

North Shore Gas Company  
Comparative Operating Income Statements for  
Prior Years and the Test Year

Line No.	Account Number	Account	Test Year Ended September 30, 2006	Historical Year Ended September 30, 2005	Historical Year Ended September 30, 2004	Historical Year Ended September 30, 2003	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	
1	400	OPERATING REVENUES					1
2		Residential Sales	\$235,760,000	\$204,281,000	\$174,356,000	\$181,475,000	2
3		Commercial and Industrial Sales	47,830,000	41,455,000	35,034,000	36,599,000	3
4		Other Revenues	15,999,000	14,725,000	13,321,000	13,931,000	4
5		Total Operating Revenues	<u>299,589,000</u>	<u>260,461,000</u>	<u>222,711,000</u>	<u>232,005,000</u>	5
6		OPERATING EXPENSES					6
7	401	Cost of Gas	220,300,000	180,922,000	144,747,000	150,054,000	7
8	401 and 402	Other Operation and Maintenance (1)	43,640,000	36,109,000	34,593,000	31,439,000	8
9	403	Depreciation	5,724,000	5,716,000	7,065,000	7,070,000	9
10	404.3	Amortization	0	0	2,000	1,000	10
11	408.1	Taxes Other than Income	16,508,000	16,578,000	16,002,000	16,491,000	11
12	409.1	Federal Income Taxes - Current	324,000	316,000	2,376,000	6,252,000	12
13	409.1	State Income Taxes - Current	(420,000)	14,000	542,000	1,047,000	13
14	410.1 and 411.1	Deferred Income Taxes	3,446,000	6,064,000	3,210,000	1,503,000	14
15	411.4	Investment Tax Credit	(26,000)	(49,000)	(115,000)	(51,000)	15
16		Total Operating Expenses	<u>289,496,000</u>	<u>245,670,000</u>	<u>208,422,000</u>	<u>213,806,000</u>	16
17		OPERATING INCOME	<u>\$10,093,000</u>	<u>\$14,791,000</u>	<u>\$14,289,000</u>	<u>\$18,199,000</u>	17

Note: (1) Detail of Cost of Gas and Other Operation and Maintenance is shown by individual operation and maintenance expense accounts on pages 2 through 3.

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Line No.	Account Number	Account	Test Year Ended September 30, 2006	Historical Year Ended September 30, 2005	Historical Year Ended September 30, 2004	Historical Year Ended September 30, 2003	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	
1		<b>Cost of Gas</b>					1
2	728	Liquefied Petroleum Gas	\$48,000	\$26,000	\$46,000	\$26,000	2
3	804	Natural Gas City Gate Purchases	230,986,000	182,853,000	152,525,000	151,371,000	3
4	808.1	Gas Withdrawn from Storage - Debit	80,688,000	73,760,000	59,011,000	50,257,000	4
5	808.2	Gas Delivered to Storage - Credit	(88,249,000)	(73,096,000)	(64,536,000)	(50,197,000)	5
6	810	Gas Used for Compressor Station Fuel - Credit	(1,664,000)	(1,553,000)	(1,473,000)	(572,000)	6
7	812	Gas Used for Other Utility Operations - Credit	(1,509,000)	(1,068,000)	(826,000)	(831,000)	7
8		Total Cost of Gas	220,300,000	180,922,000	144,747,000	150,054,000	8
9		<b>Production - Operation</b>					9
10	710	Operation Supervision and Engineering MPG	32,000	32,000	30,000	31,000	10
11	717	Liquefied Petroleum Gas Expenses	17,000	15,000	16,000	18,000	11
12	723	Fuel for Liquefied Petroleum Gas Process	0	0	0	1,000	12
13	735	Miscellaneous Production Expenses - Manufactured Gas Production	18,000	(6,000)	17,000	40,000	13
14	807.5	Other Purchased Gas Expense	1,000	1,000	1,000	0	14
15		Total Production - Operation	68,000	42,000	64,000	90,000	15
16		<b>Production - Maintenance</b>					16
17	740	Maintenance Supervision and Engineering Manufactured Gas Product	32,000	33,000	29,000	190,000	17
18	741	Maintenance of Structures and Improvements	3,000	3,000	2,000	2,000	18
19	742	Maintenance of Production Equipment Manufactured Gas Product	67,000	222,000	52,000	37,000	19
20		Total Production - Maintenance	102,000	258,000	83,000	229,000	20
21		<b>Transmission Expenses - Operation</b>					21
22	856	Mains Expense	95,000	81,000	16,000	12,000	22
23		Total Transmission Expenses - Operation	95,000	81,000	16,000	12,000	23
24		<b>Distribution Expenses - Operation</b>					24
25	870	Operation Supervision and Engineering	511,000	528,000	401,000	408,000	25
26	871	Distribution Load Dispatching	6,000	7,000	6,000	176,000	26
27	874	Mains and Services Expenses	1,350,000	1,685,000	1,620,000	1,590,000	27
28	875	Measuring and Regulating Station Expenses - General Distribution	40,000	75,000	77,000	72,000	28
29	876	Measuring and Regulating Station Expenses - Industrial Distribution	0	0	29,000	34,000	29
30	878	Meter and House Regulator Expenses	1,243,000	1,266,000	1,189,000	1,254,000	30
31	879	Customer Installations Expenses	342,000	106,000	117,000	(502,000)	31
32	880	Other Expenses	2,085,000	2,124,000	2,592,000	1,977,000	32
33	881	Rents	8,000	10,000	3,000	5,000	33
34		Total Distribution Expenses - Operation	5,585,000	5,801,000	6,034,000	5,014,000	34

