

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	)	
On Its Own Motion,	)	
	)	
v.	)	
	)	
North Shore Gas Company	)	01-0706
	)	
	)	
Reconciliation of revenues	)	
collected under fuel and gas	)	
adjustment charges with actual	)	
costs.	)	

DIRECT TESTIMONY  
OF  
VALERIE H. GRACE

- 1 Q. Please state your name and business address.
- 2 A. Valerie H. Grace, 130 East Randolph Drive, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. The Peoples Gas Light and Coke Company ("Peoples Gas").
- 5 Q. What position do you hold with Peoples Gas?
- 6 A. I am Director of Rates and Gas Transportation Services.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for directing the activities of the Rates and Gas
- 9 Transportation Services Departments and for making recommendations
- 10 regarding rate policies for Peoples Gas and Respondent, North Shore Gas
- 11 Company.
- 12 Q. Please summarize your educational background and experience.

OFFICIAL FILE  
 I.C.C. DOCKET NO. 01-0706  
North Shore Exhibit NO. 11 w/Attach.  
 Witness Grace  
 Date 4/22/05 Reporter TR

13 A. In 1980, I graduated from Illinois State University with a Bachelor of  
14 Science Degree in Business Administration. In 1988, I received a Masters of  
15 Management Degree from Northwestern University. I have been employed by  
16 Peoples Gas from September, 1980 to the present. I began my employment in  
17 what is now the Gas Supply Planning Department. In September, 1992, I was  
18 transferred to what is now the Rates Department. In February, 1993, I was  
19 transferred to the Office of the Chairman. In April, 1994, I was transferred to the  
20 Executive Office of what is now the Customer Relationship Division. In April,  
21 1995, I returned to the Gas Supply Planning Department. In September, 1995, I  
22 was transferred into the Rates Department as Supervisor. In November, 1996, I  
23 was promoted to Manager of the Rates Department, and in June, 1997, I was  
24 promoted to my present position.

25 Q. Please give a brief description of the operations and status of Respondent.

26 A. I am advised by counsel that Respondent is a corporation organized and  
27 existing under the laws of the State of Illinois, having its principal office at 130  
28 East Randolph Drive, Chicago, Illinois 60601. It is engaged in the business of  
29 purchasing, storing, distributing, selling and transporting natural gas to over  
30 149,000 customers. Respondent's service territory covers approximately 275  
31 square miles in the eastern portion of Lake County and a small portion of  
32 northeastern Cook County. I am advised by counsel that Respondent is a public  
33 utility within the meaning of the Public Utilities Act.

34 Q. Please describe the subject matter of this proceeding.

**Comment:** Is this customer number still true?

35 A. Pursuant to Section 9-220 of the Public Utilities Act, on November 7, 2001,  
36 the Illinois Commerce Commission ("Commission") entered a citation order  
37 ("order") directed to fourteen Illinois gas and electric utilities, including  
38 Respondent. The order requires Respondent to present evidence to the  
39 Commission at a public hearing in Docket No. 01-0706 reconciling revenue  
40 collected under the purchased gas adjustment clause (Rider 2, Gas Charge, of  
41 Respondent's Schedule of Rates) with the actual costs prudently incurred and  
42 recoverable under Rider 2, for the twelve months ended September 30, 2001,  
43 Respondent's fiscal 2001. The order also requires Respondent's filing to reflect  
44 fourteen specified data for each of its Gas Charges. The order further requires  
45 that notice of the filing of this evidence be made in accordance with the  
46 requirements of 83 Illinois Administrative Code Part 255. In this proceeding,  
47 Respondent is making an evidentiary showing in order to satisfy the  
48 requirements of the Commission's order.

49 Q. Please describe the notice given by Respondent of the filing in this case.

50 A. At the time the filing in the above-captioned proceeding was made,  
51 Respondent placed copies of the filed evidence, available for public inspection, in  
52 each of its offices. Public notice of the filing was also posted in each of these  
53 offices. Further, Respondent published notice of the filing in the Waukegan  
54 News-Sun, a secular newspaper of general circulation in Respondent's service  
55 territory, in accordance with the requirements of 83 Illinois Administrative Code  
56 Part 255.

57 Q. Please describe Respondent's Exhibit 1.

58 A. Respondent's Exhibit 1 includes a copy of the audit report of Respondent's  
59 independent public accountants, Arthur Andersen, LLP and the verification by  
60 Respondent's Senior Vice President, Desiree Rogers. The audit report includes  
61 a copy of Respondent's Statement to Illinois Commerce Commission,  
62 Determination of Reconciliation Balance for Gas Charge for Fiscal Year 2001  
63 ("Statement"), as described in Rider 2, Section G, of Respondent's Schedule of  
64 Rates.

65 Q. Was the Statement prepared under your supervision and direction?

66 A. Yes, it was.

67 Q. Are the verification and the audit report true and correct copies of Ms.  
68 Rogers' verification and the audit report of the independent public accounts?

69 A. Yes, they are.

70 Q. What are the types of Gas Charges that Respondent files pursuant to its  
71 Rider 2 and what costs do the Gas Charges recover?

