

The Peoples Gas Light and Coke Company

Comparative Operating Income Statements for  
Prior Years and the Test Year

Line No.	Account Number	Description	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	\$1,249,992,000	\$1,086,435,000	\$974,143,000	\$974,453,000	2
3		Commercial and Industrial Sales	235,941,000	204,624,000	180,045,000	173,708,000	3
4		Other Revenues	136,358,000	133,644,000	125,187,000	143,471,000	4
5		Total Operating Revenues	<u>1,622,291,000</u>	<u>1,424,703,000</u>	<u>1,279,375,000</u>	<u>1,291,632,000</u>	5
6		OPERATING EXPENSES					6
7	401	Cost of Gas (1)	1,052,333,000	853,453,000	723,771,000	697,824,000	7
8	401 and 402	Other Operation and Maintenance (1)	384,738,000	268,318,000	265,744,000	250,425,000	8
9	403	Depreciation	48,664,000	47,778,000	53,614,000	52,806,000	9
10	404.3	Amortization	8,185,000	8,400,000	8,253,000	7,702,000	10
11	408.1	Taxes Other than Income	166,821,000	152,529,000	140,335,000	138,100,000	11
12	409.1	Federal Income Taxes - Current	10,982,000	22,820,000	16,226,000	24,065,000	12
13	409.1	State Income Taxes - Current	(1,292,000)	5,112,000	3,625,000	4,063,000	13
14	410.1 and 411.1	Deferred Income Taxes	(37,312,000)	(3,515,000)	3,921,000	17,874,000	14
15	411.4	Investment Tax Credit	(416,000)	(564,000)	(1,003,000)	(748,000)	15
16		Total Operating Expenses	<u>1,632,703,000</u>	<u>1,354,331,000</u>	<u>1,214,486,000</u>	<u>1,192,111,000</u>	16
17		OPERATING INCOME	<u>(\$10,412,000)</u>	<u>\$70,372,000</u>	<u>\$64,889,000</u>	<u>\$99,521,000</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 4.

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	[A]	[B]					
1		<b>Cost of Gas</b>					1
2	804	Natural Gas City Gate Purchases	\$1,090,133,000	\$862,183,000	\$727,454,000	\$748,284,000	2
3	806	Exchange Gas	(74,000)	0	0	0	3
4	808.1	Gas Withdrawn from Storage - Debit	440,963,000	363,323,000	315,604,000	261,589,000	4
5	808.2	Gas Delivered to Storage - Credit	(472,943,000)	(367,247,000)	(315,090,000)	(308,217,000)	5
6	810	Gas Used for Compressor Station Fuel - Credit	(5,746,000)	(4,806,000)	(4,197,000)	(3,832,000)	6
7		Total Cost of Gas	1,052,333,000	853,453,000	723,771,000	697,824,000	7
8		<b>Production - Operation</b>					8
9	736	Rents - Manufactured Gas Product - Gas Raw Material	0	0	0	45,000	9
10	813	Other Gas Supply Expenses	557,000	697,000	(2,000)	(2,000)	10
11		Total Production - Operation	557,000	697,000	(2,000)	43,000	11
12		<b>Underground Storage Expense - Operation</b>					12
13	814	Operation Supervision and Engineering - Underground Storage	380,000	436,000	390,000	382,000	13
14	816	Wells Expenses	272,000	434,000	390,000	323,000	14
15	817	Line Expenses	47,000	29,000	28,000	76,000	15
16	818	Compressor Station Expenses	218,000	219,000	180,000	191,000	16
17	819	Compressor Station Fuel and Power	4,985,000	3,398,000	2,458,000	2,536,000	17
18	820	Measuring and Regulating Station Expenses	122,000	129,000	125,000	156,000	18
19	821	Purification Expenses	1,156,000	1,303,000	1,535,000	706,000	19
20	824	Other Expenses	367,000	393,000	409,000	462,000	20
21	825	Storage Well Royalties	30,000	10,000	40,000	7,000	21
22		Total Underground Storage Expense - Operation	7,577,000	6,351,000	5,555,000	4,839,000	22
23		<b>Other Storage Expense - Operation</b>					23
24	840	Operation Supervision and Engineering - Other Storage Expense	62,000	71,000	57,000	72,000	24
25	841	Operation Labor and Expenses	165,000	170,000	172,000	150,000	25
26	842.1	Fuel	483,000	518,000	577,000	547,000	26
27	842.2	Power	62,000	0	0	0	27
28		Total Other Storage Expense - Operation	772,000	759,000	806,000	769,000	28

