DIRECT TESTIMONY

Of

MARY H. EVERSON

Accountant

Financial Analysis Division

Illinois Commerce Commission

Proposed General Increase in Electric and Gas Rates

North Shore Gas Company

Peoples Gas Light & Coke Company

Docket Nos. 09-0166/09-0167 Consolidated

June 10, 2009

Witness Identification

Q. Please state your name and business address.

A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. By whom are you employed and in what capacity?

A. I am an Accountant in the Accounting Department of the Financial Analysis Division of the Illinois Commerce Commission ("Commission").

Q. What is the function of the Accounting Department of the Illinois Commerce Commission?

A. The Accounting Department's function is to monitor the financial condition of public utilities as part of the Commission's responsibilities under Article IV of the Public Utilities Act ("Act") and to provide accounting expertise on matters before the Commission.

Q. Please describe your professional background and affiliations.

A. I am a licensed Certified Public Accountant. I earned a Bachelor of Science in Accounting from the University of Central Florida. I joined the staff of the Illinois Commerce Commission ("Staff") in February 1999. Prior to joining Staff, I was employed in industry as a financial analyst and in government as an internal auditor.

Q. Have you previously testified before any regulatory bodies?

A. Yes. I have testified on several occasions before the Commission.

Q. What are your responsibilities in this case?

A. I have been assigned to this case by the Manager of the Accounting Department of the Commission. I am to review The Peoples Gas Light and Coke Company ("Peoples Gas") and North Shore Gas Company ("North Shore") (individually, the "Company" and collectively, the "Companies") filings in this proceeding, analyze the underlying data and propose adjustments where appropriate.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to propose adjustments to the Companies' operating statements and rate bases concerning forecasted plant additions, accumulated depreciation, depreciation expense, accumulated deferred income taxes associated with the forecasted plant additions and net dismantling associated with the forecasted plant additions. In addition, I prepared schedules to calculate the adjustment to cushion gas and the gathering system project as well as the associated change in depreciation expense, accumulated depreciation and accumulated deferred income taxes associated with adjustments proposed by Staff witness Brett Seagle. I am also making an alternate recommendation regarding cost savings that should be included in the calculation of Peoples Gas' revenue requirement if my proposed adjustments to forecasted plant additions are not accepted by the Commission.

Q. Are you sponsoring any schedules with your testimony?

A. Yes. I prepared the following schedules that show data as of, or for the test year ending, December 31, 2010:

Adjustment Schedules

Schedules 4.01 P and N	Adjustment to Utility Plant in Service-Forecasted Plant Additions
Schedules 4.02 P and N	Adjustment to Net Dismantling

Q. Please explain the P and N suffixes that appear with your schedule numbers.

A. These suffixes indicate the Company to which a particular schedule applies. The P suffix identifies a schedule that applies to Peoples Gas, and the N suffix identifies a schedule that applies to North Shore.

Attachments

Q. Are you sponsoring any attachments with your testimony?

A. Yes. I have attached the following data request responses to my testimony:

Attachment A	Peoples Gas response to Staff Data Request MHE 2.05
Attachment B	Peoples Gas response to AG Data Request AG 1.23

Forecasted Plant Additions Adjustment

Q. Please describe Schedules 4.01 P and N, Adjustment to Utility Plant in Service-Forecasted Plant Additions.

A. Schedules 4.01 P and N present my adjustment to Utility Plant in Service-Forecasted Plant Additions to reflect the update to forecasted plant additions due to the economic slowdown referred to in the direct testimony of Mr. James Schott (Peoples Gas Ex. JFS-1.0 and North Shore Gas Ex. JFS-1.0). In response to data requests, Peoples identified 2009 projects of $ 51.4 million and 2010 projects of $108.5 million that were included in the forecasted plant additions that potentially would be affected by the economic slowdown Mr. Schott refers to in his direct testimony. For North Shore only 2010 forecasted plant additions of $5.0 million could be affected by the economic slowdown. My proposed adjustments incorporate these revisions.

In addition, Schedule 4.01 P incorporates adjustments for cushion gas and the gathering system proposed by Staff witness Brett Seagle in Staff Ex. 13.0. Schedule 4.01P also incorporates adjustments to depreciation expense, accumulated depreciation, and accumulated deferred income taxes associated with Staff witness Seagle's adjustments to cushion gas and the gathering system project in ICC Staff Ex. 13.0.

Q. What did you conclude regarding the Companies' forecasted plant additions?

A. The Companies have a duty to support the requested level of plant additions their respective forecasts. After reviewing the Companies' direct testimony, schedules and numerous data request responses, I concluded that the Companies have not supported the level of test year plant additions in this case.

