

**ICC Docket No. 06-0540**

**WPS Resources Corporation's/Peoples Energy Corporation's Responses to  
Staff Data Requests DLH 4.01 - 4.02**

**Dated: August 24, 2006**

**REQUEST NO. DLH 4.02:**

Referring to Applicants' Application, pages 26-27 and Finding 7 that "the proposed reorganization is not likely to result in any adverse rate impacts on retail customers", provide a schedule which quantifies the revenue requirement impact of the proposed reorganization versus operations at that same date without the reorganization. This schedule should reflect the position of Peoples Gas and North Shore as of the 2009 additional general rate increase, discussed at page 27 of the Application, and can be presented jointly for both companies or individually. The schedule should at a minimum quantify the effect on

- a) Rate base;
- b) Return on Rate Base;
- c) Depreciation and Amortization Expense;
- d) Operations and Maintenance Expense;
- e) General and Administrative Expense;
- f) Amortization of Requested Regulatory Asset;
- g) Savings or Synergies Expected; and
- h) Purchased Gas.

The schedule should include all impacts of the proposed reorganization, including those described at pages 18 through 22 of the Application. Supporting calculations, allocations, assumptions, workpapers, and references to testimony and other Applicant exhibits should be provided as applicable.

**RESPONSE:**

Please refer to the response to DLH-4.01 with respect to Accelerated System Improvements and Purchase Accounting Impacts. Based on the same rationale contained in that response, these items have been excluded from consideration in this response.

Again, referring to the response in DLH-4.01, regarding Mr. Schott's testimony on the effects of different closing dates on taxes and rate base, see the attached schedules which contain dollar impacts on customers based on the closing dates of January 1, 2007 (Scenario #1) and March 31, 2007 (Scenario #2). The format of the schedules is similar to ICC Staff schedules utilized in the Ameren-IP merger case.

The attached schedules show that the proposed reorganization will not have any adverse impacts on PGL and NSG retail customers under either scenario. This is because the revenue requirement for 2010 will be less under the reorganization than it would be without the reorganization.

Please note that the combined (PGL and NSG) savings recurs annually through 2013. For test years after 2013, that amount will increase an additional \$12 million because the Regulatory Asset will be fully amortized and will no longer be in rate base.

**SUPPLEMENTAL RESPONSE:**

Please see the attached corrected schedules replacing those of the same name previously provided.

**Witness who can testify concerning response:** At present, there is not a witness who can testify concerning this response. However, should the Staff want to conduct cross-examination on this response, a witness will be provided.

REVISED: 9/26/06 -11am

DLH 4.02 - SCENARIO #1

The Peoples Gas Light and Coke Company  
 Company Revenue Requirement Comparison  
 2010 Test Year (2009 Rate Case filing) with closing date January 1, 2007  
 (In Millions)

Under WPS ownership

Line No.	Description (A)	Amount (B)	Source (C)		
1	Average Rate Base before merger	\$ 1,318			
2	Rate Base Adjustments	23	Synergy Merger Related Costs and Reporting Change impact to Gas Storage		
3	New Average Rate Base	\$ 1,341 (A)	WP RB 2007 - 2010		
4	Equity				
5	Pref. Stock				
6	Debt				
	<b>% of RBase</b>	<b>Rate</b>	<b>Wt Component</b>		
4	Equity	56.06%	11.25%	6.31%	WP DMR-2 Common Equity Capitalization
5	Pref. Stock	0.00%	0.00%	0.00%	WP DMR-2 Common Equity Capitalization
6	Debt	43.94%	4.90%	2.15%	WP DMR-2 Common Equity Capitalization
7	Tax Rate =	39.745%			
8	Return on Rate Base =	8.460%	\$ 113		
9	Interest Tax Savings =		(11)		
10	After-Tax Return Requirement =	7.61%	\$ 102		
11	Earnings Before Interest & Taxes	\$ 174 (B)			
12	Depreciation & Amortization	62 (A)	Property Accounting-Based on same level as Fiscal 2009		
13	G&A Expenses	161	WP DMR-4 - maintain future years at same level as Fiscal 2007		
14	Other O&M Expenses	160			
15	Total other O&M	\$321	ENG 1.8 - maintain future years at same level as Fiscal 2007		
	<b>% of RBase</b>	<b>Rate</b>	<b>Wt Component</b>		
13	G&A Expenses	56.06%	11.25%	6.31%	WP DMR-2 Common Equity Capitalization
14	Other O&M Expenses	0.00%	0.00%	0.00%	WP DMR-2 Common Equity Capitalization
15	Total other O&M	43.94%	4.90%	2.15%	WP DMR-2 Common Equity Capitalization
16	Amortization of regulatory asset	9	BAP 2.06 - Regulatory Asset Total 2007-2009 and amortized over 4 years		
17	Synergies savings	(28)	Exhibit TJF-1.6 - Gross Corporate and Regulated Savings 2010		
18	Net O&M =	302			
19	Gross Margin =	\$ 538	Lines 11 + 12 + 18		
20	Purchased Power + Gas =	1,078	Maintain Fiscal 2010 at same level as Fiscal 2008 forecast which was based on Fiscal 2006 10&2 forecast		
21	<b>Total Revenue Required =</b>	<b>\$ 1,616</b>			
	Change	\$ (15)			

Without Merger Transaction

Line No.	Description (A)	Amount (B)	Source (C)		
1	Average Rate Base	\$ 1,318			
2	N/A				
3	Average Rate Base	\$ 1,318	WP RB 2007 - 2010		
4	Equity				
5	Pref. Stock				
6	Debt				
	<b>% of RBase</b>	<b>Rate</b>	<b>Wt Component</b>		
4	Equity	56.06%	11.25%	6.31%	WP DMR-2 Common Equity Capitalization
5	Pref. Stock	0.00%	0.00%	0.00%	WP DMR-2 Common Equity Capitalization
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9	Interest Tax Savings =		(12)		
10	After-Tax Return Requirement =	7.61%	\$ 100		
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12	Depreciation & Amortization	62	Property Accounting-Based on same level as Fiscal 2009		
13	G&A Expenses	161	WP DMR-4 - maintain future years at same level as Fiscal 2007		
14	Other O&M Expenses	160			
15	Total other O&M	321	ENG 1.8 - maintain future years at same level as Fiscal 2007		
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15	Total other O&M	43.94%	4.90%	2.15%	WP DMR-2 Common Equity Capitalization
16	Amortization of regulatory asset	-			
17	Synergies savings	-			
18	Net O&M =	321			
19	Gross Margin =	\$ 553	Lines 11 + 12 + 18		
20	Purchased Power + Gas =	1,078	Maintain Fiscal 2010 at same level as Fiscal 2008 forecast which was based on Fiscal 2006 10&2 forecast		
21	<b>Total Revenue Required =</b>	<b>\$ 1,631</b>			

Note: (A) Does not reflect capitalized portion of synergy savings; revenue requirement impact of such items is included in synergy savings on line 17.  
 (B) Based on After-Tax Requirement at Gross Conversion Factor of 1.70286611

**The Peoples Gas Light and Coke Company**  
**2010 Test Year (2009 Rate Case filing) with closing date January 1, 2007**  
**Jurisdictional Rate Base Summary By ICC Account**