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Line No.	Account Number	Account Name	Test Year Ended September 30, 2006	Historical Year Ended September 30, 2005	Historical Year Ended September 30, 2004	Historical Year Ended September 30, 2003	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	
1		<b>Distribution Expenses - Maintenance</b>					1
2	885	Maintenance Supervision and Engineering	\$1,179,000	\$1,065,000	\$784,000	\$789,000	2
3	886	Maintenance of Structures and Improvements	8,000	15,000	3,000	33,000	3
4	887	Maintenance of Mains	588,000	581,000	554,000	699,000	4
5	889	Maintenance of Measuring & Regulating Station Equipment - General	(10,000)	(33,000)	84,000	125,000	5
6	890	Measuring and Regulating Station Equipment - Industrial Distribution	5,000	5,000	40,000	39,000	6
7	891	Measuring and Regulating Station Equipment - City Gate - Distribution	58,000	55,000	59,000	63,000	7
8	892	Maintenance of Services	430,000	360,000	313,000	452,000	8
9	893	Maintenance of Meters and House Regulators	489,000	419,000	434,000	347,000	9
10	894	Maintenance of Other Equipment	0	0	0	36,000	10
11		Total Distribution Expenses - Maintenance	2,747,000	2,467,000	2,271,000	2,583,000	11
12		<b>Customer Accounts Expense - Operation</b>					12
13	902	Meter Reading Expenses	585,000	713,000	709,000	534,000	13
14	903	Customer Records and Collection Expenses	5,674,000	5,977,000	6,439,000	5,013,000	14
15	904	Uncollectible Accounts	2,085,000	1,563,000	1,177,000	1,653,000	15
16		Total Customer Accounts Expense - Operation	8,344,000	8,253,000	8,325,000	7,200,000	16
17		<b>Customer Service and Informational Services - Operation</b>					17
18	909	Informational and Instructional Advertising Expenses	83,000	40,000	2,000	29,000	18
19		Total Customer Service and Informational Services - Operation	83,000	40,000	2,000	29,000	19
20		<b>Sales Expenses - Operation</b>					20
21	912	Demonstrating and Selling Expenses	35,000	42,000	651,000	704,000	21
22		Total Sales Expenses - Operation	35,000	42,000	651,000	704,000	22
23		<b>Administrative and General Expenses - Operation</b>					23
24	920	Administrative and General Salaries	395,000	(13,000)	0	0	24
25	921	Office Supplies and Expenses	126,000	194,000	296,000	227,000	25
26	923	Outside Services Employed	11,706,000	9,743,000	10,389,000	6,854,000	26
27	924	Property Insurance	39,000	37,000	41,000	40,000	27
28	925	Injuries and Damages	1,050,000	943,000	814,000	659,000	28
29	926	Employee Pensions and Benefits	5,144,000	5,546,000	4,790,000	4,266,000	29
30	927	Franchise Requirements	2,041,000	1,432,000	1,081,000	1,225,000	30
31	929	Duplicate Charges - Credit	(531,000)	(364,000)	(255,000)	(392,000)	31
32	930.2	Miscellaneous General Expenses	6,299,000	1,288,000	(310,000)	2,471,000	32
33		Total Administrative and General Expenses - Operation	26,269,000	18,806,000	16,846,000	15,350,000	33
34		<b>Administrative and General Expenses - Maintenance</b>					34
35	932	Maintenance of General Plant	312,000	319,000	301,000	228,000	35
36		Total Administrative and General Expenses - Maintenance	312,000	319,000	301,000	228,000	36
37		<b>Total Operation and Maintenance, Excluding Cost of Gas</b>	43,640,000	36,109,000	34,593,000	31,439,000	37
38		<b>Total Operation and Maintenance</b>	\$263,940,000	\$217,031,000	\$179,340,000	\$181,493,000	38