Q Please explain what factors that caused you to conclude that the Companies have not supported the forecasted level of plant additions included in each filing.

A. The Companies themselves have made several statements that call into question their forecasted level of plant additions. First, the direct testimony of James Schott discusses at page 4 the effort Peoples Gas and North Shore have undertaken to reduce current and future costs in light of the current economic crisis. (Peoples/North Shore Ex. JFS-1.0I) Mr. Schott further states that the revenue requirement in this case would be changed based on decisions made at a later time. In addition to those statements made by Mr. Schott, in Part 285 Schedule G-5, Assumptions Used in the Forecast, the Companies indicate that one of their Significant Assumptions for Capital Expenditures is that the Companies "will likely reduce [their] 2009 operation and maintenance and capital expenditures in response to the current economic slowdown, and may make reductions in 2010 if the current economic environment does not significantly improve." (North Shore Section 285.7025, Schedule G-5, page 6 of 6; Peoples Gas Section 285.7025, Schedule G-5, page 6 of 7) Also, with regard to Peoples Gas, on February 26, 2009, Integrys conducted an earnings call in which Joe O'Leary stated that "Our accelerated cast iron main replacement program could return as early as 2010 if we are granted approval of an infrastructure rider in our current general rate case filing and the present financial market crisis eases." In response to a series of data requests (MHE 2 series) Peoples Gas acknowledged that it could not identify a methodology that it would use to quantify changes to its accelerated cast iron main replacement program and offered the explanation that the original filing in the case included the full 2009 CI/DI replacement program and stated that the reductions to 2009 plant additions identified in response to DLH 4.06 reflected the deferral of 2009 projects. Regarding the 2010 forecasted plant additions, Peoples Gas continued:

> The Company has not made a decision regarding the 2010 CI/DI replacement program. Reflected in the revenue requirement in this rate case is an acceleration of the CI/DI replacement program. Should the Illinois Commerce Commission grant reasonable rate relief in this case, including a return of capital and a return on capital that reflects market conditions, and assuming no further deterioration in the availability of reasonably priced capital, the Company will accelerate the CI/DI replacement program as proposed in this case. (Peoples Gas response to MHE 2.05)

With regard to both Peoples Gas and North Shore, in the same earnings call with Joe O’Leary, a 30% reduction to 2009 capital expenditures and a 40% reduction to 2010 capital expenditures at Integrys’ regulated utilities was discussed by Mr. O’Leary. I requested and reviewed detailed listings of the forecasted plant additions as filed and detailed listings of potential reductions in Staff Data Requests MHE 4.02(a)(b) (Peoples Gas) and 4.06(a)(b) (North Shore). While the Companies had detailed listings of projects that comprised the requested levels of plant additions, the Companies also identified many reductions to specific projects in its 2009 forecasted plant additions that would be deferred as a result of the economic slowdown. The response to MHE 2.05 indicated that Peoples Gas had determined that it was appropriate to “defer some of the CI/DI replacement program.” I have attached a copy of this data request response as

Attachment A to my testimony. These data request responses and statements by the Companies indicated to me that the forecasted level of additions for 2009 which are included in the determination of the test year additions was overstated. Thus, an adjustment for the reduction to the 2009 level of forecasted plant additions is appropriate.

Q. Did the Companies support the 2010 forecasted plant additions?

A. In addition to a reduction in the requested level of 2009 plant additions, Peoples Gas and North Shore provided detailed listings of potential reductions to 2010 plant additions in response to MHE 4.02(b (Peoples Gas) and MHE 4.06(b) (North Shore), respectively. However, the reductions to the 2010 capital projects were not reflected in the forecasted 2010 test year rate base schedules the Companies provided in response to Staff Data Request DLH 4.06.

Subsequently North Shore Gas revised its response to Staff Data Request DLH 4.06.

For Peoples Gas, the accelerated main replacement program constitutes a large portion of the forecasted 2010 plant additions. Therefore, any doubt about whether the main replacement will be accelerated has a significant impact on the total of the forecasted 2010 plant additions. Peoples Gas' response to Staff Data Request MHE 2.05 cast doubt on whether the 2010 forecast was an accurate reflection of the Company's current plans. Peoples Gas states:

> For years beyond 2010 in which the rates in this proceeding will be in effect, the existence of an infrastructure rider will be

> a factor in the Company’s decision to continue at the accelerated CI/DI replacement rate or not. Without a rider, for any CI/DI replacement program expenditures after 2010 in which rates approved in this proceeding are in effect, the Company will not be able to recover the cost of capital or depreciation expense in those years. While the absence of a rider will not necessarily result in the deceleration of the CI/DI program, it will certainly enter into the Company’s decision whether to continue at the accelerated pace or not. (Peoples Gas response to Staff Data Request MHE 2.05)