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	[A]	[B]	[C]	[D]	[E]	[F]	
1		<b>Underground Storage Expense - Maintenance</b>					1
2	830	Maintenance Supervision and Engineering	\$156,000	\$160,000	\$141,000	\$151,000	2
3	831	Maintenance of Structures and Improvements	20,000	32,000	73,000	94,000	3
4	832	Maintenance of Reservoirs and Wells	445,000	373,000	556,000	698,000	4
5	833	Maintenance of Lines	114,000	155,000	260,000	108,000	5
6	834	Maintenance of Compressor Station Equipment	912,000	380,000	536,000	535,000	6
7	835	Maintenance of Measuring and Regulating Station Equipment	122,000	162,000	119,000	99,000	7
8	836	Maintenance of Purification Equipment	72,000	104,000	70,000	175,000	8
9	837	Maintenance of Other Equipment	544,000	472,000	536,000	403,000	9
10		Total Underground Storage Expense - Maintenance	2,385,000	1,838,000	2,291,000	2,263,000	10
11		<b>Other Storage Expense - Maintenance</b>					11
12	843.1	Maintenance Supervision and Engineering	31,000	32,000	28,000	33,000	12
13	843.3	Maintenance of Gas Holders - Other Storage	2,000	0	0	0	13
14	843.4	Maintenance of Purification Equipment	1,000	0	8,000	1,000	14
15	843.5	Maintenance of Liquefaction Equipment	3,000	0	5,000	25,000	15
16	843.6	Maintenance of Vaporizing Equipment	3,000	3,000	0	11,000	16
17	843.7	Maintenance of Compressor Equipment	10,000	7,000	31,000	7,000	17
18	843.8	Maintenance of Measuring and Regulating Equipment	38,000	38,000	34,000	33,000	18
19	843.9	Maintenance of Other Equipment	124,000	200,000	156,000	149,000	19
20		Total Other Storage Expense - Maintenance	212,000	280,000	262,000	259,000	20
21		<b>Transmission Expenses - Operation</b>					21
22	856	Mains Expense	906,000	867,000	496,000	260,000	22
23	857	Measuring and Regulating Station Expenses	1,179,000	660,000	519,000	564,000	23
24	859	Other Expenses	13,000	18,000	9,000	44,000	24
25	860	Rents	165,000	111,000	167,000	135,000	25
26		Total Transmission Expenses - Operation	2,263,000	1,656,000	1,191,000	1,003,000	26
27		<b>Transmission Expenses - Maintenance</b>					27
28	863	Maintenance of Mains	34,000	473,000	450,000	159,000	28
29	865	Maintenance of Measuring & Regulating Station Equipment - General	271,000	213,000	220,000	323,000	29
30		Total Transmission Expenses - Maintenance	305,000	686,000	670,000	482,000	30
31		<b>Distribution Expenses - Operation</b>					31
32	870	Operation Supervision and Engineering	5,616,000	6,068,000	7,340,000	7,254,000	32
33	871	Distribution Load Dispatching	881,000	1,017,000	786,000	879,000	33
34	874	Mains and Services Expenses	5,095,000	5,965,000	5,201,000	4,428,000	34
35	877	Measuring and Regulating Station Expenses - City Gate Check Station	386,000	371,000	381,000	380,000	35
36	878	Meter and House Regulator Expenses	9,740,000	8,283,000	8,409,000	7,590,000	36
37	879	Customer Installations Expenses	3,246,000	2,848,000	3,101,000	2,793,000	37
38	880	Other Expenses	12,220,000	10,976,000	13,589,000	6,513,000	38
39	881	Rents	84,000	107,000	6,000	4,000	39
40		Total Distribution Expenses - Operation	37,268,000	35,635,000	38,813,000	29,841,000	40

