

North Shore Gas Company
Annual Billing Units at Present Rates
Fiscal 2006

Sales

	<u>Rate 1 Heating</u>	<u>Rate 1 NH</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>Rate 5</u>
Actual Units					
Periods	1,671,285	28,636	128,574	(6)	991
Customer Periods - Small	-	-	96,280	-	-
Customer Periods - Large	-	-	32,294	-	-
Total Periods	-	-	128,574	-	-
Number of Bills	1,686,051	19,999	130,024	(7)	868
Dem Thms	-	-	-	(882)	22,065
Dem Thms	-	-	-	-	-
Total Demand Therms	-	-	-	(882)	22,065
Com Thms	64,280,652	362,780	7,259,449	(15,438)	27,997
Com Thms	113,494,307	203,572	29,552,315	-	-
Com Thms	-	-	6,687,946	-	-
Total Com Therms	177,774,958	566,352	43,499,710	(15,438)	27,997
Stby Service Therms	-	-	-	(882)	-

NORMALIZATION**Weather Effect**

comthm1	65,120		9,920		
comthm2	4,767,050		901,620		
comthm3	-		283,060		
comthm	4,832,170		1,194,600		
	-		-		

Normalized Units

comthm1	64,345,772	362,780	7,269,369	(15,438)	27,997
comthm2	118,261,357	203,572	30,453,935	-	-
comthm3	-		6,971,006		
comthm	182,607,128	566,352	44,694,310	(15,438)	27,997

**North Shore Gas Company
 Annual Billing Units at Present Rates
 Fiscal 2006**

Transportation - Account Level

	<u>Rate 1 Heating</u>	<u>Rate 1 NonHeating</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>Rate 4</u>
Actual Units					
Periods	39,323	242	28,449	36	36
Customer Periods - Small	-	-	9,989	-	-
Customer Periods - Large	-	-	18,460	-	-
Total Periods	-	-	28,449	-	-
Number of Bills	39,549	199	28,620	36	36
Stby Dem Thm	-	-	3,622,210	366,072	-
Dem Thms	-	-	-	180,000	-
Dem Thms	-	-	-	756,319	-
Total Demand Therms	-	-	-	936,319	-
Com Thms	1,533,810	6,042	2,310,743	18,547,282	-
Com Thms	2,585,586	4,194	24,950,636	-	-
Com Thms	-	-	54,808,386	-	-
Total Com Therms	4,119,397	10,236	82,069,766	18,547,282	22,405,144
Stby Service Therms	-	-	-	366,072	168,000

NORMALIZATION

Weather Effect

comthm1	570		660		
comthm2	127,510		810,430		
comthm3	-		2,572,060		
comthm	128,080		3,383,150		
	-		-		

Normalized Units

comthm1	1,534,380	6,042	2,311,403	18,547,282	-
comthm2	2,713,096	4,194	25,761,066	-	-
comthm3	-		57,380,446		
comthm	4,247,477	10,236	85,452,916	18,547,282	22,405,144

**North Shore Gas Company
 Annual Billing Units at Present Rates
 Fiscal 2006**

Transportation - Contract Level

Actual Units	<u>Rate 1 H</u>	<u>Rate 1 N</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>Rate 4</u>
Stby Dem Thm					
Stby Com Thm			1,183,128	237,155	
Stby Service Therms					
Transitional Adjustment					
Trades			248	18	
Pool Customer Changes	1,988		653		
NDBQ					
CDBQ					
Storage And Balancing Thm					
ABGC Therms	4,119,397	10,236	2,829,056		
SVT Penalty Therms	7,318	18	5,216		
Excess Bank (FST,SST)			505,884		
LST Imbal Acct - Non Critical				844,347	
Overtake Volumes			202,602	77,356	
Unauth Use Vols (monthly & noncritical)			137,802		

North Shore Gas Company
Schedules that Support the Embedded Cost of Service Study