This response was received on March 18, 2009. The Attorney General’s office subsequently issued a data request regarding utility plant construction depending on the outcome of Peoples Gas’ request for Rider ICR. Peoples Gas responded in pertinent part as follows:

> …See also the final paragraph of the response to ICC Staff Data Request MHE 2.05. …*Alternatively, even with Rider ICR, the* Company *may not be able to accelerate, in whole or in part, the CI/DI replacement program* depending on other factors, such as availability of capital, the cost of capital or the timeliness and adequacy of rate relief, including authorized returns on capital. (Peoples Gas response to AG 1.23)(*emphasis added*) (See Attachment B)

This response was received on April 17, 2009. This response casts even greater doubt on the Peoples Gas intention to accelerate the main replacement program at the level in the forecasted test year since this April 2009 response states that even if Rider ICR is approved, the Company may not accelerate the main replacement program.

Q. Please summarize the rationale for your adjustment.

A. The Companies' responses to various data requests collectively gave the impression that only under a seemingly perfect set of circumstances would the 2009 and 2010 forecasted plant additions be achieved.

Unless the Companies are clearly committed to proceeding with the level of 2009 and 2010 forecasted plant additions and without construction being dependent on an almost perfect undefined set of conditions, it would be unfair to the ratepayers to pay a return on plant additions and provide the associated depreciation expense related to additions that the Companies are unwilling or unable to fully commit to undertaking.

Q. Are you proposing adjustments to any related areas as a result of your proposed adjustment to plant additions?

A. Yes. I am also proposing adjustments to accumulated depreciation, accumulated deferred income taxes and depreciation expense related to my adjustment to forecasted plant additions. These adjustments are presented on Schedules 4.01 P and N.

<u>Net Dismantling Adjustment</u>

Q. Please describe Schedules 4.02 P and N, Adjustment to Net Dismantling.

A. Schedules 4.02 P and N present my proposed adjustment to Net Dismantling. The Companies proposed separate adjustments to reflect a change in the way they record net dismantling costs. (Peoples Gas Ex. CMG 1.0, and North Shore Ex. CMG 1.0) My proposed adjustment reflects the derivative impact of my adjustment to forecasted plant additions on the Companies' net dismantling adjustments.

Alternative Recommendation

Q. Do you have an alternative proposal in the event that your proposed adjustment to forecasted plant additions is rejected by the Commission?

A. Yes. Peoples Gas witness Edward Doerk stated in direct testimony that one of the benefits of the accelerated cast iron main project would include "…O&M cost savings". (Peoples Gas Ex. ED 1.0 Rev. p. 11, lines 224-235) In response to data request CUB 3.19 Peoples Gas states: "Specific O&M cost savings for 2009 and 2010 resulting from the accelerated cast iron replacement program have not been documented or reflected in the cost of service." Since People Gas' 2010 forecasted plant additions included accelerated cast iron main replacement projects, savings that result from this acceleration of the CI/DI program should be included in O&M expense levels in Peoples Gas' revenue requirement if my adjustment to adjust forecasted plant additions is rejected by the Commission. Peoples Gas identified potential savings per mile of $6,000 associated with its accelerated main replacement on page 5 of its Rider ICR tariff as component SV Savings. On workpaper F-4.5, Peoples Gas identified 46 and 92 miles of cast iron/ductile iron main that would be replaced in 2009 and 2010, respectively, with implementation of its accelerated cast iron/ductile iron main replacement. At a minimum, the $6,000/mile savings identified in the Rider ICR tariff applied to the forecasted miles to be replaced from workpaper F- 4.5 under the forecast should be used to reduce O & M costs in Peoples revenue requirement. Staff witness

Dianna Hathhorn also discusses potential changes to the savings per mile in Staff Ex. 1.0.

<u>Conclusion</u>

Q. Does this question end your prepared direct testimony?

A. Yes.

ICC Docket No. 09-xxxx
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests MHE 2.01-2.08
Dated: March 18, 2009

REQUEST NO. MHE 2.05:

Using the criteria discussed in the response to MHE 2.04, explain the methodology that has been or will be used to quantify changes to the accelerated cast iron main replacement program for each scenario (non- approval of infrastructure rider or no easing of the "present financial market crisis").

RESPONSE:

There is no "methodology ...to quantify changes to the accelerated cast iron main replacement program for each scenario." The Company will exercise its judgment by taking all the factors into account in determining the prudent level of cast iron and ductile iron main (CI/DI) replacement in any given year.