72 A. Each month, Respondent files a Commodity Gas Charge ("CGC"), a Non-  
73 Commodity Gas Charge ("NCGC"), a Demand Gas Charge ("DGC") and a  
74 Transition Surcharge ("TS"). The sum of the CGC, NCGC and TS is the Gas  
75 Charge, which is applied to all Company-supplied therms except standby therms  
76 supplied to transportation customers. Standby therms are priced at the standby  
77 commodity charge, which is the sum of the CGC, 50% of the NCGC and the TS.  
78 The CGC recovers commodity-related costs. The NCGC recovers non-  
79 commodity related costs. The DGC also recovers non-commodity related costs,  
80 but from transportation customers. A factor of 50% is applied to the DGC, which

81 is applied to each therm of transportation customers' contracted for standby  
82 service. Revenues arising from the application of the DGC are credited against  
83 the non-commodity related costs used in computing the NCGC. As both the  
84 NCGC and DGC recover non-commodity related costs, revenues recovered  
85 under these charges are jointly reconciled with such costs. Finally, the TS, which  
86 is applied to each therm delivered by Respondent, recovers pipeline gas supply  
87 realignment transition costs.

88 Q. The Commission's order requires Respondent to include certain data for  
89 the prior reconciliation year in its determination of the current year's  
90 reconciliation. Please specify any unamortized Factor A balance at the end of  
91 fiscal 2000.

92 A. The unamortized Factor A balance at the end of fiscal 2000 for each  
93 respective Gas Charge is shown on Page 2, Line 1, of Respondent's Exhibit 1.  
94 Respondent's unamortized Factor A balance at the end of fiscal 2000 reflects a  
95 recoverable balance of \$6,355,369.87 for the CGC, a recoverable balance of  
96 \$1,430,597.42 for the NCGC and DGC, and a recoverable balance of \$8,853.97  
97 for the TS, for a total recoverable balance of \$7,794,821.26. These amounts are  
98 also reflected on Page 2, Line 13, of Respondent's Statement to Illinois  
99 Commerce Commission, Determination of Reconciliation Balance for Gas  
100 Charge for Fiscal Year 2000 ("2000 Statement"). This document was submitted  
101 as Exhibit 1 in my direct testimony in Docket No. 00-0719, Reconciliation of  
102 Revenues Collected Under Fuel and Gas Adjustment Charges with Actual Costs  
103 for fiscal 2000.

104 Q. Please specify the total adjustments to gas costs (that is, Factor A) that  
105 were amortized to Schedule I in Respondent's fiscal 2000 monthly filings but  
106 were not yet reconciled through Schedule II of Respondent's monthly filings at  
107 September 30, 2000.

108 A. Total unreconciled adjustments to gas costs (Factor A) reflect a  
109 recoverable amount of \$1,481,407.96 for the CGC, a recoverable amount of  
110 \$402,205.32 for the NCGC and DGC and a recoverable amount of \$1,581.44 for  
111 the TS, for a total recoverable Factor A of \$1,885,194.72. These adjustments,  
112 for the reported months of August and September, 2000, were not yet reconciled  
113 at the end of fiscal 2000. However, they are reflected in the CGC, NCGC and  
114 DGC, and TS Gas Charges for the effective months of October and November,  
115 2000, which fall within fiscal 2001. These amounts are shown on Page 2, Line 2,  
116 of Respondent's Exhibit 1. They are also reflected on Page 2, Line 12, of  
117 Respondent's 2000 Statement.

118 Q. Please specify any Factor O amounts requested by Respondent for fiscal  
119 2000 and collected or refunded during fiscal 2001.

120 A. There were no Factor O amounts requested by Respondent for fiscal  
121 2000, nor were any Factor O amounts collected or refunded during fiscal 2001.

122 Q. What was Respondent's refundable or recoverable balance for fiscal  
123 2000?

124 A. Respondent's refundable or recoverable balance for fiscal 2000, which is  
125 determined by summing the amounts on Page 2, Lines 1 through 3, of  
126 Respondent's Exhibit 1, reflects a recoverable balance of \$7,836,777.83 for the

127 CGC, a recoverable balance of \$1,832,802.74 for the NCGC and DGC, and a  
128 recoverable balance of \$10,435.41 for the TS, for a total recoverable balance of  
129 \$9,680,015.98. These amounts are shown on Page 2, Line 4, of Respondent's  
130 Exhibit 1. These amounts are also reflected on Page 2, Line 11 of Respondent's  
131 2000 Statement.

132 Q. What are Respondent's fiscal 2001 recoverable gas costs and revenues?

133 A. Recoverable gas costs are summarized and shown on Page 2, Line 5, of  
134 Respondent's Exhibit 1. Recoverable gas costs amount to \$157,816,861.37 for  
135 the CGC and \$17,200,485.63 for the NCGC and DGC, for a total of  
136 \$175,017,347.00 to be recovered under the Gas Charge. There are no  
137 recoverable gas costs for the TS due to the termination of pipeline transition  
138 costs in November 1997, Respondent's fiscal 1998. Although there are no  
139 recoverable gas costs for the TS in fiscal 2001, there are revenues arising  
140 through the application of the TS, which are recovered under the Gas Charge.  
141 These amounts, which are insignificant, arise from billing adjustments and flow  
142 through Factor A of the TS. Revenues are summarized and shown on Page 2,  
143 Line 6, of Respondent's Exhibit 1. Revenues arising through the application of  
144 each Gas Charge amount to \$177,479,345.20 for the CGC, \$16,648,251.19 for  
145 the NCGC and DGC and \$29.86 for the TS, for a total of \$194,127,626.25  
146 recovered under the Gas Charge. Recoverable gas costs and revenues are  
147 shown in more detail on Pages 3, 4 and 5 of Respondent's Exhibit 1 for the CGC,  
148 NCGC and DGC, and TS, respectively.

