

Schedule A

THE PEOPLES GAS LIGHT AND COKE COMPANY
REVENUE DEFICIENCY
(\$000)

	(1) Company Position	Adjustments		Proposed Position
Rate Base	\$ 1,308,007	\$ (107,021)	(2)	\$ 1,200,986
Rate of Return	<u>8.25%</u>	<u>-1.65%</u>	(3)	<u>6.60%</u>
Operating Income Requirement	107,911	(28,633)		79,277
Adjusted Operating Income	<u>47,683</u>	<u>8,565</u>	(4)	<u>56,248</u>
Income Deficiency (Excess)	60,228	(37,199)		23,029
Gross Revenue Conversion Factor	<u>1.7029</u>	<u>-</u>		<u>1.7029</u>
Revenue Deficiency (Excess)	<u>\$ 102,560</u>	<u>\$ (63,344)</u>		<u>\$ 39,215</u>

Sources:

- (1) PGL Schedule A-2
- (2) Schedule B
- (3) Schedule D
- (4) Schedule C

Schedule B

THE PEOPLES GAS LIGHT AND COKE COMPANY
RATE BASE
(\$000)

	(1) Company <u>Position</u>	<u>Adjustments</u>		<u>Proposed Position</u>
Utility Plant	\$ 2,434,914	\$ (18,518)	(2)	\$ 2,416,396
Accumulated Depreciation and Amortization	<u>934,314</u>	<u>44,547</u>	(2)	<u>978,861</u>
Net Plant	<u>\$ 1,500,600</u>	<u>\$ (63,065)</u>		<u>\$ 1,437,535</u>
Cash Working Capital	30,896			30,896
Materials and Supplies	8,796			8,796
Gas in Storage	<u>86,667</u>			<u>86,667</u>
Subtotal	<u>126,359</u>			<u>126,359</u>
Accumulated Deferred Income Taxes	(295,988)	11,697	(3)	(284,291)
Customer Deposits	(32,176)			(32,176)
Budget Plan Balances	14,080			14,080
Accrued Postretirement Benefits	-	(55,653)	(4)	(55,653)
Customer Advances for Construction	(392)			(392)
Pre-1971 Investment Tax Credits	(54)			(54)
Reserve for Injuries and Damages	<u>(4,422)</u>	<u>-</u>		<u>(4,422)</u>
Subtotal	<u>(318,952)</u>	<u>(43,956)</u>		<u>(362,908)</u>
Net Rate Base	<u>\$ 1,308,007</u>	<u>\$ (107,021)</u>		<u>\$ 1,200,986</u>

Sources:

- (1) PGL Schedule B-1
- (2) Schedule B-1
- (3) Schedule B-2
- (4) Response to AG 5.01

Schedule B-1

THE PEOPLES GAS LIGHT AND COKE COMPANY
 PLANT IN SERVICE, ACCUMULATED DEPRECIATION
 (\$000)

Revised Budget of FY 2007 Capital Expenditures	(1)	\$ 86,006
Original Budget of FY 2007 Capital Expenditures	(2)	<u>104,524</u>
Adjustment to Plant in Service		<u>\$ (18,518)</u>
Depreciation Expense Fiscal Year 2006	(3)	\$ 48,664
Adjustment to Company Depreciation on Plant Additions	(4)	<u>(423)</u>
Total Depreciation Expense		48,241
Annualized Net Cost of Removal	(5)	<u>3,694</u>
Net Adjustment to Depreciation Reserve		<u>\$ 44,547</u>

Sources:

- (1) Response to AG 8.13
- (2) PGL Schedule B-2
- (3) PGL Schedule C-1
- (4) Schedule C-3
- (5) Response to AG 2.4 2*1847

Schedule B-2

THE PEOPLES GAS LIGHT AND COKE COMPANY
ACCUMULATED DEFERRED INCOME TAXES
(\$000)