Line No.	Schedule	Amounts Related to the Embedded Cost of Service Study
	[A]	[B]
1	B-1 Jurisdiction Rate Base Summary by ICC Account	Total Utility Plant and Other Rate Base Items
2	B-5 Gross Additions, Retirements and Transfers	Total Plant in Service
3	B-6 Depreciation Reserve	Average Accumulated Depreciation for the Test Year
4	C-1 Jurisdictional Operating Income Summary	Revenue Requirement
5	C-2 Rate Making Adjustments to Operating Income	Rate Making Adjustments
6	C-4 Comparative Operating Income Statements	Detailed Operating Revenues and Expenses for the Test Year
7	C-12 Depreciation Expense	Depreciation Expense for the Test Year
8	C-18 Taxes Other Than Income Tax	Taxes Other Than Income for the Test Year
9	D-1 Cost of Capital Summary	Return on Equity, Debt and Capital

North Shore Gas Company
Test Year Ending September 30, 2006
Rate Making and Cost of Service Adjustments
At Present and Proposed Rates

Line No.	[A] Description	[B] Per Books Under Present Rates (\$)	[C] Adjustment To Remove Revenue Taxes (\$)	[D] Rate Making Adjustments (\$)	[E] Rider UBA (\$)	[F] Increase from Present Rates (\$)	[G] Pro Forma at Proposed Rates (\$)	[H] Total COS Adjustments (\$)	[I] Adjusted Pro Forma at Present Rates (\$)	[J] Adjusted Pro Forma at Proposed Rates (\$)
	Revenue									
1	Retail Sales and Transportation	\$ 297,933,000	\$ (14,525,000)	\$ 6,985,000	\$ 1,542,000	\$ 4,656,000	\$ 296,591,000	\$ (230,820,000)	61,120,000	\$ 65,771,000
	Other Operating Revenue									
2	Forfeited Discounts (FERC 487)	996,000	\$ (25,536)	13,000		21,000	1,004,464	(1,004,464)	0	0
3	Misc Service Revenues (FERC 488)	433,000	\$ (4,178)			95,000	523,822	(523,822)	0	0
4	Other Revenues (FERC 493, 495)	227,000	0				227,000	(227,000)	0	0
5	Total Other Operating Revenue	1,656,000	(29,714)	13,000	-	116,000	1,755,286	(1,755,286)	0	0
6	Revenue for Rev. Req.	\$ 299,589,000	\$ (14,554,714)	\$ 6,998,000	\$ 1,542,000	\$ 4,772,000	\$ 298,346,286	\$ (232,575,286)	\$ 61,120,000	\$ 65,771,000
	<u>Expenses</u>									
7	Cost of Gas	\$ 220,300,000	\$ -	\$ 6,016,000	\$ -	\$ -	\$ 226,316,000	\$ (226,316,000)	\$ -	\$ -
8	Gen. Oper. & Maint.	43,639,000	(101,000)	(4,108,000)	-	44,000	39,474,000	(3,607,000)	35,823,000	35,867,000
9	Depreciation and Amortization	5,724,000		442,000			6,166,000	-	6,166,000	6,166,000
10										
	<u>Taxes other than Income Taxes</u>									
11	SUT	5,395,000	(5,395,000)				-	-	-	-
12	MUT	7,314,000	(7,314,000)				-	-	-	-
13	Gross Rev Tax	312,000	(278,000)				34,000.00	(34,000)	-	-
14	Invested Cap Tax	1,298,000		50,000			1,348,000	-	1,348,000	1,348,000
15	Real Estate Tax	6,000					6,000	-	6,000	6,000
16	Payroll Taxes	696,000					696,000	-	696,000	696,000
17	Other Taxes	1,487,000	(1,466,000)				21,000	-	21,000	21,000
18	Sub-total	16,508,000	(14,453,000)	50,000	-	-	2,105,000	(34,000.00)	2,071,000	2,071,000
	Income Tax									
19	Federal	324,000		1,348,000	500,000	1,534,000	3,706,000	-	2,172,000	3,706,000
20	State	(420,000)		304,000	113,000	345,000	342,000	-	(3,000)	342,000
21	Prov for Deferred	3,446,000		(75,000)			3,371,000	-	3,371,000	3,371,000
22	Inv. Tax Credit	(26,000)					(26,000)	-	(26,000)	(26,000)
23	Total Income Taxes	3,324,000	-	1,577,000	613,000	1,879,000	7,393,000	-	5,514,000	7,393,000
24	Credit for Other Oper. Revenues							(2,618,286)	(2,497,286)	(2,618,286)
25	Total Operating Expenses	289,495,000	(14,554,000)	3,977,000	613,000	1,923,000	281,454,000	(232,575,286)	47,076,714	48,878,714
26	Return	10,094,000	-	3,021,000	929,000	2,849,000	16,892,286	-	14,043,286	16,892,286
27	Total Expenses for Allocation	286,171,000	(14,554,000)	2,400,000	-	44,000	274,061,000	(232,575,286)	41,562,714	41,485,714
28	Revenue Requirement for Alloc.	\$ 299,589,000	\$ (14,554,000)	\$ 6,998,000	\$ 1,542,000	\$ 4,772,000	\$ 298,346,286	\$ (232,575,286)	60,999,000	\$ 65,771,000