149 Q. Please specify the pipeline refunds or surcharges that Respondent  
150 separately reported in fiscal 2001 monthly Gas Charge filings.

151 A. Pipeline refunds and surcharges, which are summarized and shown on  
152 Page 2, Line 7, of Respondent's Exhibit 1, include a refund of \$34,749.64 for the  
153 NCGC and DGC.

154 Q. Please specify any other adjustments that were separately reported in  
155 fiscal 2001.

156 A. There were no other adjustments that were separately reported in fiscal  
157 2001.

158 Q. Please specify the interest, calculated pursuant to Section 525.50 of the  
159 Commission's rules, for inclusion in Adjustments to Gas Costs (Factor A).

160 A. Interest, calculated pursuant to Section 525.50, for inclusion in  
161 Adjustments to Gas Costs (Factor A), is shown on Page 2, Line 9, of  
162 Respondent's Exhibit 1, and reflects a recoverable amount of \$84,467.79 for the  
163 CGC, a recoverable amount of \$10,461.09 for the NCGC and DGC and a  
164 recoverable amount of \$538.33 for the TS, for a total recoverable amount of  
165 \$95,467.21.

166 Q. What was Respondent's over- or under-recovery for fiscal 2001?

167 A. Respondent's over- or under-recovery for fiscal 2001 is shown on Page 2,  
168 Line 10, of Respondent's Exhibit 1. The over- or under-recovery for each Gas  
169 Charge can be determined by deducting the amount on Line 6 (revenues arising  
170 through the application of each Gas Charge) from the amount on Line 5 (costs  
171 recoverable through each Gas Charge) and adding the amounts on Line 7

172 (separately reported pipeline refunds and surcharges), Line 8 (separately  
173 reported other adjustments), and Line 9 (interest). Using this calculation,  
174 Respondent's over- or under-recovery for fiscal 2001 reflects an over-recovery of  
175 \$19,578,016.04 for the CGC, an under-recovery of \$527,945.89 for the NCGC  
176 and DGC, and an under-recovery of \$508.47 for the TS, for a total over-recovery  
177 of \$19,049,561.68.

178 Q. Please specify the recovery balance for the reconciliation year.

179 A. The recovery balance for the reconciliation year, which reflects the sum of  
180 the (refundable)/recoverable balances for fiscal years 2000 and 2001 for each  
181 respective Gas Charge, is shown on Page 2, Line 11, of Respondent's Exhibit 1.  
182 This amount, which can be determined by summing the amounts on Line 4 (fiscal  
183 2000 balance) and Line 10 (fiscal 2001 balance), reflects an over-recovery of  
184 \$11,741,238.21 for the CGC, an under-recovery of \$2,360,748.63 for the NCGC  
185 and DGC and an under-recovery of \$10,943.88 for the TS, for a total over-  
186 recovery of \$9,369,545.70.

187 Q. Please specify the total adjustments to gas costs (that is, Factor A) that  
188 were amortized to Schedule I in Respondent's fiscal 2001 monthly filings but  
189 were not yet reconciled through Schedule II of Respondent's monthly filings at  
190 September 30, 2001.

191 A. Total unreconciled adjustments to gas costs (Factor A), which are shown  
192 on Page 2, Line 12, of Respondent's Exhibit 1, reflect a refundable amount of  
193 \$3,759,617.73 for the CGC, a recoverable amount of \$461,404.94 for the NCGC  
194 and DGC and a recoverable amount of \$1,698.66 for the TS, for a total

195 refundable Factor A of \$3,296,514.13. These adjustments, for the reported  
196 months of August and September, 2001, are not yet reconciled at the end of  
197 fiscal 2001. However, they are reflected in the CGC, NCGC and DGC, and TS  
198 Gas Charges for the effective months of October and November, 2001, which fall  
199 within fiscal 2002.

200 Q. Please specify any unamortized balance at the end of fiscal 2001.

201 A. The unamortized balance at the end of fiscal 2001 is shown on Page 2,  
202 Line 13, of Respondent's Exhibit 1. The unamortized balance for each  
203 respective Gas Charge can be derived by deducting the amount on Line 12 (total  
204 unreconciled Factor A adjustments) from the amount on Line 11 (the over- or  
205 under-recovery balance for the reconciliation year). Respondent's unamortized  
206 balance at the end of fiscal 2001 reflects a refundable balance of \$7,981,620.48  
207 for the CGC, a recoverable balance of \$1,899,343.69 for the NCGC and DGC,  
208 and a recoverable balance of \$9,245.22 for the TS, for a total refundable balance  
209 of \$6,073,031.57.