For 2009 CI/DI replacement program expenditures, the Company has determined that given the current financial situation and its impact on the availability of reasonably priced capital, it is appropriate to defer some of the CI/DI replacement program. The Company would not have been able to recover any of the 2009 costs such as cost of capital, net dismantling costs and 2009 depreciation associated with the cast iron/ductile iron main replacement programs. The original filing in this case reflected the full 2009 CI/DI replacement program. In the response to Data Request No. DLH 4.06, the Company provided the revenue requirement reflecting the deferral of the 2009 capital expenditures.

The Company has not made a decision regarding the 2010 CI/DI replacement program. Reflected in the revenue requirement in this rate case is an acceleration of the CI/DI replacement program. Should the Illinois Commerce Commission grant reasonable rate relief in this case, including a return of capital and a return on capital that reflects market conditions, and assuming no further deterioration in the availability of reasonably priced capital, the Company will accelerate the CI/DI replacement program as proposed in this case.

For years beyond 2010 in which the rates in this proceeding will be in effect, the existence of an infrastructure rider will be a factor in the Company's decision to continue at the accelerated CI/DI replacement rate or not. Without a rider, for any CI/DI replacement program expenditures after 2010 in which the rates approved in this proceeding are in effect, the Company will not be able to recover the cost of capital or depreciation expense in those years. While the absence of a rider will not necessarily result in the deceleration of the CI/DI replacement program, it will certainly enter into the Company's decision whether to continue at the accelerated pace or not.

ICC Docket No. 09-0166/0167
The Peoples Gas Light and Coke Company's Response to People of the State of Illinois Data Requests AG 1.00-1.48
Dated: April 17, 2009

REQUEST NO. AG 1.23:

Please explain in detail what specific changes in the Company's utility plant construction planning, project screening and expenditure levels is anticipated to result if the Commission approves proposed Rider ICR, that would not be changed if proposed Rider ICR is not approved. Approximately how much additional plant investment is expected to occur in each of the next three years in the Peoples service territory as a direct result of such changes?

RESPONSE:

The project planning and screening processes would continue much as it is today, with or without Rider ICR.

The Company cannot provide an answer to the question of how many additional dollars will be spent if the Commission approves Rider ICR. The availability of Rider ICR will be a key factor in determining whether to accelerate the cast iron/ductile iron main ("CI/DI") replacement program. However, it is not the only factor in that determination. See also the final paragraph of the response to ICC Staff Data Request MHE 2.05. Depending on other factors, such as the timeliness and adequacy of rate relief, including authorized returns on capital, the Company may accelerate, in whole or in part, the CI/DI replacement program absent Rider ICR. Alternatively, even with Rider ICR, the Company may not be able to accelerate, in whole or in part, the CI/DI replacement program depending on other factors, such as availability of capital, the cost of capital or the timeliness and adequacy of rate relief, including authorized returns on capital.

The Peoples Gas Light and Coke Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Amount	Source
	(a)	(b)	(c)
	Forecasted Plant Additions		
1	Utility Plant in Service per Staff	$ 2,547,411	Staff Ex. 4.1 P, p. 2, col. (c), line 32
2	Utility Plant in Service per Company as adjusted	2,651,412	Staff Ex. 4.1 P, p. 2, col. (c), line 28
3	Staff Proposed Adjustment-Forecasted Plant Additions net of Cushion Gas & Gathering system	$ (104,000)	Line 1 - line 2
	Accumulated Depreciation		
4	Accumulated Depreciation per Staff	$ (1,066,390)	Staff Ex. 4.1 P, p. 4, col. (b), line 7
5	Accumulated Depreciation per Company	(1,070,104)	Co. Sch. B-1, col. (H), line 2
6	Staff Proposed Adjustment	$ 3,714	Line 4 - line 5
	Depreciation Expense		
7	Depreciation Expense per Staff	$ 75,620	Staff Ex. 4.1 P, p. 4, col. (b), line 15
8	Depreciation Expense per Company	78,751	Co. Schedule C-1, col. (G), line 14
9	Staff Proposed Adjustment	$ (3,131)	Line 7 - line 8
	Accumulated Deferred Income Taxes		
10	Average ADIT per Staff	$ (340,457)	Staff Ex. 4.1 P, p. 4, col. (b), line 25
11	Average ADIT per Company	(342,827)	Co. Schedule B-1, col. (H), line 10
12	Staff Proposed Adjustment	$ 2,370	Line 10 - line 11