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	[A]	[B]	[C]	[D]	[E]	[F]	
1		<b><u>Distribution Expenses - Maintenance</u></b>					1
2	885	Maintenance Supervision and Engineering	\$3,599,000	\$3,557,000	\$2,896,000	\$2,817,000	2
3	886	Maintenance of Structures and Improvements	753,000	678,000	689,000	782,000	3
4	887	Maintenance of Mains	8,456,000	8,500,000	9,322,000	10,176,000	4
5	889	Maintenance of Measuring & Regulating Station Equipment - General	594,000	602,000	619,000	691,000	5
6	892	Maintenance of Services	7,297,000	7,122,000	7,133,000	6,538,000	6
7	893	Maintenance of Meters and House Regulators	1,952,000	1,819,000	1,763,000	1,914,000	7
8	894	Maintenance of Other Equipment	35,000	29,000	23,000	28,000	8
9		Total Distribution Expenses - Maintenance	22,686,000	22,307,000	22,445,000	22,946,000	9
10		<b><u>Customer Accounts Expense - Operation</u></b>					10
11	902	Meter Reading Expenses	1,227,000	1,611,000	2,015,000	2,112,000	11
12	903	Customer Records and Collection Expenses	32,024,000	30,542,000	31,967,000	31,327,000	12
13	904	Uncollectible Accounts	40,776,000	35,213,000	35,306,000	40,843,000	13
14	905	Miscellaneous Customer Accounts Expenses	15,000	0	0	(202,000)	14
15		Total Customer Accounts Expense - Operation	74,042,000	67,366,000	69,288,000	74,080,000	15
16		<b><u>Customer Service and Informational Services - Operation</u></b>					16
17	909	Informational and Instructional Advertising Expenses	671,000	235,000	5,000	14,000	17
18		Total Customer Service and Informational Services - Operation	671,000	235,000	5,000	14,000	18
19		<b><u>Sales Expenses - Operation</u></b>					19
20	912	Demonstrating and Selling Expenses	1,355,000	1,789,000	3,624,000	3,845,000	20
21		Total Sales Expenses - Operation	1,355,000	1,789,000	3,624,000	3,845,000	21
22		<b><u>Administrative and General Expenses - Operation</u></b>					22
23	920	Administrative and General Salaries	7,839,000	8,598,000	12,258,000	19,420,000	23
24	921	Office Supplies and Expenses	1,822,000	1,815,000	2,308,000	4,833,000	24
25	922	Administrative Expenses Transferred - Credit	0	(2,000)	(4,000)	(14,194,000)	25
26	923	Outside Services Employed	54,554,000	45,333,000	55,202,000	39,919,000	26
27	924	Property Insurance	394,000	365,000	427,000	447,000	27
28	925	Injuries and Damages	6,777,000	6,272,000	5,635,000	5,124,000	28
29	926	Employee Pensions and Benefits	29,443,000	39,667,000	26,570,000	18,187,000	29
30	929	Duplicate Charges - Credit	(66,000)	(66,000)	(51,000)	(27,000)	30
31	930.1	General Advertising Expenses	0	34,000	0	0	31
32	930.2	Miscellaneous General Expenses	131,245,000	24,086,000	14,874,000	30,554,000	32
33	931	Rents	2,586,000	2,560,000	3,516,000	5,160,000	33
34		Total Administrative and General Expenses - Operation	234,594,000	128,662,000	120,735,000	109,423,000	34
35		<b><u>Administrative and General Expenses - Maintenance</u></b>					35
36	932	Maintenance of General Plant	51,000	57,000	61,000	618,000	36
37		Total Administrative and General Expenses - Maintenance	51,000	57,000	61,000	618,000	37
38		<b>Total Operation and Maintenance, Excluding Cost of Gas</b>	<b>384,738,000</b>	<b>268,318,000</b>	<b>265,744,000</b>	<b>250,425,000</b>	38
39		<b>Total Operation and Maintenance</b>	<b>\$1,437,071,000</b>	<b>\$1,121,771,000</b>	<b>\$989,515,000</b>	<b>\$948,249,000</b>	39