WP RB 2007-2010

REVISED: 9/26/06 -11am

Line No.	Rate Base Component	Workpaper DMR-4 September 30, 2007	(2)	Change in LIFO Adjustment from Fiscal Year to Calendar Year reporting	Accumulated Deferred Income Taxes Gas Storage adjustment Closing Date 1/1/07	Regulatory Asset- Transition Costs	Adjusted September 30, 2007	Adjusted September 30, 2007	2008 Activity	(2)	September 30, 2008	2009 Activity	(2)	September 30, 2009	2010 Activity	(2)	September 30, 2010	Average Fiscal Year 2010
1	Gross Utility Plant	\$ 2,414,088,000					\$ 2,414,088,000	\$ 2,414,088,000	99,378,000	(3)	\$ 2,513,466,000	73,000,000	(3)	\$ 2,586,466,000	63,000,000	(3)	\$ 2,649,466,000	\$ 2,617,966,000
2	Accumulated Provision for Depreciation and Amortization	\$ 972,536,000					\$ 972,536,000	\$ 972,536,000	40,024,000		\$ 1,012,560,000	40,024,000		\$ 1,052,584,000	40,624,000	(4)	\$ 1,093,208,000	\$ 1,072,896,000
3	Net Utility Plant (Line 1 minus Line 2)	<u>1,441,552,000</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,441,552,000</u>	<u>1,441,552,000</u>	<u>59,354,000</u>		<u>1,500,906,000</u>	<u>32,976,000</u>		<u>1,533,882,000</u>	<u>22,376,000</u>		<u>1,556,258,000</u>	<u>1,545,070,000</u>
4	Cash Working Capital	\$ 41,425,000					\$ 41,425,000	\$ 41,425,000			\$ 41,425,000			\$ 41,425,000			\$ 41,425,000	\$ 41,425,000
5	Materials and Supplies and Accounts Payable, Net	\$ 9,418,000					\$ 9,418,000	\$ 9,418,000			\$ 9,418,000			\$ 9,418,000			\$ 9,418,000	\$ 9,418,000
6	Gas in Storage	\$ 70,130,000					\$ 70,130,000	\$ 70,130,000			\$ 70,130,000			\$ 70,130,000			\$ 70,130,000	\$ 70,130,000
7	Subtotal (Lines 4 to 6)	<u>120,973,000</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>120,973,000</u>	<u>120,973,000</u>	<u>-</u>		<u>120,973,000</u>	<u>-</u>		<u>120,973,000</u>	<u>-</u>		<u>120,973,000</u>	<u>120,973,000</u>
8	Accumulated Deferred Income Taxes -	\$ (322,899,000)		-			\$ (322,899,000)	\$ (322,899,000)	(8,751,000)	(5)	\$ (331,650,000)	(8,751,000)	(5)	\$ (340,401,000)	(8,751,000)	(5)	\$ (349,152,000)	\$ (344,777,000)
9	Regulatory Asset - FAS 109	\$ 22,047,000					\$ 22,047,000	\$ 22,047,000	(367,000)	(5)	\$ 21,680,000	(367,000)	(5)	\$ 21,313,000	(367,000)	(5)	\$ 20,946,000	\$ 21,130,000
10	Customer Deposits	\$ (36,601,000)					\$ (36,601,000)	\$ (36,601,000)			\$ (36,601,000)			\$ (36,601,000)			\$ (36,601,000)	\$ (36,601,000)
11	Budget Plan Balances	\$ 15,931,000					\$ 15,931,000	\$ 15,931,000			\$ 15,931,000			\$ 15,931,000			\$ 15,931,000	\$ 15,931,000
12	Customer Advances for Construction	\$ (392,000)					\$ (392,000)	\$ (392,000)			\$ (392,000)			\$ (392,000)			\$ (392,000)	\$ (392,000)
13	Pre-1971 Investment Tax Credits	\$ -					\$ -	\$ -			\$ -			\$ -			\$ -	\$ -
14	Reserve for Injuries and Damages	\$ (2,940,000)					\$ (2,940,000)	\$ (2,940,000)			\$ (2,940,000)			\$ (2,940,000)			\$ (2,940,000)	\$ (2,940,000)
15	Subtotal (Lines 8 to 14)	<u>(324,854,000)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>(324,854,000)</u>	<u>(324,854,000)</u>	<u>(9,118,000)</u>		<u>(333,972,000)</u>	<u>(9,118,000)</u>		<u>(343,090,000)</u>	<u>(9,118,000)</u>		<u>(352,208,000)</u>	<u>(347,649,000)</u>
16	Total Rate Base (Lines 3 + 7 +15) before merger	<u>\$ 1,237,671,000</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,237,671,000</u>	<u>1,237,671,000</u>	<u>50,236,000</u>		<u>1,287,907,000</u>	<u>23,858,000</u>		<u>1,311,765,000</u>	<u>13,258,000</u>		<u>1,325,023,000</u>	<u>1,318,394,000</u>
17	Regulatory Asset - Synergy Merger Costs	\$ -				\$ 21,383,000 (6)	\$ 21,383,000	\$ 21,383,000 (6)	10,678,000 (6)		\$ 32,061,000 (6)	5,628,000 (6)		\$ 37,689,000 (6)	(9,422,000) (6)		\$ 28,267,000 (6)	\$ 32,978,000
18	Deferred Income Taxes - Synergy Costs	\$ -				(8,499,000) (6)	\$ (8,499,000)	\$ (8,499,000) (6)	(4,244,000) (6)		\$ (12,743,000) (6)	(2,236,000) (6)		\$ (14,979,000) (6)	3,744,000 (6)		\$ (11,235,000) (6)	\$ (13,107,000)
19	Deferred Income Taxes - LIFO ADIT Adjustment	\$ -					\$ -	\$ -			\$ -			\$ -			\$ -	\$ -
20	Gas in Storage - Reporting Change	\$ -		2,935,000			\$ 2,935,000	\$ 2,935,000			\$ 2,935,000			\$ 2,935,000			\$ 2,935,000	\$ 2,935,000
21	Adjusted Total Rate Base after merger	<u>\$ 1,237,671,000</u>		<u>\$ 2,935,000</u>	<u>\$ -</u>	<u>\$ 12,884,000</u>	<u>\$ 1,253,490,000</u>	<u>\$ 1,253,490,000</u>	<u>\$ 56,670,000</u>		<u>\$ 1,310,160,000</u>	<u>\$ 27,250,000</u>		<u>\$ 1,337,410,000</u>	<u>\$ 7,580,000</u>		<u>\$ 1,344,990,000</u>	<u>\$ 1,341,200,000</u>

Note: (1) Arithmetic averages of 13 month-end balances for Materials and Supplies and Account Payable, Net, Gas in Storage, Customer Deposits and Budget Plan Balances  
 (2) Fiscal 2007 based on Fiscal 2006 5&7. Fiscal 2008-2010 based on Fiscal 2006 10&2.  
 (3) Property Accounting based on Fiscal 2006 10&2. Amounts exclude Net Dismantling. LNG Project Capital Expenditures incurred for \$25 M in Fiscal 2008 and \$5 M in Fiscal 2009 with plant in service at 9/30/09 and useful life of 50 years.  
 (4) LNG Plant in service at 9/30/09. Yearly amortization begin in Fiscal 2010.  
 (5) Fiscal Year 2009-2010 Activity based on same level as Fiscal Year 2008  
 (6) Based on attachments from BAP 1.05 and BAP 2.06. These costs include carrying charges. Amortization over 4 years beginning Year 2010.  
 Accumulated Deferred Taxes calculated at 39.745% and amortized over 4 years, and assumes all costs are fully deductible.