210 Q. Please specify any Factor O amounts requested by Respondent for fiscal  
211 2001.

212 A. There are no Factor O amounts requested by Respondent for fiscal 2001.

213 Q. Does Respondent's Exhibit 1 include other reports that support the  
214 summary amounts shown on Page 2?

215 A. Yes. Respondent's Exhibit 1 includes a summary of the detailed Schedule  
216 II, Adjustments to Gas Costs (Factor A) reports that were filed as part of  
217 Respondent's monthly Gas Charge reports for fiscal 2001. Pages 6, 7 and 8 of

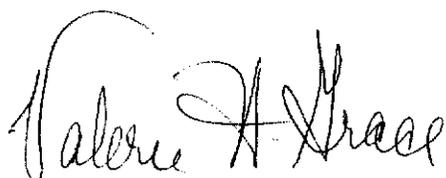
218 Exhibit 1 reflect Schedule II reports that were filed for the CGC, NCGC and DGC,  
219 and TS, respectively. These reports reflect the monthly reconciliation of  
220 recoverable gas costs and Gas Charge revenues, adjustments to gas costs  
221 (Factor A), refunds and other adjustments, Factor A amortizations and  
222 unamortized balances, Factor O amortizations and unamortized balances, and  
223 interest determined for each Gas Charge. Finally, Pages 9-10 of Exhibit 1  
224 contain notes that explain Gas Charge reconciliation summary items noted on  
225 Page 2 of Exhibit 1.

226 Q. Does this conclude your direct testimony?

227 A. Yes, it does.

STATE OF ILLINOIS     )  
                                  )   SS  
COUNTY OF COOK     )

Valerie H. Grace, of lawful age, being first duly sworn on oath, states that she is Manager, Rates Department, of The Peoples Gas Light and Coke Company, that she is the witness whose testimony entitled "Direct Testimony of Valerie H. Grace" and Exhibit 1 to that testimony was filed on behalf of North Shore Gas Company in Illinois Commerce Commission Docket No. 01-0706, that if asked the questions that appear in the text of such testimony, affiant would give the answers that are set forth in such testimony, and that affiant adopts such testimony as her sworn testimony in this proceeding.

By:   
Name: Valerie H. Grace

Title: Manager

SUBSCRIBED and SWORN TO before me this 22<sup>nd</sup> day of April, 2005.

By:   
Name: Lorena Patino





**NORTH SHORE GAS COMPANY**

**STATEMENT TO ILLINOIS COMMERCE COMMISSION  
DETERMINATION OF RECONCILIATION BALANCE  
FOR GAS CHARGE  
FOR FISCAL YEAR 2001**



## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To North Shore Gas Company:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of North Shore Gas Company (the "company") for the year ended September 30, 2001, and have issued our report thereon dated October 26, 2001 (except with respect to the matter discussed in Note 19, as to which the date is December 11, 2001). We have also audited the accompanying Statement to Illinois Commerce Commission - Determination of Reconciliation Balance for Gas Charge (the "Statement") for Fiscal Year 2001 of the company. The Statement is the responsibility of the company's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared for the purpose of complying with the company's Rider 2, Section G (a), as filed with the Illinois Commerce Commission.

In our opinion, the Statement referred to above presents fairly, in all material respects, the information set forth therein, of the company for the year ended September 30, 2001, in accordance with the company's Rider 2, Section G (a), as filed with the Illinois Commerce Commission.

This report is intended solely for the information and use of the company and the Illinois Commerce Commission and should not be used for any other purpose.

A handwritten signature in cursive script, appearing to read "Arthur Andersen LLP".

Arthur Andersen LLP

Chicago, Illinois  
October 26, 2001

North Shore Gas Company

STATEMENT TO ILLINOIS COMMERCE COMMISSION

DETERMINATION OF RECONCILIATION BALANCE

FOR GAS CHARGE

FISCAL YEAR 2001

**North Shore Gas Company  
Gas Charge Reconciliation Summary  
Fiscal 2001**

<u>Line</u>		<u>Commodity Gas Charge (CGC)</u>	<u>Non-Commodity Gas Charge and Demand Gas Charge (NCGC and DGC)</u>	<u>Transition Surcharge (TS)</u>	<u>Total Gas Charge</u>
<b>Fiscal 2000</b>					
1	Unamortized Balance at September 30, 2000 (Refund) / Recovery (1)	\$6,355,369.87	\$1,430,597.42	\$8,853.97	\$7,794,821.26
2	Factor A Adjustments unreconciled at September 30, 2000 (Refund) / Recovery (2)	1,481,407.96	402,205.32	\$1,581.44	\$1,885,194.72
3	Factor O (Refunded) / Recovered	0.00	0.00	0.00	\$0.00
4	Balance (Refundable) / Recoverable from Prior Periods (Line 1 + Line 2 + Line 3)	7,836,777.83	1,832,802.74	10,435.41	9,680,015.98
<b>Fiscal 2001</b>					
5	Costs Recoverable through the Gas Charge (3)	157,816,861.37	17,200,485.63	0.00	175,017,347.00
6	Revenues Arising through Application of the Gas Charge (4)	177,479,345.20	16,648,251.19	29.86	194,127,626.25
7	Separately Reported Pipeline Refunds or Surcharges (5)	0.00	(34,749.64)	0.00	(34,749.64)
8	Separately Reported Other Adjustments	0.00	0.00	0.00	0.00
9	Interest Calculated at 5.50% thru Dec. 2000; 6.00% thereafter	84,467.79	10,461.09	538.33	95,467.21
10	(Over)/Under Recovery For Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	(19,578,016.04)	527,945.89	508.47	(19,049,561.68)
11	(Over)/Under Recovery Balance For Reconciliation Year (Line 4 + Line 10)	(11,741,238.21)	2,360,748.63	10,943.88	(9,369,545.70)
12	Factor A Adjustments unreconciled at September 30, 2001 (Refund) / Recovery (6)	(3,759,617.73)	461,404.94	1,698.66	(3,296,514.13)
13	Unamortized Balance at September 30, 2001 (Refund) / Recovery (Line 11 - Line 12) (7)	(\$7,981,620.48)	\$1,899,343.69	\$9,245.22	(\$6,073,031.57)
14	Requested Factor O (Line 11 - Line 12 - Line 13) (Refund) / Recovery	\$0.00	\$0.00	\$0.00	\$0.00