ADIT Related to Gas Cost Reconciliation - State	(1)	\$ 1,056
ADIT Related to Gas Cost Reconciliation - Federal	(1)	4,692
Alternative Minimum Tax on Gas Cost Settlement Charge	(2)	7,820
Adjustment to ADIT on Plant Additions	(3)	(1,182)
ADIT on Accrued FAS 106 Liability	(4)	<u>(24,083)</u>
Total Adjustment to Accumulated Deferred Income Taxes		<u>\$ (11,697)</u>

Sources:

(1)	PGL Schedule B-9, Page 1		
(2)	Response to AG 2.11	16040-8220	
(3)	Adjustment to Forecasted Plant Additions	(18,518)	Sch. B-1
	Company Forecasted Plant Additions	<u>104,524</u>	Sch. B-1
	Ratio of Adjustment to Forecast	-17.72%	
	Company Adjustment to ADIT	<u>6,673</u>	PGL B-2
	Adjustment to ADIT on Plant Additions	<u>(1,182)</u>	
(4)	PGL Schedule B-9, Page 1	19660+4423	

Schedule C

THE PEOPLES GAS LIGHT AND COKE COMPANY
OPERATING INCOME
(\$000)

	(1) Company <u>Position</u>	<u>Adjustments</u>		Proposed <u>Position</u>
Total Operating Revenue	\$ 1,506,503	\$ (199,254)	(2)	\$ 1,307,249
Cost of Gas	1,084,326	(199,254)	(2)	885,072
Other Operation and Maintenance Expense	287,058	(14,240)	(3)	272,818
Depreciation and Amortization	59,298	(423)	(4)	58,875
Taxes other than Income Taxes	17,999	(1,014)	(5)	16,985
Income Taxes				
State Income Tax Expense - Current	4,577	1,306	(6)	5,883
Federal Income Tax Expense - Current	37,075	5,806	(6)	42,881
Deferred Income Tax Expense	(31,097)			(31,097)
Investment Tax Credit	<u>(416)</u>	<u>-</u>		<u>(416)</u>
Total Operating Expenses	1,458,820	(207,819)		1,251,001
Net Adjusted Operating Income	<u>\$ 47,683</u>	<u>\$ 8,565</u>		<u>\$ 56,248</u>

Sources:

- (1) PGL ScheduleC-1
- (2) Schedule C-1
- (3) Schedule C-2
- (4) Schedule C-3
- (5) Schedule C-4
- (6) Schedule C-5

Schedule C-1

THE PEOPLES GAS LIGHT AND COKE COMPANY
OPERATING REVENUE
(\$000)

Deliveries to Sales Customers (Dekatherms 000)	(1)	106,045
Price per Dekatherm	(2)	<u>\$ 8.12</u>
Pro Forma Gas Charge Revenues		\$ 861,084
Company Gas Charge Revenues	(1)	<u>1,060,338</u>
Adjustment to Gas Charge Revenues, Cost of Gas		<u>\$ (199,254)</u>

Sources:

- (1) PGL Schedule E-5
- (2) Response to AG 2.38

Schedule C-2

THE PEOPLES GAS LIGHT AND COKE COMPANY
OPERATION AND MAINTENANCE EXPENSE
(\$000)

Adjustments to Operation and Maintenance Expense:

Rate Case Expense	(1)	\$	(485)
Medical and Insurance Costs	(2)		(866)
Uncollectible Accounts Expense	(3)		(5,061)
Incentive Compensation	(4)		(2,615)
Inflation Factor Adjustment	(5)		(3,084)
Lobbying	(6)		(132)
Compressor Station Fuel	(7)		(1,587)
Non-Recurring Maintenance	(8)		<u>(410)</u>
Total Adjustment to Operation and Maintenance Expense			<u>\$ (14,240)</u>

Sources:

(1)	PGL WPC-2.1.1	3635/5-1212	
(2)	Schedule C-2.1		
(3)	Adjustment to Gas Charge Revenues	(199,254)	Schedule C-1
	Uncollectibles Rate	<u>2.54%</u>	PGL WPC-2.12.1
	Adjustment to Uncollectible Accounts	<u>(5,061)</u>	
(4)	Response to Staff Data Request BAP 4.08		1,870
	Response to Staff Data Request BAP 4.07		<u>745</u>
	Total Incentive Compensation		<u>2,615</u>
(5)	PGL Schedule C-2.18		
(6)	Response to Staff Data Request DGK 1.10		52
	Response to Staff Data Request DLH 13.04		<u>80</u>
	Total Lobbying Expense		<u>132</u>
(7)	Peoples Gas Exhibit LK-1.0, Page 12		
(8)	PGL Schedule C-15	546/4-546	