The Peoples Gas Light and Coke Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Adjustments	Amount	Source
	(a)	(b)	(c)	(d)
1	Average Plant in Service per Company		$ 2,665,856	Co. Sch. B-1, col. (H), line 1
	Cushion Gas-Non Recoverable			
2	2009 Cushion Gas-Non Recoverable Additions per Company	$ 12,119		Co.rev. response to RWB 4.20
3	2010 Cushion Gas-Non Recoverable Additions per Company	12,359		Co. rev. response to RWB 4.20
4	Average 2010 Cushion Gas-Non Recoverable Additions per Company	6,179		Line 3 / 2
5	Test Year Cushion Gas-Non Recoverable Additions per Company	$ 18,298	$ 18,298	Col. (b), line 2 + line 4
6	2009 Cushion Gas-Non Recoverable Additions per Staff	6,882		Staff Ex. 13.2P, line 12
7	2010 Cushion Gas-Non Recoverable Additions per Staff	7,054		Staff Ex. 13.2P, line 6
8	Average 2010 Cushion Gas-Non Recoverable Additions per Staff	3,527		Line 7 / 2
9	Test Year Cushion Gas-Non Recoverable Additions per Staff	10,408	$ 10,408	Col. (b), line 6 + line 8
10	Staff Adjustment to Cushion Gas-Non Recoverable		$ (7,890)	Line 10 - line 5
	Cushion Gas-Recoverable			
11	2009 Cushion Gas-Recoverable Additions per Company	638		Co. rev. response to RWB 4.20
12	2010 Cushion Gas-Recoverable Additions per Company	627		Co. rev. response to RWB 4.22
13	Average 2010 Cushion Gas-Recoverable Additions per Company	314		Line 12 / 2
14	Test Year Cushion Gas-Recoverable Additions per Company	951	$ 951	Col. (b), line 11 + line 13
15	2009 Cushion Gas-Recoverable Additions per Staff	362		Staff Ex. 13.1P, line 12
16	2010 Cushion Gas-Recoverable Additions per Staff	371		Staff Ex. 13.1P, line 6
17	Average 2010 Cushion Gas-Recoverable Additions per Staff	186		Line 16 / 2
18	Test Year Cushion Gas-Recoverable Additions per Staff	548	548	Col. (b), line 15 + line 17
19	Staff Adjustment to Cushion Gas-Recoverable		$ (404)	Line 18 - line 14
	Gathering system			
20	2009 Gathering System Additions per Company	750		Co.response to RWB 4.20
21	2010 Gathering System Additions per Company	10,801		Co.response to RWB 4.22
22	Average 2010 Gathering System Additions per Company	5,400		Line 21 /2
23	Test Year Gathering System Additions per Company	6,150	$ 6,150	Col. (b), line 20 + line 22
24	2009 Gathering System Additions per Staff	-		Staff Ex. 13.0
25	2010 Gathering System Additions per Staff	-		Staff Ex. 13.0
26	Test Year Gathering System Additions per Staff	-	$ -	Line 24 + line 25
27	Staff Adjustment to Gathering System Addition		$ (6,150)	Line 26 - line 23
	Forecasted Plant Additions, net of Cushion Gas and Ganthering System			
28	Average Plant in Service per Company as adjusted for Cushion Gas & Gathering System		$ 2,651,412	Sum of lines 1, 10, 19, 27
29	Disallowed 2009 Additions net of cushion gas and gathering system	$ 55,035		Staff Ex. 4.1 P, p. 3, col. (d), line 4
30	Disallowed Average 2010 Additions net of cushion gas and gathering system	48,966		Staff Ex. 4.1 P, p. 3, col. (g), line 4/2
31	Total 2009-2010 Disallowed Additions net of cushion gas and gathering system	$ 104,000	$ 104,000	Col. (b), line 30 / 2
32	Average Test Year Plant in Service per Staff		$ 2,547,411	Line 28 - line 31

The Peoples Gas Light and Coke Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010

Line Number	Description	Original 2009	Update 2009	2009 Difference	Original 2010	Update 2010	2010 Difference
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Total Additions	$123,654,009	$72,219,401	($51,434,608)	$188,268,065	$79,714,334	($108,553,731)
2	Additional Reduction to unspecified projects			($5,600,000)			
3	Non Recov. Cushion Gas/Gathering System Additions	12,869,132	10,869,132	(2,000,000)	23,159,744	12,537,623	(10,622,121)
4	Additions Less Non Recov. Cushion Gas/Gathering System	$110,784,877	$61,350,269	($55,034,608)	$165,108,321	$67,176,711	($97,931,610)

Source: Lines 1, 3,and 4: Co. Response to MHE 4.02(b), MHE 13.05 (project 170000000 Cushion Gas Recoverable), and revised response RWB 4.20
Line 2: Co. revised response to DLH 4.06