The Peoples Gas Light and Coke Company

Summary of Affiliated Interest Transactions

Line No.	Associated Company [A]	Nature of Transaction [B]	Amount Billed to PGL [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	\$ 64,204,000	\$ 3,687,000	55071	2
3	North Shore Gas Company	Intercompany Services	192,000	5,317,000	55071	3
4	Peoples Energy Services	Intercompany Services		86,000	55071	4
5	Peoples Energy Resources	Intercompany Services		127,000	55071	5
6	Peoples Energy Production	Intercompany Services		182,000	55071	6
7	Peoples Energy Home Services	Intercompany Services		232,000	55071	7
8	North Shore Gas Company	Underground Gas Storage Services		1,778,000	57988	8
9	Peoples Energy Corporation	Interest on Intercompany Loans	7,000		04-0603	9
10	North Shore Gas Company	Interest on Intercompany Loans	53,000	26,000	04-0602	10
11	Peoples NGL	Peaking Services	2,200,000		96-0452	11
12	Peoples Energy Wholesale Marketing	Hub Services		925,000	(1)	12
13	Peoples NGL	Hub Services		4,000	(1)	13
14			<u>\$ 66,656,000</u>	<u>\$ 12,364,000</u>		14

Note: (1) Hub Services transactions are subject to FERC authorization.

The Peoples Gas Light and Coke Company

Summary of Affiliated Interest Transactions

Line No.	Associated Company [A]	Nature of Transaction [B]	Amount Billed to PGL [C]	Amount Billed to Associated Companies [D]	Docket Number [E]	Line No.
1	<u>Historical Year Ended September 30, 2005</u>					1
2	Peoples Energy Corporation	Intercompany Services	\$ 53,611,000	\$ 2,304,000	55071	2
3	North Shore Gas Company	Intercompany Services	171,000	4,950,000	55071	3
4	Peoples Energy Services	Intercompany Services		71,000	55071	4
5	Peoples Energy Resources	Intercompany Services	6,000	154,000	55071	5
6	Peoples Energy Production	Intercompany Services		137,000	55071	6
7	Peoples District Energy	Intercompany Services		66,000	55071	7
8	Peoples Energy Home Services	Intercompany Services		63,000	55071	8
9	North Shore Gas Company	Underground Gas Storage Services		1,685,000	57988	9
10	North Shore Gas Company	Interest on Intercompany Loans	27,000		04-0602	10
11	Peoples NGL	Peaking Services	2,200,000		96-0452	11
12	Peoples Energy Wholesale Marketing	Hub Services		1,247,000	(1)	12
13			<u>\$ 56,015,000</u>	<u>\$ 10,677,000</u>		13

Note: (1) Hub Services transactions are subject to FERC authorization.

The Peoples Gas Light and Coke Company

Uncollectible Expense

Line No.	Fiscal Year [A]	Method (1)	Uncollectible Expense [B]	Percent of Revenue Method (1)	
				Applicable Revenues [C]	Uncollectible Expense as a Percentage of Applicable Revenues [D]
1	Test Year Ended	Percent of Revenue	\$ 40,781,000	(2) 1,605,566,000	2.54%
2	September 30, 2006	Specific recovery	\$ (5,000)		
3			<u>\$ 40,776,000</u>		
4	Historical Year Ended	Percent of Revenue	\$ 34,796,000	(3) 1,399,463,000	2.49%
5	September 30, 2005	Specific write-off	\$ 417,000		
6			<u>\$ 35,213,000</u>		
7	Historical Year Ended	Percent of Revenue	\$ 35,306,000	1,260,922,000	2.80%
8	September 30, 2004	Specific write-off			
9			<u>\$ 35,306,000</u>		
10	Historical Year Ended	Percent of Revenue	\$ 40,843,000	(4) 1,265,718,000	3.23%
11	September 30, 2003	Specific write-off	\$ -		
12			<u>\$ 40,843,000</u>		