Capital Structure -2010  
 RB vs Cap Structure-difference  
 1,254,000,000  
 87,200,000

THE PEOPLES GAS LIGHT AND COKE COMPANY  
 PLANT MATERIALS AND OPERATING SUPPLIES AND GAS IN STORAGE  
 FISCAL YEAR 2007 vs CALENDAR YEAR 2007

ESTIMATED BALANCE AT:	Account 154		Account 163	Total Material & Supplies	Account 164.1	Account 164.2	Account 165	Fiscal Year Total Gas in Storage	Total Materials and Supplies and Gas in Storage	Calendar Year Total Gas in Storage
	General Materials and Supplies (GL 7200000)	General M & S Stores Dept. Work Orders (GL 7200200)	Store Expense Undistributed (GL 7757600)		Gas Stored Underground Current (GL 7500000)	LNG Stored (GL 7500200)	Prepaid Gas Underground Stored (GL 7500400)			
September 30	\$ 10,013,000	\$ 29,000	\$ 109,000	\$ 10,151,000	\$ 49,742,000	\$ 3,393,000	\$ 53,107,000	\$ 106,242,000	\$ 116,393,000	
October 31	10,013,000	29,000	109,000	10,151,000	74,673,000	4,522,000	82,620,000	161,815,000	171,966,000	
November 30	10,013,000	29,000	109,000	10,151,000	82,768,000	4,505,000	78,103,000	165,376,000	175,527,000	
December 31	10,013,000	29,000	109,000	10,151,000	39,634,000	2,711,000	38,425,000	80,770,000	90,921,000	December 31
January 31	10,013,000	29,000	109,000	10,151,000	15,335,000	1,821,000	19,180,000	36,336,000	46,487,000	January 31
February 28	10,013,000	29,000	109,000	10,151,000	7,044,000	1,787,000	14,160,000	22,991,000	33,142,000	February 28
March 31	10,013,000	29,000	109,000	10,151,000	8,918,000	1,751,000	5,406,000	16,075,000	26,226,000	March 31
April 30	10,013,000	29,000	109,000	10,151,000	13,421,000	1,715,000	5,500,000	20,636,000	30,787,000	April 30
May 31	10,013,000	29,000	109,000	10,151,000	17,552,000	1,678,000	9,987,000	29,217,000	39,368,000	May 31
June 30	10,013,000	29,000	109,000	10,151,000	21,062,000	1,642,000	14,631,000	37,335,000	47,486,000	June 30
July 31	10,013,000	29,000	109,000	10,151,000	27,444,000	1,812,000	22,311,000	51,567,000	61,718,000	July 31
August 31	10,013,000	29,000	109,000	10,151,000	38,859,000	2,331,000	35,901,000	77,091,000	87,242,000	August 31
September 30	10,013,000	29,000	109,000	10,151,000	49,742,000	3,393,000	53,107,000	106,242,000	116,393,000	September 30
October 31										October 31
November 30										November 30
December 31										December 31
13 Month Total	\$ 130,169,000	\$ 377,000	\$ 1,417,000	\$ 131,963,000	\$ 446,194,000	\$ 33,061,000	\$ 432,438,000	\$ 911,693,000	\$ 1,043,656,000	949,845,000
13 Month Avg	\$ 10,013,000	\$ 29,000	\$ 109,000	\$ 10,151,000	\$ 34,323,000	\$ 2,543,000	\$ 33,264,000	\$ 70,130,000	\$ 80,281,000	\$ 73,065,000

( ) Denotes red figure

(INCREASE)/DECREASE IN GAS IN STORAGE FROM FISCAL TO CALENDAR YEAR REPORTING

(2,935,000)

The Peoples Gas Light and Coke Company  
 Cost of Capital Summary

**THREE PART CAPITAL STRUCTURE**

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Average 2007 with increase</b> AMOUNT	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$678,325,000 (A)	56.21%	11.25%	6.32%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	528,406,000 (B)	43.79%	4.90%	2.14%
<b>TOTAL</b>	<b>\$1,206,731,000</b>	<b>100.00%</b>		<b>8.46%</b>

Notes:

(A) Based on 13 month average balances	Sept 30, 2006	527,839,000	4.90%
(B) LTD net average current proceeds	Sept 30, 2007	528,973,000	4.89%
	Total	1,056,812,000	9.79%
	Avg	528,406,000	4.90%
	Avg (rounded)	528,406,000	

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2008</b> AMOUNT Workpaper DMR-2	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$700,000,000	55.96%	11.25%	6.30%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	551,000,000	44.04%	4.90%	2.16%
<b>TOTAL</b>	<b>\$1,251,000,000</b>	<b>100.00%</b>		<b>8.46%</b>

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2009</b> AMOUNT Workpaper DMR-2	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$703,000,000	56.06%	11.25%	6.31%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	551,000,000	43.94%	4.90%	2.15%
<b>TOTAL</b>	<b>\$1,254,000,000</b>	<b>100.00%</b>		<b>8.46%</b>

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2010 before merger &amp; at closing date January 1, 2007</b> AMOUNT Workpaper DMR-2	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT	After Tax WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$703,000,000	56.06%	11.25%	6.31%	6.31%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	
LONG-TERM DEBT	551,000,000	43.94%	4.90%	2.15%	1.30%
<b>TOTAL</b>	<b>\$1,254,000,000</b>	<b>100.00%</b>		<b>8.46%</b>	<b>7.61%</b>

Assumptions:

Return on Equity held at 11.25% and Cost of Long Term Debt held at 4.90% for Year 2008 - 2010

Year 2010: Assume Dividend distributed is equally offset against net Income and Net Synergy Savings based on Workpapers DMR-2

9/26/06 - 11:30am

DLH 4.02 - SCENARIO #2

The Peoples Gas Light and Coke Company  
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 (In Millions)

Under WPS ownership

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	0.00%	0.00%	0.00%
	43.94%	4.90%	2.15%
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8	Return on Rate Base =	\$ 118	
9	Interest Tax Savings =	(12)	
10	After-Tax Return Requirement =	\$ 106	
11	Earnings Before Interest & Taxes	\$ 181	(B)
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20	Purchased Power + Gas =	1,078	Maintain Fiscal 2010 at same level as Fiscal 2008 forecast which was based on Fiscal 2006 10&2 forecast
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	Change	\$ (8)	

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**The Peoples Gas Light and Coke Company**  
**2010 Test Year (2009 Rate Case filing) with closing date March 31, 2007**  
**Jurisdictional Rate Base Summary By ICC Account**