The Peoples Gas Light and Coke Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Amount	Source
	(a)	(b)	(c)
	Accumulated Depreciation		
1	Accumulated Depreciation per Company	$ (1,070,104)	Co. Sch. B-1, col. (H), line 2
2	Remove Accumulated Depreciation -Cushion Gas Non Recoverable per Co.	(609)	Staff Ex. 4.1 P, p. 7, col. (b), line 13
3	Add Accumulated Depreciation -Cushion Gas Non recoverable per Staff	(346)	Staff Ex. 4.1 P, p. 7, col. (b), line 25
4	Remove Accumulated Depreciation -Gathering System per Co.	(163)	Staff Ex. 4.1 P, p. 7, col. (b), sum of lines 30,33, & 37
5	Accumulated Depreciation per Co. adj. for Cushion Gas/Gathering System	$ (1,069,678)	Line 1- line 2 + line 3 - line 4
6	Accumulated Depreciation -Average Plant Additions	(3,288)	Staff Ex. 4.1 P, p. 6, col. (b), line 13
7	Accumulated Depreciation per Staff	$ (1,066,390)	Line 5 - line 6
	Depreciation Expense		
8	Depreciation Expense per Company	$ 78,571	Co. Sch. C-1, col. (G), line 14
9	Remove Depreciation Expense-Cushion Gas per Company	457	Staff Ex. 4.1 P, p. 5, col. (b), line 8
10	Add Depreciation Expense-Cushion Gas Non Recoverable per Staff	260	Staff Ex. 4.1 P, p. 5, col. (b), line 15
11	Depreciation Expense adjusted for Cushion Gas	$ 78,374	Line 8 - line 9 + line 10
12	Remove Depreciation Expense-Gathering System per Co.	154	Staff Ex. 4.1 P, p. 5, col. (b), line 23
13	Depreciation Expense per Co. Adjusted for Cushion Gas/Gathering System	$ 78,220	Line 11 - line 12
14	Depreciation Expense -Average Plant Additions	2,600	Staff Ex. 4.1 P, p. 5, col. (b), line 31
15	Depreciation Expense per Staff	$ 75,620	Line 13 - line 14
	Accumulated Deferred Income Taxes		
16	Accumulated Deferred Income Taxes per Company	$ (342,827)	Co. Sch. B-1, col. (H), line 10
17	Average Test year Utility Plant in Service per Company	$ 2,665,856	Co. Sch. B-1, col. (H), line 1
18	Staff Adjustment to Cushion Gas	$ 10,408	Staff Ex. 4.1P, p. 5, col. (b), line 13
19	Staff Adjustment to Gathering System	6,150	Staff Ex. 4.1P, p. 5, col. (b), line 21
20	Staff Adjustment to Utility Plant Forecasted Plant Additions	104,000	Staff Ex. 4.1 P, p. 2, col. (c), line 13
21	Total Staff Adjustment to Utility Plant in Service	$ 120,559	Sum of lines 18-20
22	Percent of Average Utility Plant in Service per Company	4.5223%	Line 21 / line 17
23	Avg. Accumulated Deferred Income Taxes due to Depreciation	52,413	Co. Sch. B-9, p. 1, sum of lines 5 and 6
24	Adjustment to Accumulated Deferred Income Taxes	2,370	Line 22 x line 23
25	Accumulated Deferred Income Taxes per Staff	$ (340,457)	Line 16 - line 24

The Peoples Gas Light and Coke Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010
In Thousands