North Shore Gas Company
Test Year Ending September 30, 2006
Cost of Service Adjustments
At Proposed Rates

Line No.	[A] Description	[B] Gas Costs	[C] Adjustment To Remove Rev. Taxes	[D] (Acct. 930.20) Environmental Recovery	[E] Actg. Charge Rev.	[F] Adj for Weather Actg. Charge Rev.	[G] Other Operating Revenue	[H] Rate 4 Contract Ser. Revenues	[I] UBA Rider	[J] Total COS Adjustments Before Increase	[K] Increase in Other Operating and Acctg. Chge Revenues	[L] Total COS Adjustments After Increase
1	Revenue											
	Retail Sales and Transportation	(226,316,000)	0	(2,065,000)	(219,000)	(6,000)	0	(667,000)	(1,542,000)	(230,815,000)	(5,000)	(230,820,000)
	Other Operating Revenue											
2	Forfeited Discounts	0	0	0	0	0	(983,464)	0	0	(983,464)	(21,000)	(1,004,464)
3	Misc Service Revenues	0		0	0	0	(428,822)	0	0	(428,822)	(95,000)	(523,822)
4	Other Revenues	0	0	0	0	0	(227,000)	0	0	(227,000)	0	(227,000)
5	Total Other Operating Revenue	0	0	0	0	0	(1,639,286)	0	0	(1,639,286)	(116,000)	(1,755,286)
6	Revenue for Rev. Reqt.	(226,316,000)	0	(2,065,000)	(219,000)	(6,000)	(1,639,286)	(667,000)	(1,542,000)	(232,454,286)	(121,000)	(232,575,286)
7	Revenue Requirement											
8	Cost of Gas	(226,316,000)								(226,316,000)		(226,316,000)
9	Gen. Oper. & Maint.		0	(2,065,000)					(1,542,000)	(3,607,000)		(3,607,000)
10	Depreciation									0		0
	Taxes other than Income Taxes											
11	SUT									0		0
12	MUT									0		0
13	Gross Rev Tax		(34,000)							(34,000)		(34,000)
14	Invested Cap Tax									0		0
15	Real Estate Tax									0		0
16	Payroll Taxes									0		0
17	Other Taxes									0		0
18	Sub-total	0	(34,000)	0	0	0	0	0	0	(34,000)	0	(34,000)
	Income Tax											
19	Federal									0	0	0
20	State									0	0	0
21	Prov for Deferred									0		0
22	Inv. Tax Credit									0		0
23	Total Income Taxes	0	0	0	0	0	0	0	0	0	0	0
24	Credit for Other Oper. Revenues		34,000		(219,000)	(6,000)	(1,639,286)	(667,000)		(2,497,286)	(121,000)	(2,618,286)
25	Total Operating Expenses	(226,316,000)	(34,000)	(2,065,000)	-	-	-	-	(1,542,000)	(229,957,000)	-	(229,957,000)
26	Return	0	0	0	0	0	0	0	0	0	0	0
27	Total Expenses for Allocation	(226,316,000)	0	(2,065,000)	(219,000)	(6,000)	(1,639,286)	(667,000)	(1,542,000)	(232,454,286)	(121,000)	(232,575,286)
28	Revenue Requirement for Alloc.	(226,316,000)	0	(2,065,000)	(219,000)	(6,000)	(1,639,286)	(667,000)	(1,542,000)	(232,454,286)	(121,000)	(232,575,286)