North Shore Gas CompanyDETERMINATION OF RECONCILIATION BALANCE  
FOR COMMODITY GAS CHARGEFiscal 2001

<u>Line No. [A]</u>	<u>Description [B]</u>	<u>Amount [C]</u>	<u>Totals [D]</u>	<u>Reference</u>
ACTUAL RECOVERABLE GAS COSTS				
1.	Gas Costs by Type:			
	a. Purchases	\$ 158,040,794.86		
	b. Liability For Redelivery of Customer-Owned Gas	<u>622,528.06</u>		
2.	TOTAL GAS COSTS		\$ 158,663,322.92	Sum Lines 1a - 1b
3.	Less: Franchise Gas	\$ (871,793.04)		
4.	a. Add: Gas Withdrawn from Storage	58,906,666.95		
	b. Less: Gas Injected into Storage	(58,819,520.12)		
5.	Less: Off-System Transaction Revenues	(1,749.93)		
6.	Less: Penalty/Imbalance Charge Revenues	(120,471.46)		
7.	a. Less: "Cash-Out" Schedule Revenues	--		
	b. Add: "Cash-Out" Schedule Costs	<u>60,406.05</u>		
8.	TOTAL OTHER COSTS/REVENUES		<u>(846,461.55)</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 157,816,861.37	Line 2 + Line 8
10.	LESS: ACTUAL REVENUES			
	a. Commodity Gas Charge Revenues		<u>177,479,345.20</u>	
11.	Pipeline Surcharge/(Refunds)		0.00	
12.	Interest		84,467.79	
13.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>(19,578,016.04)</u>	Line 9 - Line 10 + Line 11 + Line 12

## North Shore Gas Company

**DETERMINATION OF RECONCILIATION BALANCE  
FOR NON-COMMODITY GAS CHARGE AND DEMAND GAS CHARGE**

Fiscal 2001

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
ACTUAL RECOVERABLE GAS COSTS				
1.	Gas Costs by Type:			
	a. Transportation	\$ 4,204,103.87		
	b. Storage	13,735,587.22		
	c. FERC Order 636 Transition Costs	-		
	d. Demand Gas Charge Revenues	<u>(720,774.81)</u>		
2.	TOTAL GAS COSTS		\$ 17,218,916.28	Sum Lines 1a - 1d
3.	Less: Franchise Gas	\$ (23,403.84)		
4.	a. Add: Gas Withdrawn from Storage	1,584,188.93		
	b. Less: Gas Injected into Storage	<u>(1,579,047.52)</u>		
5.	Less: Off-System Transaction Revenues	(168.22)		
6.	Less: Penalty/Imbalance Charge Revenues	-		
7.	a. Less: "Cash-Out" Schedule Revenues	-		
	b. Add: "Cash-Out" Schedule Costs	<u>-</u>		
8.	TOTAL OTHER COSTS/REVENUES		<u>(18,430.65)</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 17,200,485.63	Line 2 + Line 8
10.	LESS: ACTUAL REVENUES			
	a. Non-Commodity Gas Charge	\$ 16,544,488.52		
	b. Excess Bank Charge	<u>103,762.67</u>		
11.	TOTAL REVENUES		<u>16,648,251.19</u>	Sum Lines 10a - 10b
12.	Pipeline Surcharge/(Refunds)		(34,749.64)	
13.	Interest		10,461.09	
14.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>527,945.89</u>	Line 9 - Line 11 + Line 12 + Line 13

## North Shore Gas Company

**DETERMINATION OF RECONCILIATION BALANCE  
FOR TRANSITION SURCHARGE**

Fiscal 2001

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
ACTUAL RECOVERABLE GAS COSTS				
1.	Gas Costs by Type:			
	a. Gas Supply Realignment	\$ 0.00		
2.	TOTAL GAS COSTS		\$ 0.00	Sum Line 1a
3.	Less: Gas Used by Company	\$ -		
4.	a. Add: Gas Withdrawn from Storage	-		
	b. Less: Gas injected into Storage	-		
5.	Less: Off-System Transaction Revenues	-		
6.	Less: Penalty/Imbalance Charge Revenues	-		
7.	a. Less: "Cash-Out" Schedule Revenues	-		
	b. Add: "Cash-Out" Schedule Costs	-		
8.	TOTAL OTHER COSTS/REVENUES		-	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 0.00	Line 2 + Line 8
10.	LESS: ACTUAL REVENUES			
	a. Retail Sales Transition Surcharge	\$ 29.86		
	b. Transportation Deliveries Transition Surcharge	0.00		
	c. GSR Credit Transition Surcharge	0.00		
11.	TOTAL REVENUES		29.86	Sum Lines 10a - 10c
12.	Pipeline Surcharge/(Refunds)		0.00	
13.	Interest		538.33	
14.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ 508.47	Line 9 - Line 11 + Line 12 + Line 13