WP RB 2007-2010

9/26/06 - 11:30am

Line No.	Rate Base Component	Workpaper DMR-4 September 30, 2007	(2)	Change in LIFO Adjustment from Fiscal Year to Calendar Year reporting	Accumulated Deferred Income Taxes Gas Storage adjustment Closing Date 3/31/07	Regulatory Asset- Transition Costs	Adjusted September 30, 2007	Adjusted September 30, 2007	(2)	2008 Activity	(2)	September 30, 2008	2009 Activity	(2)	September 30, 2009	2010 Activity	(2)	September 30, 2010	Average Fiscal Year 2010
1	Gross Utility Plant	\$ 2,414,088,000					\$ 2,414,088,000			99,378,000 (3)		\$ 2,513,466,000	73,000,000 (3)		\$ 2,586,466,000	63,000,000 (3)		\$ 2,649,466,000	\$ 2,617,966,000
2	Accumulated Provision for Depreciation and Amortization	\$ 972,536,000					\$ 972,536,000			40,024,000		\$ 1,012,560,000	40,024,000		\$ 1,052,584,000	40,624,000 (4)		\$ 1,093,208,000	\$ 1,072,896,000
3	Net Utility Plant (Line 1 minus Line 2)	<u>1,441,552,000</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,441,552,000</u>			<u>59,354,000</u>		<u>1,500,906,000</u>	<u>32,976,000</u>		<u>1,533,882,000</u>	<u>22,376,000</u>		<u>1,556,258,000</u>	<u>1,545,070,000</u>
4	Cash Working Capital	\$ 41,425,000					\$ 41,425,000					\$ 41,425,000			\$ 41,425,000			\$ 41,425,000	\$ 41,425,000
5	Materials and Supplies and Accounts Payable, Net	\$ 9,418,000					\$ 9,418,000					\$ 9,418,000			\$ 9,418,000			\$ 9,418,000	\$ 9,418,000
6	Gas in Storage	\$ 70,130,000					\$ 70,130,000					\$ 70,130,000			\$ 70,130,000			\$ 70,130,000	\$ 70,130,000
7	Subtotal (Lines 4 to 6)	<u>120,973,000</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>120,973,000</u>			<u>-</u>		<u>120,973,000</u>	<u>-</u>		<u>120,973,000</u>	<u>-</u>		<u>120,973,000</u>	<u>120,973,000</u>
8	Accumulated Deferred Income Taxes -	\$ (322,899,000)		-			\$ (322,899,000)			(8,751,000) (5)		\$ (331,650,000)	(8,751,000) (5)		\$ (340,401,000)	(8,751,000) (5)		\$ (349,152,000)	\$ (344,777,000)
9	Regulatory Asset - FAS 109	\$ 22,047,000					\$ 22,047,000			(367,000) (5)		\$ 21,680,000	(367,000) (5)		\$ 21,313,000	(367,000) (5)		\$ 20,946,000	\$ 21,130,000
10	Customer Deposits	\$ (36,601,000)					\$ (36,601,000)					\$ (36,601,000)			\$ (36,601,000)			\$ (36,601,000)	\$ (36,601,000)
11	Budget Plan Balances	\$ 15,931,000					\$ 15,931,000					\$ 15,931,000			\$ 15,931,000			\$ 15,931,000	\$ 15,931,000
12	Customer Advances for Construction	\$ (392,000)					\$ (392,000)					\$ (392,000)			\$ (392,000)			\$ (392,000)	\$ (392,000)
13	Pre-1971 Investment Tax Credits	\$ -					\$ -					\$ -			\$ -			\$ -	\$ -
14	Reserve for Injuries and Damages	\$ (2,940,000)					\$ (2,940,000)					\$ (2,940,000)			\$ (2,940,000)			\$ (2,940,000)	\$ (2,940,000)
15	Subtotal (Lines 8 to 14)	<u>(324,854,000)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>(324,854,000)</u>			<u>(9,118,000)</u>		<u>(333,972,000)</u>	<u>(9,118,000)</u>		<u>(343,090,000)</u>	<u>(9,118,000)</u>		<u>(352,208,000)</u>	<u>(347,649,000)</u>
16	Total Rate Base (Line 3 + 7 + 15) before merger	<u>\$ 1,237,671,000</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,237,671,000</u>			<u>50,236,000</u>		<u>1,287,907,000</u>	<u>23,858,000</u>		<u>1,311,765,000</u>	<u>13,258,000</u>		<u>1,325,023,000</u>	<u>1,318,394,000</u>
17	Regulatory Asset - Synergy Merger Costs	\$ -				\$ 21,383,000 (6)	\$ 21,383,000			10,678,000 (6)		\$ 32,061,000 (6)	5,628,000 (6)		\$ 37,689,000 (6)	(9,422,000) (6)		\$ 28,267,000 (6)	\$ 32,978,000
18	Deferred Income Taxes - Synergy Costs	\$ -				(8,499,000) (6)	\$ (8,499,000)			(4,244,000) (6)		\$ (12,743,000) (6)	(2,236,000) (6)		\$ (14,979,000) (6)	3,744,000 (6)		\$ (11,235,000) (6)	\$ (13,107,000)
19	Deferred Income Taxes - LIFO ADIT Adjustment	\$ -			56,936,000 (7)		\$ 56,936,000					\$ 56,936,000			\$ 56,936,000	-		\$ 56,936,000	\$ 56,936,000
20	Gas in Storage - Reporting Change	\$ -		2,935,000			\$ 2,935,000					\$ 2,935,000	-		\$ 2,935,000	-		\$ 2,935,000	\$ 2,935,000
21	Adjusted Total Rate Base after merger	<u>\$ 1,237,671,000</u>		<u>\$ 2,935,000</u>	<u>\$ 56,936,000</u>	<u>\$ 12,884,000</u>	<u>\$ 1,310,426,000</u>			<u>\$ 56,670,000</u>		<u>\$ 1,367,096,000</u>	<u>\$ 27,250,000</u>		<u>\$ 1,394,346,000</u>	<u>\$ 7,580,000</u>		<u>\$ 1,401,926,000</u>	<u>\$ 1,398,136,000</u>

Note: (1) Arithmetic averages of 13 month-end balances for Materials and Supplies and Account Payable, Net, Gas in Storage, Customer Deposits and Budget Plan Balances  
 (2) Fiscal 2007 based on Fiscal 2006 5&7. Fiscal 2008-2010 based on Fiscal 2006 10&2.  
 (3) Property Accounting based on Fiscal 2006 10&2. Amounts exclude Net Dismantling. LNG Project Capital Expenditures incurred for \$25 M in Fiscal 2008 and \$5 M in Fiscal 2009 with plant in service at 9/30/09 and useful life of 50 years.  
 (4) LNG Plant in service at 9/30/09. Yearly amortization begin in Fiscal 2010.  
 (5) Fiscal Year 2009-2010 Activity based on same level as Fiscal Year 2008  
 (6) Based on attachments from BAP 1.05 and BAP 2.06. These costs include carrying charges. Amortization over 4 years beginning Year 2010.  
 Accumulated Deferred Taxes calculated at 39.745% and amortized over 4 years, and assumes all costs are fully deductible.  
 (7) Refer to response in DLH 1.04 and pages 21-22 of Application Docket #06-0540

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Capital Structure -2010  
 RB vs Cap Structure-difference  
 1,254,000,000  
 144,136,000

THE PEOPLES GAS LIGHT AND COKE COMPANY  
 PLANT MATERIALS AND OPERATING SUPPLIES AND GAS IN STORAGE  
 FISCAL YEAR 2007 vs CALENDAR YEAR 2007