North Shore Gas Company
Capacity Allocation Factors
Test Year Ending September 30, 2006

Line No.	Description [A]	Total [B]	S.C. No. 1		S.C. No. 2 [E]	S.C. No. 3 [F]	S.C. No. 5 [G]	Line No.
			Non-Heating [C]	Heating [D]				
Sales Volumes (Normal)								
1	Annual	333,900,528	576,588	186,854,605	127,909,004	18,531,844	28,487	1
2	Average Daily	914,796	1,580	511,930	350,436	50,772	78	2
3	Ratio to Total	1.0000	0.0017	0.5596	0.3831	0.0555	0.0001	3
4	System Load Factor * Ratio	0.2547	0.0004	0.1425	0.0976	0.0141	0.0000	4
Coincident Peak								
5	Daily Volume	3,591,535	4,683	2,222,354	1,298,916	65,251	331	5
6	Load Factor	25.47%	33.74%	23.04%	26.98%	77.81%	23.56%	6
7	Ratio to Total	1.0000	0.0013	0.6188	0.3617	0.0182	0.0001	7
8	(1 - System Load factor) * Ratio	0.7453	0.0010	0.4612	0.2695	0.0135	0.0001	8
Unbundled Standby Commodity Volumes								
9	Annual	184,989,126	275,124	112,469,054	69,626,857	2,596,922	21,169	9
10	Average Daily	1,541,576	2,293	937,242	580,224	21,641	176	10
11	Ratio to Total	1.0000	0.0015	0.6080	0.3764	0.0140	0.0001	11
Unbundled Coincident Peak								
12	Daily Volume	3,558,820	4,683	2,222,354	1,298,916	32,536	331	12
13	Ratio to Total	1.0000	0.0013	0.6245	0.3650	0.0091	0.0001	13
14	Average and Peak (Line 4 + Line 8)	1.0000	0.0014	0.6037	0.3671	0.0277	0.0001	14
15	Average Number of Customers	158,129	2,406	142,551	13,093	3	76	15

North Shore Gas Company
Customer Investment by Service Classification
Test Year 2006

Line No.	Service Classification No. [A]	Meter Installed (1) [B]	House Regulators (1) [C]	Investment (1) in Mtr, Install & Reg [D]	Investment (1) in Services [E]	Customers (1) [F]	Test Year Customers [G]	Test Year Invest in Mtr, Install & Reg [H] [D] x [G] / [F]	Test Year Invest in Serv [I] [E] x [G] / [F]
1	1 Non-Heating	\$ 423,308	\$ 36,689	\$ 459,997	\$ 522,980	2,442	2,406	\$ 453,216	\$ 515,270
2	1 Heating	23,542,919	4,352,439	\$ 27,895,358	93,193,303	142,148	142,551	27,974,443	93,457,512
3	2	5,277,293	1,187,635	\$ 6,464,928	10,788,044	13,081	13,093	6,470,859	10,797,941
4	3	45,330	4,753	\$ 50,083	10,921	2	3	75,125	16,382
5	5	<u>50,468</u>	<u>8,410</u>	<u>\$ 58,878</u>	<u>127,213</u>	<u>83</u>	<u>76</u>	<u>53,912</u>	<u>116,484</u>
6	Total	<u>\$ 29,339,318</u>	<u>\$ 5,589,926</u>	<u>\$ 34,929,244</u>	<u>\$ 104,642,460</u>	<u>157,756</u>	<u>158,129</u>	<u>\$ 35,027,555</u>	<u>\$ 104,903,588</u>