North Shore Gas Company  
Commodity Gas Charge  
Summary of Schedule II  
Fiscal 2001

Line	Reported Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
		August 2000	September	October	November	December	January 2001	February	March	April	May	June	July	August	September	October	
	Effective Month	October 2000	November	December	January 2001	February	March	April	May	June	July	August	September	October	November		
1	Actual Recoverable Costs - Reported Month	3,376,211.10	5,735,873.84	6,266,363.87	16,102,699.72	44,395,152.09	41,350,842.05	26,176,899.70	18,461,638.28	7,340,012.73	2,316,296.01	(329,078.96)	(454,188.16)	(1,095,432.20)	(2,782,246.16)	157,816,861.37	1
2	Actual Recoveries - Reported Month	2,304,222.71	3,801,281.19	7,665,142.80	16,892,827.97	30,412,500.82	40,319,754.00	31,349,249.82	27,751,793.28	10,666,070.90	4,250,354.40	2,488,653.26	2,542,842.85	1,504,405.97	1,635,750.50	177,479,345.20	2
3	Under(Over) Recovery - Reported Month	1,071,988.39	1,934,592.65	(1,399,778.93)	(790,228.25)	13,982,651.27	1,031,088.05	(5,172,349.12)	(9,270,155.00)	(3,326,057.77)	(1,935,058.39)	(2,817,731.84)	(2,997,029.02)	(2,560,838.17)	(4,397,996.66)	(19,662,483.83)	3
4	Factor A Included in Reported Month	345,786.00	239,872.36	429,490.39	1,051,917.57	1,320,870.51	2,323,893.96	6,568,691.67	6,457,095.55	2,636,860.63	864,765.50	574,631.44	52,182.97	(41,798.48)	(755,080.72)	21,503,320.98	4
5	Factor O Included in Reported Month	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5
6	Adjusted (Over)/Under Recovery - Reported Month	1,417,774.39	2,174,465.01	(970,288.54)	261,669.32	15,303,521.78	3,354,782.00	1,396,342.55	(2,813,059.45)	(889,197.14)	(1,050,292.88)	(2,243,100.40)	(2,844,846.05)	(2,611,636.65)	(5,153,077.38)	1,840,837.15	6
7	Refunds/Pipeline Surcharges/ Other Adjustments	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	7
8	Unamortized Balance Including Previous Interest	4,191,800.50	5,203,626.55	6,355,369.87	4,082,838.45	2,030,637.99	10,819,596.94	7,755,869.81	8,547,928.49	2,864,354.08	1,608,528.11	508,582.51	(1,701,183.01)	(3,910,403.08)	(6,308,721.56)	--	8
9	Total Adjustments Before Amortization	5,609,574.89	7,378,281.56	5,385,081.33	4,344,527.77	17,334,459.77	14,174,378.94	9,152,212.36	3,734,869.04	2,175,160.82	558,236.22	(1,734,617.89)	(4,646,029.06)	(6,522,039.73)	(10,461,798.94)	--	9
10	Total Amortization	420,490.39	1,051,917.57	1,320,870.51	2,323,693.95	6,568,691.67	6,457,095.55	2,636,860.63	864,765.50	574,631.44	52,182.97	(41,798.48)	(755,080.72)	(1,239,720.72)	(2,519,888.01)	16,262,295.29	10
11	Unamortized Balance - Factor A	5,180,084.50	6,326,373.99	4,064,210.82	2,020,833.82	10,765,768.10	7,717,283.39	6,515,351.73	2,850,103.54	1,600,525.48	506,052.25	(1,692,719.41)	(3,890,948.34)	(5,282,310.01)	(7,941,910.93)	--	11
12	Unamortized Balance - Factor O	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	--	12
13	Total Unamortized Balances	5,180,084.50	6,326,373.99	4,064,210.82	2,020,833.82	10,765,768.10	7,717,283.39	6,515,351.73	2,850,103.54	1,600,525.48	506,052.25	(1,692,719.41)	(3,890,948.34)	(5,282,310.01)	(7,941,910.93)	--	13
14	Interest	23,742.05	28,995.88	18,627.63	10,104.17	53,828.84	38,586.42	32,576.76	14,250.52	8,002.63	2,530.26	(8,463.60)	(19,454.74)	(26,411.55)	(39,709.55)	84,467.79	14
15	Unamortized Balance Including Interest	5,203,826.55	6,355,369.87	4,082,838.45	2,030,637.99	10,819,596.94	7,755,869.81	6,547,928.49	2,864,354.06	1,608,528.11	508,582.51	(1,701,183.01)	(3,910,403.08)	(5,308,721.56)	(7,981,620.48)	--	15