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Summary of Affiliated Interest Transactions

Line No.	Associated Company [A]	Nature of Transaction [B]	Amount Billed to NSG [C]	Amount Billed to Associated Companies [D]	Docket Number [E]	Line No.
1	<u>Test Year Ended September 30, 2006</u>					1
2	Peoples Energy Corporation	Intercompany Services	\$ 10,113,000		55071	2
3	The Peoples Gas Light and Coke Company	Intercompany Services	5,317,000	192,000	55071	3
4	The Peoples Gas Light and Coke Company	Underground Gas Storage Services	1,778,000		57988	4
5	The Peoples Gas Light and Coke Company	Interest on Intercompany Loans	26,000	53,000	04-0602	5
6			<u>\$ 17,234,000</u>	<u>\$ 245,000</u>		6
7	<u>Historical Year Ended September 30, 2005</u>					7
8	Peoples Energy Corporation	Intercompany Services	\$ 8,757,000		55071	8
9	The Peoples Gas Light and Coke Company	Intercompany Services	4,950,000	171,000	55071	9
10	The Peoples Gas Light and Coke Company	Underground Gas Storage Services	1,685,000		57988	10
11	Peoples Energy Corporation	Interest on Intercompany Loans	16,000		04-0603	11
12	The Peoples Gas Light and Coke Company	Interest on Intercompany Loans		27,000	04-0602	12
13			<u>\$ 15,408,000</u>	<u>\$ 198,000</u>		13

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Summary of Affiliated Interest Transactions

<u>Line No.</u>	<u>Associated Company</u> [A]	<u>Nature of Transaction</u> [B]	<u>Amount Billed to NSG</u> [C]	<u>Amount Billed to Associated Companies</u> [D]	<u>Docket Number</u> [E]	<u>Line No.</u>
1	<u>Historical Year Ended September 30, 2004</u>					1
2	Peoples Energy Corporation	Intercompany Services	\$ 9,286,000		55071	2
3	The Peoples Gas Light and Coke Company	Intercompany Services	5,418,000	197,000	55071	3
4	The Peoples Gas Light and Coke Company	Underground Gas Storage Services	1,637,000		57988	4
5	Peoples Energy Corporation	Interest on Intercompany Loans	3,000		04-0603	5
6			<u>\$ 16,344,000</u>	<u>\$ 197,000</u>		6
7	<u>Historical Year Ended September 30, 2003</u>					7
8	Peoples Energy Corporation	Intercompany Services	\$ 8,329,000		55071	8
9	The Peoples Gas Light and Coke Company	Intercompany Services	4,820,000	219,000	55071	9
10	The Peoples Gas Light and Coke Company	Underground Gas Storage Services	1,313,000		57988	10
11	Peoples Energy Corporation	Interest on Intercompany Loans	34,000		04-0603	11
12			<u>\$ 14,496,000</u>	<u>\$ 219,000</u>		12

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Uncollectible Expense

Line No.	Fiscal Year	Percent of Revenue Method (1)		
		Uncollectible Expense	Applicable Revenues	Uncollectible Expense as a Percentage of Applicable Revenues
	[A]	[B]	[C]	[D]
1	Test Year Ended			
2	September 30, 2006	\$ 2,085,000 (2)	\$ 297,933,000	0.70%
3	Historical Year Ended			
4	September 30, 2005	1,563,000 (3)	258,986,000	0.60%
5	Historical Year Ended			
6	September 30, 2004	1,177,000 (4)	221,389,000	0.53%
7	Historical Year Ended			
8	September 30, 2003	1,653,000 (5)	230,663,000	0.72%