ESTIMATED BALANCE AT:	Account 154		Account 163	Total Material & Supplies	Account 164.1	Account 164.2	Account 165	Fiscal Year Total Gas in Storage	Total Materials and Supplies and Gas in Storage	Calendar Year Total Gas in Storage
	General Materials and Supplies (GL 7200000)	General M & S Stores Dept. Work Orders (GL 7200200)	Store Expense Undistributed (GL 7757600)		Gas Stored Underground Current (GL 7500000)	LNG Stored (GL 7500200)	Prepaid Gas Underground Stored (GL 7500400)			
September 30	\$ 10,013,000	\$ 29,000	\$ 109,000	\$ 10,151,000	\$ 49,742,000	\$ 3,393,000	\$ 53,107,000	\$ 106,242,000	\$ 116,393,000	
October 31	10,013,000	29,000	109,000	10,151,000	74,673,000	4,522,000	82,620,000	161,815,000	171,966,000	
November 30	10,013,000	29,000	109,000	10,151,000	82,768,000	4,505,000	78,103,000	165,376,000	175,527,000	
December 31	10,013,000	29,000	109,000	10,151,000	39,634,000	2,711,000	38,425,000	80,770,000	90,921,000	December 31
January 31	10,013,000	29,000	109,000	10,151,000	15,335,000	1,821,000	19,180,000	36,336,000	46,487,000	January 31
February 28	10,013,000	29,000	109,000	10,151,000	7,044,000	1,787,000	14,160,000	22,991,000	33,142,000	February 28
March 31	10,013,000	29,000	109,000	10,151,000	8,918,000	1,751,000	5,406,000	16,075,000	26,226,000	March 31
April 30	10,013,000	29,000	109,000	10,151,000	13,421,000	1,715,000	5,500,000	20,636,000	30,787,000	April 30
May 31	10,013,000	29,000	109,000	10,151,000	17,552,000	1,678,000	9,987,000	29,217,000	39,368,000	May 31
June 30	10,013,000	29,000	109,000	10,151,000	21,062,000	1,642,000	14,631,000	37,335,000	47,486,000	June 30
July 31	10,013,000	29,000	109,000	10,151,000	27,444,000	1,812,000	22,311,000	51,567,000	61,718,000	July 31
August 31	10,013,000	29,000	109,000	10,151,000	38,859,000	2,331,000	35,901,000	77,091,000	87,242,000	August 31
September 30	10,013,000	29,000	109,000	10,151,000	49,742,000	3,393,000	53,107,000	106,242,000	116,393,000	September 30
October 31										October 31
November 30										November 30
December 31										December 31
13 Month Total	<u>\$ 130,169,000</u>	<u>\$ 377,000</u>	<u>\$ 1,417,000</u>	<u>\$ 131,963,000</u>	<u>\$ 446,194,000</u>	<u>\$ 33,061,000</u>	<u>\$ 432,438,000</u>	<u>\$ 911,693,000</u>	<u>\$ 1,043,656,000</u>	<u>949,845,000</u>
13 Month Avg	<u>\$ 10,013,000</u>	<u>\$ 29,000</u>	<u>\$ 109,000</u>	<u>\$ 10,151,000</u>	<u>\$ 34,323,000</u>	<u>\$ 2,543,000</u>	<u>\$ 33,264,000</u>	<u>\$ 70,130,000</u>	<u>\$ 80,281,000</u>	<u>\$ 73,065,000</u>

( ) Denotes red figure

(INCREASE)/DECREASE IN GAS IN STORAGE FROM FISCAL TO CALENDAR YEAR REPORTING

(2,935,000)

The Peoples Gas Light and Coke Company  
 Cost of Capital Summary

**THREE PART CAPITAL STRUCTURE**

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Average 2007 with increase</b> AMOUNT	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$678,325,000 (A)	56.21%	11.25%	6.32%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	528,406,000 (B)	43.79%	4.90%	2.14%
<b>TOTAL</b>	<b>\$1,206,731,000</b>	<b>100.00%</b>		<b>8.46%</b>

Notes:

(A) Based on 13 month average balances	Sept 30, 2006	527,839,000	4.90%
(B) LTD net average current proceeds	Sept 30, 2007	528,973,000	4.89%
	Total	1,056,812,000	9.79%
	Avg	528,406,000	4.90%
	Avg (rounded)	528,406,000	

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2008</b> AMOUNT Workpaper DMR-2	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$700,000,000	55.96%	11.25%	6.30%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	551,000,000	44.04%	4.90%	2.16%
<b>TOTAL</b>	<b>\$1,251,000,000</b>	<b>100.00%</b>		<b>8.46%</b>

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2009</b> AMOUNT Workpaper DMR-2	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$703,000,000	56.06%	11.25%	6.31%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	551,000,000	43.94%	4.90%	2.15%
<b>TOTAL</b>	<b>\$1,254,000,000</b>	<b>100.00%</b>		<b>8.46%</b>

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2010 before merger &amp; at closing date March 31, 2007</b> AMOUNT Workpaper DMR-2	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT	After Tax WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$703,000,000	56.06%	11.25%	6.31%	6.31%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	
LONG-TERM DEBT	551,000,000	43.94%	4.90%	2.15%	1.30%
<b>TOTAL</b>	<b>\$1,254,000,000</b>	<b>100.00%</b>		<b>8.46%</b>	<b>7.61%</b>

Assumptions:

Return on Equity held at 11.25% and Cost of Long Term Debt held at 4.90% for Year 2008 - 2010

Year 2010: Assume Dividend distributed is equally offset against net Income and Net Synergy Savings based on Workpapers DMR-2



**North Shore Gas Company**  
**2010 Test Year (2009 Rate Case filing) with closing date January 1, 2007**  
**Jurisdictional Rate Base Summary By ICC Account**