North Shore Gas Company  
 Non-Commodity Gas Charge and Demand Gas Charge

Summary of Schedule II  
 Fiscal 2001

Line	Reported Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line	
		August 2000	September	October	November	December	January 2001	February	March	April	May	June	July	August	September	October		November
	Effective Month	October 2000	November	December	January 2001	February	March	April	May	June	July	August	September	October	November			
1	Actual Recoverable Costs - Reported Month	1,092,954.02	1,074,555.34	1,109,765.20	1,620,168.18	1,969,407.13	1,860,737.22	1,820,725.63	1,782,442.08	1,235,021.83	1,258,739.77	1,144,207.50	1,104,298.38	1,126,733.67	1,076,230.04	17,200,486.63	1	
2	Actual Recoveries - Reported Month	347,008.22	633,179.13	1,079,071.25	2,270,593.19	3,878,119.13	3,137,881.99	2,222,597.45	1,492,142.86	491,595.17	299,753.19	223,599.11	391,895.82	404,172.83	756,429.40	16,646,251.19	2	
3	Under/(Over) Recovery - Reported Month	745,955.80	441,376.21	30,693.95	(650,425.01)	(1,908,712.00)	(1,287,144.77)	(301,871.82)	290,299.42	743,426.66	958,986.58	920,608.39	712,602.56	722,560.84	321,809.64	552,234.44	3	
4	Factor A Included in Reported Month	(22,505.25)	35,438.97	102,786.88	299,418.44	383,501.11	274,810.98	(158,124.45)	(724,441.43)	(724,851.91)	(308,736.42)	(100,173.59)	(68,345.19)	38,561.31	203,537.53	(781,856.75)	4	
5	Factor D Included in Reported Month	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	
6	Adjusted (Over)/Under Recovery - Reported Month	723,050.51	476,815.18	132,880.83	(351,006.57)	(1,525,210.89)	(1,012,333.81)	(459,996.27)	(434,142.01)	18,774.75	650,250.16	820,434.80	644,267.37	761,122.15	525,347.17	(229,622.32)	6	
7	Refunds/Pipeline Surcharges/ Other Adjustments	-	-	-	-	-	-	(25,651.86)	-	-	(9,007.78)	-	-	-	-	(34,746.64)	7	
8	Unamortized Balance Including Previous Interest	620,722.21	1,246,673.69	1,430,597.42	1,185,385.37	562,365.68	(808,744.36)	(1,102,119.92)	(841,651.60)	(997,672.80)	(883,117.88)	(165,345.14)	610,467.72	1,056,443.50	1,685,654.13		8	
9	Total Adjustments Before Amortization	1,343,772.72	1,723,488.87	1,583,478.25	834,378.80	(982,845.21)	(1,821,078.17)	(1,582,116.19)	(1,301,445.47)	(978,897.85)	(232,867.72)	645,991.88	1,254,725.00	1,817,585.65	2,211,001.30		9	
10	Total Amortization	102,786.88	299,418.44	383,501.11	274,810.96	(158,124.45)	(724,441.43)	(724,651.91)	(308,736.42)	(100,173.50)	(68,345.19)	38,561.31	203,537.53	140,297.86	321,107.08	(722,667.14)	10	
11	Unamortized Balance - Factor A	1,240,985.84	1,424,070.43	1,179,977.14	559,567.84	(804,720.78)	(1,086,636.74)	(837,464.28)	(992,709.05)	(878,724.26)	(164,522.53)	607,430.57	1,051,187.56	1,677,267.79	1,889,864.22		11	
12	Unamortized Balance - Factor D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		12	
13	Total Unamortized Balance	1,240,985.84	1,424,070.43	1,179,977.14	559,567.84	(804,720.78)	(1,086,636.74)	(837,464.28)	(992,709.05)	(878,724.26)	(164,522.53)	607,430.57	1,051,187.56	1,677,267.79	1,889,864.22		13	
14	Interest	5,687.85	6,526.99	5,408.23	2,797.84	(4,023.60)	(5,483.18)	(4,187.32)	(4,963.55)	(4,393.62)	(622.81)	3,037.15	5,255.94	8,388.34	8,449.47	10,461.09		14
15	Unamortized Balance Including Interest	1,246,673.69	1,430,597.42	1,185,385.37	562,365.68	(808,744.36)	(1,102,119.92)	(841,651.60)	(997,672.80)	(883,117.88)	(165,345.14)	610,467.72	1,056,443.50	1,685,654.13	1,899,343.69		15	