- Notes: (1) Percent of Revenue Method is used to determine uncollectible expense for all revenues except miscellaneous revenues. Due to the infrequent write-off of accounts receivable associated with miscellaneous revenues, expense is recorded only at time of write-off.
- (2) Excludes adjustments of \$93,000 including \$100,000 of special provision charged to Acct. 930.2 - Miscellaneous general expenses and related to the gas charge settlement.
- (3) Includes (\$250,000) adjustment to the reserve for uncollectible accounts. Each quarter, the Company updates the projection of future charge-off based on the most current information available, and adjusts the reserve, if necessary.
- (4) Includes (\$600,000) adjustment to the reserve for uncollectible accounts as described in Note 3.
- (5) Includes \$500,000 adjustment to the reserve for uncollectible accounts as described in Note 3.

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Taxes Other Than Income Taxes

Test Year Ended September 30, 2006

Line No.	Type of Tax (A)	Amount Charged To				Total (F)	Line No.
		Operating Expense (B)	Clearing Accounts (C)	Construction (D)	Other (E)		
1	Federal:						1
2	Federal Insurance Contributions Act	\$629,000		\$183,000		\$812,000	2
3	Federal Unemployment Tax	9,000		3,000		12,000	3
4	Federal Excise Tax	0				0	4
5	Illinois:						5
6	Illinois Public Utility Tax	5,395,000				5,395,000	6
7	Annual Gross Revenue Tax	312,000				312,000	7
8	Invested Capital Tax - Replacement Tax	1,298,000				1,298,000	8
9	State Franchise Tax	25,000				25,000	9
10	State Unemployment Tax	58,000		3,000		61,000	10
11	State Use and Sales Tax	7,000				7,000	11
12	Supplemental Low Income Energy Assistance Fund Charge	1,303,000				1,303,000	12
13	Renewable Energy Charge	163,000				163,000	13
14	Illinois Gas Use Tax	(11,000)				(11,000)	14
15	Local:						15
16	Municipal Public Utility Tax	7,314,000				7,314,000	16
17	Personal Property Tax	0				0	17
18	Real Estate Tax	6,000		25,000	7,000	38,000	18
19	Total	\$16,508,000	\$0	\$214,000	\$7,000	\$16,729,000	19

North Shore Gas Company  
Uncollectible Expense

Line No.	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	Line No.
	Fiscal Year	Uncollectible Expense			Net Write-Offs	Uncollectible Provision Rate		Effective Write-Off Rate	Average Gas Charge (cents per therm)	
		Accrual	Adjustment	Total Uncollectible Expense	((\$000s))	Accrual Rate	Effective Rate			
1	2006	\$ 2,085	\$ -	\$ 2,085	\$ 1,506	0.70%	0.70%	0.58%	86.64	1
2	2005	1,813	(250)	1,563	1,051	0.70%	0.60%	0.47%	77.16	2
3	2004	1,777	(600)	1,177	1,246	0.80%	0.53%	0.54%	61.84	3
4	2003	1,153	500	1,653	1,135	0.50%	0.72%	0.73%	56.51	4
5	2002	776	400	1,176	2,024	0.50%	0.76%	0.74%	38.17	5
6	2001	1,365	-	1,365	1,002	0.50%	0.50%	0.64%	63.97	6
7	2000	783	-	783	560	0.50%	0.50%	0.42%	39.84	7
8	1999	674	-	674	624	0.50%	0.50%	0.44%	27.42	8
9	1998	716	-	716	910	0.50%	0.50%	0.54%	30.60	9
10	1997	839	-	839	873	0.50%	0.50%	0.54%	30.58	10
11	<u>Five-Year Averages</u>									11
12	FY2006 - FY2002	\$ 1,521	\$ 10	\$ 1,531	\$ 1,392	0.67%	0.67%	0.61%	\$ 64.06	12
13	FY2001 - FY1997	\$ 875	\$ -	\$ 875	\$ 794	0.57%	0.57%	0.52%	\$ 38.48	13

Note: Effective write-off rate is based on current year net write-offs over prior year revenues