- Note:
- (1) Percent of Revenue Method is used to determine uncollectible expense for all revenues except Hub-related activity and other miscellaneous revenues. Due to the infrequent write-off of accounts receivable associated with Hub and other miscellaneous revenues, expense is recorded only at time of write-off.
  - (2) Excludes adjustments of \$4.7MM including \$4.9MM of special provision charged to Acct. 930.2 - Miscellaneous general expenses and related to the gas charge settlement.
  - (3) Includes (\$750,000) adjustment to the reserve for uncollectible accounts. Each quarter, the Company updates the projection of future charge-offs based upon the most current information available, and adjusts the reserve, if necessary.
  - (4) Includes \$5MM adjustment to the reserve for uncollectible accounts as described in Note 3.

The Peoples Gas Light and Coke Company

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	\$5,735,000		\$1,393,000		\$7,128,000	2
3	Federal Unemployment Tax	72,000		22,000		94,000	3
4	Federal Excise Tax	12,000				12,000	4
5	Illinois:						5
6	Illinois Public Utility Tax	25,303,000				25,303,000	6
7	Annual Gross Revenue Tax	1,577,000				1,577,000	7
8	Invested Capital Tax - Replacement Tax	8,542,000				8,542,000	8
9	State Franchise Tax	170,000				170,000	9
10	State Unemployment Tax	1,050,000		25,000		1,075,000	10
11	State Use and Sales Tax	157,000				157,000	11
12	Supplemental Low Income Energy Assistance Fund Charge	7,551,000				7,551,000	12
13	Renewable Energy Charge	944,000				944,000	13
14	Illinois Gas Use Tax	104,000				104,000	14
15	Local:						15
16	Municipal Public Utility Tax	114,410,000				114,410,000	16
17	Personal Property Tax	0				0	17
18	Real Estate Tax	1,031,000		119,000	367,000	1,517,000	18
19	Chicago Employer's Expense Tax	100,000				100,000	19
20	Chicago Transaction Tax	63,000				63,000	20
21	Total	<u>\$166,821,000</u>	<u>\$0</u>	<u>\$1,559,000</u>	<u>\$367,000</u>	<u>\$168,747,000</u>	21

The Peoples Gas Light and Coke 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(1)	Average Gas Charge (cents per therm)		
		Accrual	Adjustment	Total Uncollectible Expense		Accrual Rate	Effective Rate				
		(\$000s)			(\$000s)						
1	2006	\$ 40,776	\$ 5	\$ 40,781	\$ 29,385	2.54%	2.54%	2.10%	87.65	1	
2	2005	35,964	(750)	35,214	29,385	2.54%	2.49% (2)	2.33%	77.06	2	
3	2004	35,306	-	35,306	37,977	2.80%	2.80%	3.00%	62.91	3	
4	2003	31,643	9,200	40,843	43,205	2.50%	3.23%	4.92%	56.51	4	
5	2002	17,569	24,000	41,569	54,128	2.00%	4.73%	3.51%	36.12	5	
6	2001	30,832	8,500	39,332	18,025	2.00%	2.55%	1.93%	64.55	6	
7	2000	18,691	-	18,691	16,859	2.00%	2.00%	2.03%	39.24	7	
8	1999	20,797	-	20,797	22,420	2.50%	2.50%	2.52%	27.71	8	
9	1998	22,251	-	22,251	28,597	2.50%	2.50%	2.64%	29.77	9	
10	1997	27,068	-	27,068	23,388	2.50%	2.50%	2.31%	29.66	10	
11	<u>Five-Year Averages</u>									11	
12	FY2006 - FY2002	\$ 32,252	\$ 6,491	\$ 38,743	\$ 38,816	2.53%	3.05% (2)	3.06%	\$ 64.05	12	
13	FY2001 - FY1997	\$ 23,928	\$ 1,700	\$ 25,628	\$ 21,858	2.52%	2.70%	2.30%	\$ 38.19	13	

Notes (1) Effective write-off rate is based on current year net write-offs over prior year revenues

(2) Computation of provision rates excludes the special write-off of \$418,000 in FY2005 related to HUB activities