Line No.	Description		Amount	Source
	(a)		(b)	(c)
1	Depreciation Expense per Company	$	78,571	Co. Sch. C-1, col.(G), line 14
	Depreciation Expense attributable to Cushion Gas-Non Recoverable			
2	2009 Cushion Gas-Non Recoverable Additions per Company	$	12,119	Co. rev. response to RWB 4.20
3	2010 Cushion Gas-Non Recoverable Additions per Company		12,359	Co. rev. response to RWB 4.20
4	Number of years		0.5	
5	Average 2010 Cushion Gas-Non Recoverable Additions per Company		6,179	Line 3 x line 4
6	2009-2010 Depreciable Cushion Gas-Non Recoverable per Company	$	18,299	Line 2 + line 5
7	2010 Composite Depreciation Rate		2.50%	Co. revised response to DLH 4.06
8	2010 Depreciation Exp-Cushion Gas-Non Recoverable Additions per Co.	$	457	Line 6 x line 7
9	2009 Cushion Gas-Non Recoverable Additions per Staff	$	6,882	Staff Ex. 13.2 P, line 12/1000
10	2010 Cushion Gas-Non Recoverable Additions per Staff		7,054	Staff Ex. 13.2 P, line 6/1000
11	Number of years		0.5	
12	Average 2010 Cushion Gas-Non Recoverable Additions per Staff		3,527	Line 10 x line 11
13	2009-2010 Depreciable Cushion Gas-Non Recoverable per Staff	$	10,408	Line 9 + line 12
14	2010 Composite Depreciation Rate		2.50%	Co. revised response to DLH 4.06
15	2010 Depreciation Exp-Cushion Gas-Non Recoverable Additions per Staff	$	260	Line 13 x line 14
16	Depreciation Expense per Co.-Adjusted for Cushion Gas-Non Recoverable	$	78,374	Line 1 - line 8 + line 15
	Depreciation Expense attributable to Gathering System			
17	2009 Gathering System Additions per Company	$	750	Co. rev. response to RWB 4.20
18	2010 Gathering System Additions per Company		10,801	Co. rev. response to RWB 4.20
19	Number of years		0.5	
20	Average 2010 Gathering System Additions per Company		5,400	Line 18 x line 19
21	2009-2010 Depreciable Gathering System Additions per Company	$	6,150	Line 17 + line 20
22	2010 Composite Depreciation Rate		2.50%	Co. revised response to DLH 4.06
23	2010 Depreciation Exp-Gathering System Additions per Co.	$	154	Line 21 x line 22
24	Depreciation Expense per Company as Adj.-Cushion Gas/Gathering System	$	78,220	Line 16 - line 23
	Depreciation Expense attributable to Plant Additions			
25	2009 Disallowed Forecasted Plant Additions per Company	$	55,035	Co. response to MHE 4.02(b)
26	2010 Disallowed Forecasted Plant Additions per Company		97,932	Co. rev. response to RWB 4.20
27	Number of years		0.5	
28	Average 2010 Disallowed Forecasted Plant Additions per Company		48,966	Line 26 x line 27
29	2009-2010 Depreciable Disallowed Plant Additions per Company	$	104,000	Line 25 + line 28
30	2010 Composite Depreciation Rate		2.50%	Co. revised response to DLH 4.06
31	2010 Depreciation Expense-Disallowed Forecasted Plant Additions per Company	$	2,600	Line 29 x line 30
32	2010 Depreciation Expense per Staff	$	75,620	Line 24 -line 31

The Peoples Gas Light and Coke Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Accumulated Depreciation as Adjusted for Cushion Gas/Gathering System per Co.	$ 1,069,332,533	Staff Ex. 4.01 P, p. 7, col. (b), line 38
2	2009 Forecasted Plant Additions Disallowed	$ 55,034,608	Staff Ex. 4.01 P, p. 3, col. (d), line 4
3	Depreciable 2009 Forecasted Plant Additions Disallowed	27,517,304	Line 2 /2
4	2009 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
5	2009 Accum. Depr. 2009 Forecasted Plant Additions per Co.	$ 687,933	Line 3 x line 4
6	2009 Disallowed Forecasted Plant Additions per Co.	$ 55,034,608	Staff Ex. 4.01 P, p. 3, col. (d), line 4
7	2010 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
8	2010 Accum. Depr. 2009 Disallowed Forecasted Plant Additions per Co.	$ 1,375,865	Line 6 x line 7
9	2010 Forecasted Plant Additions Disallowed	$ 97,931,610	Staff Ex. 4.01 P, p. 3, col. (g), line 4
10	Depreciable 2010 Forecasted Plant Additions Disallowed	48,965,805	Line 9 /2
11	2010 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
12	2010 Accum. Depr. 2010 Forecasted Plant Additions per Co.	$ 1,224,145	Line 10 x line 11
13	Accumulated Depreciation 2009-2010 Disallowed Forecasted Plant Additions	$ 3,287,943	Sum of lines 5, 8, 12
14	Accumulated Depreciation per Staff	$ 1,066,044,591	Line 1 - line 13

The Peoples Gas Light and Coke Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010

