- h) the information requested in b) through f) for FY02 and FY03, if any revenue transfers were made in FY02 or FY03;
- i) list the follow up actions that Peoples Gas has taken to date with respect to Finding #1;
- j) revenue sharing agreements between PEC and Enron that have been reduced to writing.

Response: Respondent objects to these requests to the extent that they seek information that is beyond the scope of this proceeding.

Further objecting, Respondent states that it was not a member of and had no interest in enovate, L.L.C. ("enovate"). As such, the requested information has

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no bearing on the issue of gas costs and revenues that are the subjects of this litigation.

As an affiliate of Peoples Gas whose predecessor had an indirect interest in enovate, Peoples Energy Resources Company, LLC ("PERC") provides certain of the following in response to this data request, which Respondent, without waiving the foregoing objections, now forwards. As the parent corporation of Respondent and the interest parent of enovate, Peoples Energy Corporation ("PEC") provides certain of the following in response to this data request, which Respondent, without waiving the foregoing objections, now forwards. Subsection (i) is directed to Peoples Gas and Peoples Gas provides that response.

Also, see documents produced in response to previous Staff and intervenor data requests, as well as additional documents provided in response to the Citizens Utility Board's 13th set of data requests and Staff's POL 16th set of data requests for the period January 1, 1999 - September 30, 2001.

a. PEC states that its Internal Audit area reviewed enovate's financial activity for the period January 1, 2001 through March 31, 2001. It interviewed enovate management and determined that certain revenue sharing agreements were not in writing. As part of Internal Audit's review, the following transactions were documented in the workpapers:

1. The annuity trade that occurred on March 31, 2001, transferring quarterly earnings from Enron MW, L.L.C. ("EMW") to enovate; and
2. The October 24, 2000, Master Consulting Agreement between PERC and EMW.

b. PERC states that there were two sharing arrangements that were discussed with PEC's audit department in response to one of PEC's questions in the preparation of the August 2001 audit. These sharing arrangements evolved as a function of the partnership struggling to become fully established.

PERC further states that it was the intent of both parties to the partnership to complete the appropriate written agreements; the intent of the oral sharing arrangement was to provide a bridge until written documents, acceptable to all parties, could be negotiated, executed and approved.

Senior management's understanding of the sharing arrangements were as follows. There were two such arrangements: (1) revenue sharing between PERC and EMW calculated with reference to a baseline level of revenue from Peoples Gas' hub, and (2) revenue sharing related to the activities of EMW.

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c. PERC states that Peoples MW, LLC booked in fiscal 2000 \$216,821 for its share of enovate's equity income and in fiscal 2001 \$11,348,272 for its share of enovate's equity income. Some portion of this was due to the revenue sharing arrangement described in the response to subquestion (b).

d. None.

e. None.

f. See documents produced in response to the Citizens Utility Board's 13th set of data requests and Staff's POL 16th set of data requests for the period January 1, 1999 - September 30, 2001.

g. PERC states that Peoples MW LLC booked in fiscal 2002 \$1,296,721 for its share of enovate's equity income, and some portion of this was attributable to the revenue sharing arrangement described in the response to subquestion (b). enovate was dissolved at the end of fiscal 2002.

h. See the response to subquestion (g) above.

i. The Peoples Gas Light and Coke Company, Respondent in this proceeding, states that it took no actions with respect to any element of the internal audit of enovate, L.L.C.

j. See the Limited Liability Company of Midwest Energy Hub, L.L.C., provided in the response to Staff data request POL 15.6, for the written revenue sharing agreement between the members of enovate. PERC states that, in response to the audit, there were no revenue sharing agreements between PEC and Enron that were reduced to a written agreement.