Note: (1) 12 mos. ending 07/31/06

North Shore Gas Company
Number of Encoder/Receiver Transmitters (ERT's)
Test Year 2006

Line No.	Service Classification No. [A]	ERTs (1) [B]	Customers (1) [C]	Test Year Customers [D]	Allocator for Test Year ERTs [E] = [B] / [C] x [D]
1	1 Non-Heating	316	2,442	2,406	311
2	1 Heating	9,510	142,148	142,551	9,537
3	2	1,015	13,081	13,093	1,016
4	3	-	2	3	-
5	5	<u>9</u>	<u>83</u>	<u>76</u>	<u>8</u>
6	Total	<u>10,850</u>	<u>157,756</u>	<u>158,129</u>	<u>10,872</u>

Note: (1) 12 mos. ending 7/31/06

North Shore Gas Company
Number of Daily Demand Measurement Devices (DDEV's)
Test Year 2006

Line No.	DDEV Type [A]	Rate 2	Rate 3 (1)	Rate 4	Total DDEV	DDEV
		[B]	[C]	[D]	Revenues	Charges at
					[E]	Present
						[F]
1	Type 1	\$ 7,650	\$ -	\$ 259	\$ 7,909	\$ 34.00
2	Type 2	11,877	-	37	11,914	\$ 37.00
3	Type 3	180	-	-	180	\$ 45.00
4	Total	\$ 19,707	\$ -	\$ 296	\$ 20,003	

Number of DDEVs

	DDEV Type	Rate 2	Rate 3 (2)	Rate 4	Total
5	Type 1	225	-	8	233
6	Type 2	321	-	1	322
7	Type 3 (3)	8	-	-	8
8	Total	554	3	9	566
9	Customer Count Adjustment	-	-	-	-
10	Total	554	3	9	566

Notes: (1) Rate 3 Demand Device costs are included in Rate 3 Base Rates
(2) Count includes Rate 3 DDEVs

North Shore Gas Company
Customer Records and Collection-FERC Account 903
Test Year 2006

Line No.	Description [A]	Allocation Method [B]	Total [C]	Rate 1 Non-Heating [D]	Rate 1 Heating [E]	Rate 2 [F]	Rate 3 [G]	Rate 5 [H]
1	Customer Care	(1)	\$ 129,275	\$ 1,968	\$ 116,603	\$ 10,704	\$ -	\$ -
2	Billing	(2)	410	3	373	34	0	0
3	Revenue Assurance	(3)	65,861	828	49,036	15,975	1	21
4	Postage - Customer Billing	(2)	536,965	4,116	487,777	44,777	10	284
5	Collection Agency Fees	(4)	54,615	831	49,235	4,520	1	29
6	Customer Rep Allowances	(5)	191,764	1,096	140,410	47,389	2,749	121
7	All Other FERC 903	(4)	4,997,689	76,042	4,505,345	413,585	95	2,623
8	Total		\$ 5,976,580	\$ 84,884	\$ 5,348,778	\$ 536,983	\$ 2,856	\$ 3,078
9	Percent		100.0000%	1.4203%	89.4956%	8.9848%	0.0478%	0.0515%

Allocation Method: (1) Rate 1 Non-Htg, Rate 1 Htg & Rate 2 customers
(2) Bills
(3) Revenue Assurance Full-Time Equivalents
(4) Number of Customers
(5) Service Charge Revenues