WP RB 2007-2010

9/26/06 2:30pm

Line No.	Rate Base Component	Worksheet DMR-5 September 30, 2007	(2)	Change in LIFO Adjustment from Fiscal Year to Calendar Year reporting	Accumulated Deferred Income Taxes Gas Storage Adjustment closing date 1/1/07	Regulatory Asset Transition Costs	Adjusted September 30, 2007	Adjusted September 30, 2007	2008 Activity	(2)	September 30, 2008	2009 Activity	(2)	September 30, 2009	2010 Activity	(2)	September 30, 2010	Average Fiscal Year 2010
1	Gross Utility Plant	\$ 379,800,000					\$ 379,800,000	\$ 379,800,000	8,571,000	(3)	\$ 388,371,000	8,825,000	(3)	\$ 397,196,000	8,825,000	(3)	\$ 406,021,000	\$ 401,609,000
2	Accumulated Provision for Depreciation and Amortization	\$ 153,471,000					\$ 153,471,000	\$ 153,471,000	5,178,000		\$ 158,649,000	5,178,000		\$ 163,827,000	5,178,000		\$ 169,005,000	\$ 166,416,000
3	Net Utility Plant (Line 1 minus Line 2)	<u>226,329,000</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>226,329,000</u>	<u>226,329,000</u>	<u>3,393,000</u>		<u>229,722,000</u>	<u>3,647,000</u>		<u>233,369,000</u>	<u>3,647,000</u>		<u>237,016,000</u>	<u>235,193,000</u>
4	Cash Working Capital	\$ 1,621,000					\$ 1,621,000	\$ 1,621,000			\$ 1,621,000			\$ 1,621,000			\$ 1,621,000	\$ 1,621,000
5	Materials and Supplies and Accounts Payable, Net	\$ 1,596,000					\$ 1,596,000	\$ 1,596,000			\$ 1,596,000			\$ 1,596,000			\$ 1,596,000	\$ 1,596,000
6	Gas in Storage	\$ 9,077,000					\$ 9,077,000	\$ 9,077,000			\$ 9,077,000			\$ 9,077,000			\$ 9,077,000	\$ 9,077,000
7	Subtotal (Lines 4 to 6)	<u>12,294,000</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>12,294,000</u>	<u>12,294,000</u>	<u>-</u>		<u>12,294,000</u>	<u>-</u>		<u>12,294,000</u>	<u>-</u>		<u>12,294,000</u>	<u>12,294,000</u>
8	Accumulated Deferred Income Taxes -	\$ (49,321,000)		-			\$ (49,321,000)	\$ (49,321,000)	(2,493,000)	(4)	\$ (51,814,000)	(2,493,000)	(4)	\$ (54,307,000)	(2,493,000)	(4)	\$ (56,800,000)	\$ (55,554,000)
9	Regulatory Liabilities - FAS 109	\$ (1,783,000)					\$ (1,783,000)	\$ (1,783,000)	296,000	(4)	\$ (1,487,000)	296,000	(4)	\$ (1,191,000)	296,000	(4)	\$ (895,000)	\$ (1,043,000)
10	Customer Deposits	\$ (3,201,000)					\$ (3,201,000)	\$ (3,201,000)			\$ (3,201,000)			\$ (3,201,000)			\$ (3,201,000)	\$ (3,201,000)
11	Budget Plan Balances	\$ 1,345,000					\$ 1,345,000	\$ 1,345,000			\$ 1,345,000			\$ 1,345,000			\$ 1,345,000	\$ 1,345,000
12	Customer Advances for Construction	\$ (744,000)					\$ (744,000)	\$ (744,000)			\$ (744,000)			\$ (744,000)			\$ (744,000)	\$ (744,000)
13	Pre-1971 Investment Tax Credits	\$ -					\$ -	\$ -			\$ -			\$ -			\$ -	\$ -
14	Reserve for Injuries and Damages	\$ -					\$ -	\$ -			\$ -			\$ -			\$ -	\$ -
15	Subtotal (Lines 8 to 14)	<u>(53,704,000)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,704,000)</u>	<u>(53,704,000)</u>	<u>(2,197,000)</u>		<u>(55,901,000)</u>	<u>(2,197,000)</u>		<u>(58,098,000)</u>	<u>(2,197,000)</u>		<u>(60,295,000)</u>	<u>(59,197,000)</u>
16	Total Rate Base (Lines 3 + 7 +15) before merger	<u>\$ 184,919,000</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,919,000</u>	<u>184,919,000</u>	<u>1,196,000</u>		<u>186,115,000</u>	<u>1,450,000</u>		<u>187,565,000</u>	<u>1,450,000</u>		<u>189,015,000</u>	<u>188,290,000</u>
17	Regulatory Asset - Synergy Costs	\$ -		-		2,881,000	(5) \$ 2,881,000	\$ 2,881,000	1,445,000	(5)	\$ 4,326,000	779,000	(5)	\$ 5,105,000	(1,276,000)	(5)	\$ 3,829,000	\$ 4,467,000
18	Deferred Income Taxes - Synergy Merger Costs	\$ -		-		(1,145,000)	(5) \$ (1,145,000)	\$ (1,145,000)	(574,000)	(5)	\$ (1,719,000)	(310,000)	(5)	\$ (2,029,000)	507,000	(5)	\$ (1,522,000)	\$ (1,776,000)
19	Deferred Income Taxes - LIFO ADIT Adjustment	\$ -		-		-	\$ -	\$ -			\$ -			\$ -			\$ -	\$ -
20	Gas in Storage - Reporting Change	\$ -		200,000		-	\$ 200,000	\$ 200,000			\$ 200,000			\$ 200,000			\$ 200,000	\$ 200,000
21	Adjusted Total Rate Base after merger	<u>\$ 184,919,000</u>		<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 1,736,000</u>	<u>\$ 186,855,000</u>	<u>\$ 186,855,000</u>	<u>\$ 2,067,000</u>		<u>\$ 188,922,000</u>	<u>\$ 1,919,000</u>		<u>\$ 190,841,000</u>	<u>\$ 681,000</u>		<u>\$ 191,522,000</u>	<u>\$ 191,181,000</u>

Note: (1) Arithmetic averages of 13 month-end balances for Materials and Supplies and Account Payable, Net, Gas in Storage, Customer Deposits and Budget Plan Balances  
 (2) Fiscal 2007 based on Fiscal 2006 5&7. Fiscal 2008-2010 based on Fiscal 2006 10&2.  
 (3) Property Accounting based on Fiscal 2006 10&2. Amounts exclude Net Dismantling.  
 (4) Fiscal Year 2009-2010 Activity based on same level as Fiscal Year 2008.  
 (5) Based on attachments from BAP 1.05 and BAP 2.06. These costs include carrying charges. Amortization over 4 years beginning Year 2010.  
 Accumulated Deferred Taxes calculated at 39.745% and amortized over 4 years, and assumes all costs are fully deductible.

Capital Structure -2010  
 RB vs Cap Structure-difference  
 203,000,000  
 (11,819,000)

Date	Actual						Estimated						Calendar Year Gas In Storage
	Historical Year Ended September 30, 2004			Historical Year Ended September 30, 2005			Current Year Ending September 30, 2006 (2)			Test Year Ending September 30, 2007			
	Materials and Supplies (1)	Associated Accounts Payable	Gas In Storage	Materials and Supplies	Associated Accounts Payable	Gas In Storage	Materials and Supplies	Associated Accounts Payable	Gas In Storage	Materials and Supplies	Associated Accounts Payable	Gas In Storage	
[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	
September 30	\$ 1,928,418	(\$244,000)	\$ 8,735,420	\$ 1,934,280	(\$244,000)	\$ 14,259,925	\$ 1,868,914	(\$244,000)	\$ 13,596,425	\$ 1,840,000	(\$244,000)	\$ 13,596,000	
October 31	2,103,576	(244,000)	16,691,897	2,682,139	(244,000)	21,486,378	1,829,989	(244,000)	26,464,237	1,840,000	(244,000)	25,463,000	
November 30	2,109,259	(244,000)	17,209,646	2,299,351	(244,000)	24,152,574	1,792,094	(244,000)	19,422,149	1,840,000	(244,000)	26,053,000	
December 31	2,083,265	(244,000)	8,469,637	2,857,567	(244,000)	10,254,363	1,827,783	(244,000)	8,715,820	1,840,000	(244,000)	8,914,000	December 31
January 31	2,072,544	(244,000)	4,847,907	1,856,018	(244,000)	5,583,702	1,831,669	(244,000)	7,141,911	1,840,000	(244,000)	5,130,000	January 31
February 28	2,061,883	(244,000)	2,904,814	1,805,807	(244,000)	3,422,414	1,839,972	(244,000)	4,444,476	1,840,000	(244,000)	2,551,000	February 28
March 31	1,994,474	(244,000)	1,673,272	1,841,823	(244,000)	1,433,406	1,840,000	(244,000)	2,792,000	1,840,000	(244,000)	846,000	March 31
April 30	1,907,093	(244,000)	2,598,274	1,872,148	(244,000)	2,077,216	1,840,000	(244,000)	2,521,000	1,840,000	(244,000)	1,184,000	April 30
May 31	1,914,006	(244,000)	3,632,978	1,850,885	(244,000)	3,323,548	1,840,000	(244,000)	3,604,000	1,840,000	(244,000)	2,505,000	May 31
June 30	1,874,107	(244,000)	5,195,146	1,840,809	(244,000)	4,860,983	1,840,000	(244,000)	5,127,000	1,840,000	(244,000)	4,177,000	June 30
July 31	1,977,288	(244,000)	6,708,284	1,861,318	(244,000)	6,524,692	1,840,000	(244,000)	6,788,000	1,840,000	(244,000)	6,067,000	July 31
August 31	1,912,433	(244,000)	8,270,081	1,902,256	(244,000)	8,095,784	1,840,000	(244,000)	8,402,000	1,840,000	(244,000)	7,920,000	August 31
September 30	1,934,280	(244,000)	14,259,925	1,868,914	(244,000)	13,596,425	1,840,000	(244,000)	13,596,000	1,840,000	(244,000)	13,596,000	September 30
October 31													October 31
November 30													November 30
December 31													December 31
13 Month Total	\$ 25,872,625	\$ (3,172,000)	\$ 101,197,279	\$ 26,473,317	\$ (3,172,000)	\$ 119,071,408	\$ 23,870,422	\$ (3,172,000)	\$ 122,615,019	\$ 23,920,000	\$ (3,172,000)	\$ 118,002,000	\$ 120,600,000
13 Month Avg	\$ 1,990,202	\$ (244,000)	\$ 7,784,406	\$ 2,036,409	\$ (244,000)	\$ 9,159,339	\$ 1,836,000	\$ (244,000)	\$ 9,432,000	\$ 1,840,000	\$ (244,000)	\$ 9,077,000	\$ 9,277,000

