

## VALUE OF PEOPLES ENERGY'S WEATHER INSURANCE POLICY

### PEOPLES GAS

1995 Approved (Commission Final Order Docket No. 95-0032)

Peoples Net Operating Income \$98,412,000  
Peoples Rate Base \$1,070,858,000

	Rate of Return		
	Cost	Weight	Weighted Cost
Equity	11.10%	51.08%	5.67%
Debt	7.19%	48.92%	3.52%
		<b>RoR</b>	<b>9.19%</b>

### PEOPLES ENERGY WEATHER INSURANCE

**FY 2005**

Weather Insurance Maximum Payout \$10,000,000  
Annual Premium \$2,577,150  
Weather Insurance Maximum Net Benefit \$7,422,850

Source: PGL Response to CUB 2.14

### INSURANCE VALUE FOR PEOPLES GAS

Peoples share of insurance value	\$6,309,576	=Insurance * % Total Net Operating Income
After-tax effect on net income	\$3,801,835	=People Share * (1-Tax Rate)
Peoples net income	\$60,716,364	=return on equity in rate base
Net income necessary from rates	\$56,914,528	=net income - after-tax insurance
Implied ROE	10.40%	=Adjusted net income/equity in Rate base
ROE reduction	0.695%	=approved ROE - Implied ROE

### Backcast Rider VBA Margin adjustments

	Pre-tax	After-tax
FY 2002	\$43,924,875	\$26,466,933
FY 2003	\$22,261,021	\$13,413,378
FY 2004	\$39,568,443	\$23,841,965
FY 2005	\$50,617,399	\$30,499,514
FY 2006	\$61,899,211	\$37,297,370

Peoples Response to AG 3.06

### NORTH SHORE GAS

1995 Approved (Commission Final Order Docket No. 95-0031)

North Shore Net Operating Income \$17,364,000  
North Shore Rate Base \$178,096,000

	Rate of Return		
	Cost	Weight	Weighted Cost
Equity	11.30%	57.04%	6.45%
Debt	7.70%	42.96%	3.31%
		<b>RoR</b>	<b>9.75%</b>

Tax Rate	39.75%
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### INSURANCE VALUE FOR NORTH SHORE GAS

North Shore share of insurance value	\$1,113,274	=Insurance * % Total Net Operating Income
After-tax effect on net income	\$670,803	=People Share * (1-Tax Rate)
North Shore net income	\$11,479,213	=return on equity in rate base
Net income necessary from rates	\$10,808,410	=net income - after-tax insurance
Implied ROE	10.6%	=Adjusted net income/equity in Rate base
ROE reduction	0.660%	=approved ROE - Implied ROE