North Shore Gas Company
Analysis of Bad Debt
Test Year 2006

Line No.	<u>Service Classification No.</u> [A]	<u>Bad Debt Net Writeoffs (1)</u> [B]	<u>Customers (1)</u> [C]	<u>Test Year Customers</u> [D]	<u>Allocator for Test Year Bad Debt Net Writeoffs</u> [E] = [B] / [C] x [D]
1	1 Non-Heating	\$ 32,770	2,558	2,353	\$ 30,144
2	1 Heating	1,134,659	140,688	142,242	1,147,192
3	2	334,532	12,949	13,638	352,332
4	3	-	6	6	-
5	5	<u>-</u>	<u>107</u>	<u>81</u>	<u>-</u>
6	Total	<u>\$ 1,077,720</u>	156,308	158,320	<u>\$ 1,529,668</u>

Note: (1) 12 mos. ending 07/31/06

North Shore Gas Company
Calculation of Underground Storage Allocation Factor - Before Transfers
Test Year Fiscal 2006

<u>Line No.</u>	<u>Description</u> (A)	<u>Rate 1 NH</u> (B)	<u>Rate 1 H</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (E)	<u>Rate 5</u> (G)	<u>Total</u> (H)
<u>Test Year Therm Sales</u>							
1	October	40,071	10,071,987	7,553,446	1,381,962	94	19,047,559
2	November	55,384	19,625,937	12,688,002	1,285,861	6,353	33,661,537
3	December	84,621	31,472,113	18,834,095	1,722,530	8,374	52,121,734
4	January	71,297	34,508,725	21,695,289	1,708,776	3,855	57,987,941
5	February	63,822	26,862,278	16,408,673	1,691,329	3,387	45,029,488
6	March	72,102	25,140,484	16,182,102	1,800,060	(6,282)	43,188,467
7	April	37,900	12,790,344	9,806,441	1,459,726	4,514	24,098,925
8	May	36,771	6,703,362	6,008,662	1,504,808	966	14,254,569
9	June	25,744	4,499,049	5,019,363	1,441,770	1,232	10,987,158
10	July	32,648	5,307,249	4,610,848	1,477,021	1,126	11,428,891
11	August	25,683	4,003,245	4,337,833	1,601,619	666	9,969,046
12	September	30,546	5,869,833	4,764,740	1,456,382	3,713	12,125,213
13	Total	576,588	186,854,605	127,909,494	18,531,844	27,997	333,900,529
14	Seasonal Sales (Dec - Feb)	219,740	92,843,116	56,938,056	5,122,635	15,615	155,139,163
15	Average Daily Seasonal Sales (line 14 / 90)	2,442	1,031,590	632,645	56,918	174	1,723,768
16	Baseload Sales (Avg. of Mar - Nov)	1,298	341,860	258,078	48,761	45	650,041
17	Incremental Average Daily Seasonal Vol.	1,144	689,730	374,567	8,157	128	1,073,727
18	Unbundling Percentage	100.00%	100.00%	100.00%	40.52%	100.00%	
19	Unbundled Incremental Average Daily Seasonal Vol.	1,144	689,730	374,567	3,306	128	1,068,875
20	Percentage	0.107%	64.529%	35.043%	0.309%	0.012%	100.000%
21	Weighting Factor (1)	27.78%	27.78%	27.78%	27.78%	27.78%	
22	Weighted Factor	0.030%	17.925%	9.735%	0.086%	0.003%	27.779%
23	Unbundled Coincident Peak	4,683	2,222,354	1,298,982	32,536	386	3,558,941
24	Percentage	0.132%	62.444%	36.499%	0.914%	0.011%	100.00%
25	Weighting Factor (1 - line 21)	72.22%	72.22%	72.22%	72.22%	72.22%	
26	Weighted Factor	0.095%	45.098%	26.360%	0.660%	0.008%	72.221%
27	Peak & Seasonal Weighted Factor	0.125%	63.023%	36.095%	0.746%	0.011%	100.000%

(1) Calculation of Peak Percentage

Manlove Capacity (MDt)	1,566.0
Withdrawal Cycle Days	90
Average Daily Withdrawal Amount (MDt)	17
FY07 January Max. Daily Withdrawal	63
Peak Percentage	27.78%