Note: (1) Accounts payable associated with materials and supplies data is estimated based on a 13 month average ending January 31, 2003.  
 (2) The first prior year (fiscal 2006) includes five months of actual data and seven months of forecasted data.

(INCREASE)/DECREASE IN GAS IN STORAGE FROM FISCAL TO CALENDAR YEAR REPORTING \$ (200,000)

North Shore Gas Company  
 Cost of Capital Summary

**THREE PART CAPITAL STRUCTURE**

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Average 2007 with increase</b> AMOUNT	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$107,740,000 (A)	55.82%	11.25%	6.28%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	85,271,000 (B)	44.18%	5.56%	2.46%
<b>TOTAL</b>	<b>\$193,011,000</b>	<b>100.00%</b>		<b>8.74%</b>

Notes:

(A) Based on 13 month average balances				
(B) LTD net average current proceeds -				
	Sept 30, 2006		85,142,000	5.57%
	Sept 30, 2007		85,400,000	5.55%
	Total		170,542,000	11.12%
	Avg		85,271,000	5.56%
	Avg (rounded)		85,271,000	

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2008</b> AMOUNT Workpaper DMR-3	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$114,000,000	56.16%	11.25%	6.32%
PREFERRED STOCK	0	0.00%	0.00%	0.00%
LONG-TERM DEBT	89,000,000	43.84%	5.56%	2.44%
<b>TOTAL</b>	<b>\$203,000,000</b>	<b>100.00%</b>		<b>8.76%</b>

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LONG-TERM DEBT	89,000,000	43.84%	5.56%	2.44%
<b>TOTAL</b>	<b>\$203,000,000</b>	<b>100.00%</b>		<b>8.76%</b>

<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2010 before merger &amp; closing date January 1, 2007</b> AMOUNT Workpaper DMR-3	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT	After Tax WEIGHTED COMPONENT
COMMON EQUITY without AOCI	\$114,000,000	56.16%	11.25%	6.32%	6.32%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	
LONG-TERM DEBT	89,000,000	43.84%	5.56%	2.44%	1.47%
<b>TOTAL</b>	<b>\$203,000,000</b>	<b>100.00%</b>		<b>8.76%</b>	<b>7.79%</b>

Assumptions:

Return on Equity held at 11.25% and Cost of Long Term Debt held at 4.90% for Year 2008 - 2010

Year 2010: Assume Dividend distributed is equally offset against net income and net Synergy Savings based on Workpapers DMR-3



**North Shore Gas Company**  
**2010 Test Year (2009 Rate Case filing) with closing date March 31, 2007**  
**Jurisdictional Rate Base Summary By ICC Account**