North Shore Gas Company  
Transition Surcharge

Summary of Schedule II  
Fiscal 2001

Line	Reported Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
		August 2000	September	October	November	December	January 2001	February	March	April	May	June	July	August	September	October	
	Effective Month	October 2000	November	December	January 2001	February	March	April	May	June	July	August	September	October	November		
1	Actual Recoverable Costs - Reported Month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1
2	Actual Recoveries - Reported Month	2.45	(0.01)	0.10	(0.17)	0.20	11.90	0.26	(1.93)	18.97	2.01	0.82	0.01	(0.41)	(1.90)	79.86	2
3	Under/(Over) Recovery - Reported Month	(2.45)	0.01	(0.10)	0.17	(0.20)	(11.90)	(0.26)	1.93	(18.97)	(2.01)	(0.82)	(0.01)	0.41	1.90	(29.86)	3
4	Factor A Included in Reported Month	559.24	346.77	628.97	954.67	1,294.14	1,513.67	1,252.11	1,053.40	764.27	767.60	364.97	341.26	322.72	375.07	9,650.65	4
5	Factor D Included in Reported Month	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5
6	Adjusted (Over)/Under Recovery - Reported Month	556.79	346.76	628.87	954.64	1,293.94	1,501.77	1,251.85	1,055.33	745.30	765.59	364.15	341.25	323.13	376.97	9,620.79	6
7	Refunds/Pipeline Surcharges/ Other Adjustments	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	7
8	Unamortized Balance Including Previous Interest	9,448.46	9,421.26	8,853.97	8,224.22	7,703.62	7,784.08	8,273.61	8,805.00	9,118.09	9,545.91	10,040.19	10,132.03	10,148.70	9,866.06		8
9	Total Adjustments Before Amortization	10,005.25	9,768.04	9,480.84	9,178.86	8,997.46	9,285.86	9,525.46	9,980.33	9,863.39	10,331.50	10,404.34	10,473.28	10,471.63	10,243.03		9
10	Total Amortization	626.97	954.47	1,294.14	1,513.67	1,262.11	1,053.40	764.27	767.60	364.97	341.26	322.72	375.07	654.85	1,043.81	9,767.87	10
11	Unamortized Balance - Factor A	9,378.28	8,813.57	8,186.70	7,665.19	7,745.35	8,232.45	8,761.19	9,072.73	9,498.42	9,990.24	10,081.62	10,098.21	9,816.98	9,199.22		11
12	Unamortized Balance - Factor D	--	--	--	--	--	--	--	--	--	--	--	--	--	--		12
13	Total Unamortized Balance	9,378.28	8,813.57	8,186.70	7,665.19	7,745.35	8,232.45	8,761.19	9,072.73	9,498.42	9,990.24	10,081.62	10,098.21	9,816.98	9,199.22		13
14	Interest	42.98	40.40	37.52	38.33	36.73	41.16	43.61	45.38	47.49	49.95	50.41	50.49	49.08	46.00	538.33	14
15	Unamortized Balance Including Interest	9,421.26	8,853.97	8,224.22	7,703.52	7,784.08	8,273.61	8,805.00	9,118.09	9,545.91	10,040.19	10,132.03	10,148.70	9,866.06	9,245.22		15

**North Shore Gas Company**  
**Statement to Illinois Commerce Commission**  
**Determination of Reconciliation Balance for Gas Charge**  
**Fiscal 2001**

**Notes**

- (1) Unamortized (refundable)/recoverable balance at September 30, 2000. For the Commodity Gas Charge, see Page 6, Line 15, Column B. For the Non-Commodity Gas Charge and Demand Gas Charge see Page 7, Line 15, Column B. For the Transition Surcharge, see Page 8, Line 15, Column B. Also see the direct testimony of Valerie H. Grace, Exhibit 1, Page 2, Line 13 in Docket No. 00-0719, North Shore Gas Company Reconciliation of Revenues Collected Under Gas Adjustment Charges with Actual Costs.
- (2) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective October 1, 2000 and November 1, 2000 and not yet reconciled for the reporting months of August, 2000, and September, 2000, respectively. For the Commodity Gas Charge, see Page 6, Line 10 and sum the amounts in Column A and Column B. For the Non-Commodity Gas Charge and Demand Gas Charge see Page 7, Line 10 and sum the amounts in Column A and Column B. For the Transition Surcharge, see Page 8, Line 10 and sum the amounts in Column A and Column B. Also see the direct testimony of Valerie H. Grace, Exhibit 1, Page 2 of 10, Line 12 in Docket No. 00-0719, North Shore Gas Company Reconciliation of Revenues Collected Under Gas Adjustment Charges with Actual Costs.
- (3) Detail of costs recoverable through the Commodity Gas Charge provided on Page 3. Detail of costs recoverable through the Non-Commodity Gas Charge and Demand Gas Charge provided on Page 4. Detail of costs recoverable through the Transition Surcharge provided on Page 5.
- (4) Revenue arising through the application of the Gas Charge including the Adjustment for Gas Costs (Factor A). Detail of revenue arising from the Commodity Gas Charge provided on Page 3. Detail of revenue arising from the Non-Commodity Gas Charge and Demand Gas Charge provided on Page 4. Detail of revenue arising from the Transition Surcharge provided on Page 5.
- (5) For monthly refund amounts applied to the Non-Commodity Gas Charge and Demand Gas Charge, see Page 7, Line 7.
- (6) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective October 1, 2001 and November 1, 2001 and not yet reconciled for the reporting months of August, 2001, and September, 2001, respectively. For the Commodity Gas Charge, see Page 6, Line 10 and sum the amounts in Column M and Column N. For the Non-Commodity Gas Charge and Demand Gas Charge see Page 7, Line 10 and sum the amounts in Column M and Column N. For the Transition Surcharge, see Page 8, Line 10 and sum the amounts in Column M and Column N.
- (7) Unamortized balance at September 30, 2001. For the Commodity Gas Charge, see Page 6, Line 15, Column N. For the Non-Commodity Gas Charge and Demand Gas Charge see Page 7, Line 15, Column N. For the Transition Surcharge, see Page 8, Line 15, Column N.