Schedule C-2.1

THE PEOPLES GAS LIGHT AND COKE COMPANY
 MEDICAL AND INSURANCE COSTS
 (\$000)

Group Insurance - Active Employees - 6 Mos. Ended 3/31/07	(1)	\$	5,848
Annualized Cost			11,696
Pro Forma Cost, per Company	(2)		<u>12,698</u>
Adjustment to Company Cost			(1,002)
O&M Expense Ratio	(3)		<u>86.47%</u>
Adjustment to O&M Expense		\$	<u>(866)</u>

Sources:

- (1) Response to AG 2.18
- (2) Response to Staff Data Request BAP 1.02
- (3) Response to Staff Data Request BAP 1.02
22757/26319

Schedule C-2.3

THE PEOPLES GAS LIGHT AND COKE COMPANY
DEPRECIATION EXPENSE
(\$000)

Proposed Adjustment to Pro Forma Plant in Service	(1)	\$ (18,518)
Depreciation Accrual Rate	(2)	<u>2.28%</u>
Adjustment to Depreciation Expense		<u>\$ (423)</u>

Sources:

- (1) Schedule B-1
- (2) PGL Schedule B-2.1 2387/104524

Schedule C-3

THE PEOPLES GAS LIGHT AND COKE COMPANY
TAXES OTHER THAN INCOME TAXES
(\$000)

Adjustment to Wages and Salaries	(1)	\$ (2,615)
Payroll Tax Rate	(2)	<u>7.65%</u>
Adjustment to Payroll Taxes		<u>\$ (200)</u>
Elimination of Pro Forma Adjustment to Invested Capital Tax	(3)	<u>\$ (814)</u>
Total Adjustment to Taxes Other than Income Taxes		<u>\$ (1,014)</u>

Sources:

- (1) Schedule C-2
- (2) FICA Tax Rate
- (3) PGL Schedule C-2.6

Schedule C-4

THE PEOPLES GAS LIGHT AND COKE COMPANY
INCOME TAXES
(\$000)

Adjustments to Taxable Income:

Revenue	(1)	\$(199,254)
Cost of Gas	(1)	(199,254)
Operation and Maintenance Expense	(1)	(14,240)
Depreciation and Amortization	(1)	(423)
Taxes other than Income Taxes	(1)	(1,014)
Interest	(2)	<u>(2,217)</u>
Adjustment to Expenses		(217,148)
Adjustment to Taxable Income		17,894
Illinois Income Tax Rate		<u>7.30%</u>
Adjustment to Illinois Income Tax		<u>\$ 1,306</u>
Adjustment to Federal Taxable Income		16,587
Federal Income Tax Rate		<u>35%</u>
Adjustment to Federal Income Tax		<u>\$ 5,806</u>

Sources:

(1)	Schedule C		
(2)	Rate Base	1,200,986	Schedule B
	Weighted Debt Cost	<u>2.06%</u>	Schedule D
	Interest Deduction	24,728	
	Company Interest Deduction	<u>26,945</u>	PGL WPC-2.8.1
	Adjustment	<u><u>(2,217)</u></u>	

Schedule D

THE PEOPLES GAS LIGHT AND COKE COMPANY
RATE OF RETURN
(\$000)

Company Position

	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Long Term Debt	44.00%	4.68%	2.06%
Common Equity	<u>56.00%</u>	11.06%	<u>6.19%</u>
Total Capital	<u>100.00%</u>		<u>8.25%</u>

GCI Position

	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Total Debt	44.00%	4.68%	2.06%
Common Equity	<u>56.00%</u>	8.11%	<u>4.54%</u>
Total Capital	<u>100.00%</u>		<u>6.60%</u>

Sources: PGL Schedule D-1
Testimony of Mr. Thomas