WP RB 2007-2010

9/26/06 2:30pm

Line No.	Rate Base Component	Workpaper DMR-5 September 30, 2007	(2)	Change in LIFO Adjustment from Fiscal Year to Calendar Year reporting	Accumulated Deferred Income Taxes Gas Storage Adjustment closing date 3/31/07	Regulatory Asset Transition Costs	Adjusted September 30, 2007	Adjusted September 30, 2007	2008 Activity	(2)	September 30, 2008	2009 Activity	(2)	September 30, 2009	2010 Activity	(2)	September 30, 2010	Average Fiscal Year 2010
1	Gross Utility Plant	\$ 379,800,000					\$ 379,800,000	\$ 379,800,000	8,571,000	(3)	\$ 388,371,000	8,825,000	(3)	\$ 397,196,000	8,825,000	(3)	\$ 406,021,000	\$ 401,609,000
2	Accumulated Provision for Depreciation and Amortization	\$ 153,471,000					\$ 153,471,000	\$ 153,471,000	5,178,000		\$ 158,649,000	5,178,000		\$ 163,827,000	5,178,000		\$ 169,005,000	\$ 166,416,000
3	Net Utility Plant (Line 1 minus Line 2)	<u>226,329,000</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>226,329,000</u>	<u>226,329,000</u>	<u>3,393,000</u>		<u>229,722,000</u>	<u>3,647,000</u>		<u>233,369,000</u>	<u>3,647,000</u>		<u>237,016,000</u>	<u>235,193,000</u>
4	Cash Working Capital	\$ 1,621,000					\$ 1,621,000	\$ 1,621,000			\$ 1,621,000			\$ 1,621,000			\$ 1,621,000	\$ 1,621,000
5	Materials and Supplies and Accounts Payable, Net	\$ 1,596,000					\$ 1,596,000	\$ 1,596,000			\$ 1,596,000			\$ 1,596,000			\$ 1,596,000	\$ 1,596,000
6	Gas in Storage	\$ 9,077,000					\$ 9,077,000	\$ 9,077,000			\$ 9,077,000			\$ 9,077,000			\$ 9,077,000	\$ 9,077,000
7	Subtotal (Lines 4 to 6)	<u>12,294,000</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>12,294,000</u>	<u>12,294,000</u>	<u>-</u>		<u>12,294,000</u>	<u>-</u>		<u>12,294,000</u>	<u>-</u>		<u>12,294,000</u>	<u>12,294,000</u>
8	Accumulated Deferred Income Taxes -	\$ (49,321,000)		-			\$ (49,321,000)	\$ (49,321,000)	(2,493,000)	(4)	\$ (51,814,000)	(2,493,000)	(4)	\$ (54,307,000)	(2,493,000)	(4)	\$ (56,800,000)	\$ (55,554,000)
9	Regulatory Liabilities - FAS 109	\$ (1,783,000)					\$ (1,783,000)	\$ (1,783,000)	296,000	(4)	\$ (1,487,000)	296,000	(4)	\$ (1,191,000)	296,000	(4)	\$ (895,000)	\$ (1,043,000)
10	Customer Deposits	\$ (3,201,000)					\$ (3,201,000)	\$ (3,201,000)			\$ (3,201,000)			\$ (3,201,000)			\$ (3,201,000)	\$ (3,201,000)
11	Budget Plan Balances	\$ 1,345,000					\$ 1,345,000	\$ 1,345,000			\$ 1,345,000			\$ 1,345,000			\$ 1,345,000	\$ 1,345,000
12	Customer Advances for Construction	\$ (744,000)					\$ (744,000)	\$ (744,000)			\$ (744,000)			\$ (744,000)			\$ (744,000)	\$ (744,000)
13	Pre-1971 Investment Tax Credits	\$ -					\$ -	\$ -			\$ -			\$ -			\$ -	\$ -
14	Reserve for Injuries and Damages	\$ -					\$ -	\$ -			\$ -			\$ -			\$ -	\$ -
15	Subtotal (Lines 8 to 14)	<u>(53,704,000)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,704,000)</u>	<u>(53,704,000)</u>	<u>(2,197,000)</u>		<u>(55,901,000)</u>	<u>(2,197,000)</u>		<u>(58,098,000)</u>	<u>(2,197,000)</u>		<u>(60,295,000)</u>	<u>(59,197,000)</u>
16	Total Rate Base (Lines 3 + 7 +15) before merger	<u>\$ 184,919,000</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,919,000</u>	<u>184,919,000</u>	<u>1,196,000</u>		<u>186,115,000</u>	<u>1,450,000</u>		<u>187,565,000</u>	<u>1,450,000</u>		<u>189,015,000</u>	<u>188,290,000</u>
17	Regulatory Asset - Synergy Costs	\$ -		-		2,881,000	(5) \$ 2,881,000	\$ 2,881,000	1,445,000	(5)	\$ 4,326,000	779,000	(5)	\$ 5,105,000	(1,276,000)	(5)	\$ 3,829,000	\$ 4,467,000
18	Deferred Income Taxes - Synergy Merger Costs	\$ -		-		(1,145,000)	(5) \$ (1,145,000)	\$ (1,145,000)	(574,000)	(5)	\$ (1,719,000)	(310,000)	(5)	\$ (2,029,000)	507,000	(5)	\$ (1,522,000)	\$ (1,776,000)
19	Deferred Income Taxes - LIFO ADIT Adjustment	\$ -		-	14,644,000	(6)	\$ 14,644,000	\$ 14,644,000			\$ 14,644,000			\$ 14,644,000			\$ 14,644,000	\$ 14,644,000
20	Gas in Storage - Reporting Change	\$ -		200,000		-	\$ 200,000	\$ 200,000			\$ 200,000			\$ 200,000			\$ 200,000	\$ 200,000
21	Adjusted Total Rate Base after merger	<u>\$ 184,919,000</u>		<u>\$ 200,000</u>	<u>\$ 14,644,000</u>	<u>\$ 1,736,000</u>	<u>\$ 201,499,000</u>	<u>\$ 201,499,000</u>	<u>\$ 2,067,000</u>		<u>\$ 203,566,000</u>	<u>\$ 1,919,000</u>		<u>\$ 205,485,000</u>	<u>\$ 681,000</u>		<u>\$ 206,166,000</u>	<u>\$ 205,825,000</u>

Note: (1) Arithmetic averages of 13 month-end balances for Materials and Supplies and Account Payable, Net, Gas in Storage, Customer Deposits and Budget Plan Balances  
 (2) Fiscal 2007 based on Fiscal 2006 5&7. Fiscal 2008-2010 based on Fiscal 2006 10&2.  
 (3) Property Accounting based on Fiscal 2006 10&2. Amounts exclude Net Dismantling.  
 (4) Fiscal Year 2009-2010 Activity based on same level as Fiscal Year 2008.  
 (5) Based on attachments from BAP 1.05 and BAP 2.06. These costs include carrying charges. Amortization over 4 years beginning Year 2010.  
 Accumulated Deferred Taxes calculated at 39.745% and amortized over 4 years, and assumes all costs are fully deductible.  
 (6) Refer to response in DLH 1.04 and pages 21-22 of Application Docket #06-0540

Capital Structure -2010  
 RB vs Cap Structure-difference  
 203,000,000  
 2,825,000

Date	Actual						Estimated						Calendar Year Gas In Storage
	Historical Year Ended September 30, 2004			Historical Year Ended September 30, 2005			Current Year Ending September 30, 2006 (2)			Test Year Ending September 30, 2007			
	Materials and Supplies (1)	Associated Accounts Payable	Gas In Storage	Materials and Supplies	Associated Accounts Payable	Gas In Storage	Materials and Supplies	Associated Accounts Payable	Gas In Storage	Materials and Supplies	Associated Accounts Payable	Gas In Storage	
[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	
September 30	\$ 1,928,418	(\$244,000)	\$ 8,735,420	\$ 1,934,280	(\$244,000)	\$ 14,259,925	\$ 1,868,914	(\$244,000)	\$ 13,596,425	\$ 1,840,000	(\$244,000)	\$ 13,596,000	
October 31	2,103,576	(244,000)	16,691,897	2,682,139	(244,000)	21,486,378	1,829,989	(244,000)	26,464,237	1,840,000	(244,000)	25,463,000	
November 30	2,109,259	(244,000)	17,209,646	2,299,351	(244,000)	24,152,574	1,792,094	(244,000)	19,422,149	1,840,000	(244,000)	26,053,000	
December 31	2,083,265	(244,000)	8,469,637	2,857,567	(244,000)	10,254,363	1,827,783	(244,000)	8,715,820	1,840,000	(244,000)	8,914,000	December 31
January 31	2,072,544	(244,000)	4,847,907	1,856,018	(244,000)	5,583,702	1,831,669	(244,000)	7,141,911	1,840,000	(244,000)	5,130,000	January 31
February 28	2,061,863	(244,000)	2,904,814	1,805,807	(244,000)	3,422,414	1,839,972	(244,000)	4,444,476	1,840,000	(244,000)	2,551,000	February 28
March 31	1,994,474	(244,000)	1,673,272	1,841,823	(244,000)	1,433,406	1,840,000	(244,000)	2,792,000	1,840,000	(244,000)	846,000	March 31
April 30	1,907,093	(244,000)	2,598,274	1,872,148	(244,000)	2,077,216	1,840,000	(244,000)	2,521,000	1,840,000	(244,000)	1,184,000	April 30
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September 30	1,934,280	(244,000)	14,259,925	1,868,914	(244,000)	13,596,425	1,840,000	(244,000)	13,596,000	1,840,000	(244,000)	13,596,000	September 30
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North Shore Gas Company  
 Cost of Capital Summary

**THREE PART CAPITAL STRUCTURE**

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<b>TOTAL</b>	<b>\$193,011,000</b>	<b>100.00%</b>		<b>8.74%</b>

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	Total		170,542,000	11.12%
	Avg		85,271,000	5.56%
	Avg (rounded)		85,271,000	

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<b>Fiscal Year:</b> CLASS OF CAPITAL	<b>Year End 2010 before merger &amp; closing date January 1, 2007</b> AMOUNT Workpaper DMR-3	PERCENT OF TOTAL	PERCENT COST	WEIGHTED COMPONENT	After Tax WEIGHTED COMPONENT
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Assumptions:

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Year 2010: Assume Dividend distributed is equally offset against net income and net Synergy Savings based on Workpapers DMR-3