Line No.	Description	Amount	Source
	(a)	(b)	(c)
	Accumulated Depreciation attributable to Cushion Gas		
1	Accumulated Depreciation per Company	$ 1,070,104,000	Co. Sch. B-1, col. (H), line 2
	2009 Additions		
2	2009 Plant Addition-Cushion Gas Non Recoverable per Co.	$ 12,119,132	Co. response to MHE 4.02(b)
3	Depreciable 2009 Plant Addition-Cushion Gas Non Recoverable	6,059,566	Line 2 /2
4	2009 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
5	2009 Accum. Depr. 2009 Additions Cushion Gas Non Recov. per Co.	151,489	Line 3 x line 4
6	2009 Plant Addition-Cushion Gas Non Recoverable per Co.	$ 12,119,132	Co. response to MHE 4.02(b)
7	2010 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
8	2010 Accum. Depr. 2009 Additions Cushion Gas Non Recov. per Co.	302,978	Line 6 x line 7
	2010 Additions		
9	2010 Plant Addition-Cushion Gas Non Recoverable per Co.	12,336,823	Co. response to MHE 4.02(b)
10	Depreciable 2010 Plant Addition-Cushion Gas Non Recoverable	6,168,412	Line 9 /2
11	2010 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
12	2010 Accum. Depr. 2010 Additions Cushion Gas Non Recov. per Co.	154,210	Line 10 x line 11
13	Accumulated Depreciation 2009-2010 Cushion Gas Additions per Co.	$ 608,678	Sum of lines 5, 8, and 12
14	2009 Plant Addition-Cushion Gas Non Recoverable per Staff.	$ 6,882	Staff Ex. 4.1 P, p. 5, col. (b), line 9
15	Depreciable 2009 Plant Addition-Cushion Gas per Staff	3,441	Line 14 /2
16	2009 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
17	2009 Accum. Depr. 2009 Additions Cushion Gas Non Recov. per Staff	$ 86	Line 15 x line 16
18	2009 Plant Addition-Cushion Gas Non Recoverable per Staff	$ 6,882	Staff Ex. 4.1 P, p. 5, col. (b), line 9
19	2010 Depreciation Rate	2.50%	Co. revised response to DLH 4.06
20	2010 Accum. Depr. 2009 Additions Cushion Gas Non Recov. per Staff	$ 172	Line 18 x line 19
21	2010 Plant Addition-Cushion Gas Non Recoverable per Staff.	$ 7,054	Staff Ex. 4.1 P, p. 5, col. (b), line 10
22	Depreciable 2010 Plant Addition-Cushion Gas per Staff	$ 3,527	Line 21 /2
23	2010 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
24	2010 Accum. Depr. 2010 Additions Cushion Gas Non Recov. per Staff	$ 88	Line 22 x line 23
25	Accumulated Depreciation-Cushion Gas per Staff	$ 346	Sum of lines 17, 20, and 24
	Accumulated Depreciation attributable to Gathering System		
26	Accumulated Depreciation per Co. as adjusted for Cushion Gas	$ 1,069,495,668	Line 1 - line 13 + line 25
27	2009 Plant Addition-Gathering System per Co.	$ 750,000	Co. response to MHE 4.02(b)
28	Average 2009 Plant Addition-Gathering System	375,000	Line 27 /2
29	2009 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
30	2009 Accum. Depr. 2009 Addition-Gathering System per Co.	9,375	Line 28 x line 29
31	2009 Plant Addition-Gathering System per Co.	$ 750,000	Co. response to MHE 4.02(b)
32	2010 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
33	2010 Accum. Depr. 2009 Addition-Gathering System per Co.	18,750	Line 23 x line 24
34	2010 Plant Addition-Gathering System per Co.	$ 10,800,800	Co. response to MHE 4.02(b)
35	Average 2010 Plant Addition-Gathering System	$ 5,400,400	Line 34 /2
36	2010 Composite Depreciation Rate	2.50%	Co. revised response to DLH 4.06
37	2010 Accum. Depr. 2010 Addition-Gathering System per Co.	135,010	Line 35 x line 36
38	Accumulated Depreciation 2009-2010 per Co. Adj for Cushion Gas/Gathering System	$ 1,069,332,533	Line 26 - line 30 - line 33 - line 37

The Peoples Gas Light and Coke Company
Adjustment to Net Dismantling
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Amount	Source
	(a)	(b)	(c)
	Accumulated Depreciation -Net Dismantling		
1	Adjustment to Accumulated Depreciation-Net Dismantling per Staff	$ (3,751)	Staff Ex. 4.2 P, p. 2, col. (b), line 6
2	Adjustment to Accumulated Depreciation-Net Dismantling per Company	(3,903)	Co. Sch. B-1, col. (G), line 2
3	Staff Proposed Adjustment	$ 152	Line 1 - line 2
	Depreciation Expense-Net Dismantling		
4	Adjustment to Depreciation Expense-Net Dismantling per Staff	$ 7,778	Staff Ex. 4.2 P, p. 2, col. (b). line 9
5	Adjustment to Depreciation Expense-Net Dismantling per Company	8,094	Co. Sch. C-2, p 2, col. (F), line 14
6	Staff Proposed Adjustment	$ (316)	Line 4 - line 5
	Accumulated Defered Income Taxes		
7	Adj. to Accumulated Deferred Income Taxes-Net Dismantling per Staff	$ 1,490	Staff Ex. 4.2, p. 2, col. (b) line 12
8	Adj. to Accumulated Deferred Income Taxes-Net Dismantling per Company	1,551	Co. Sch. B-2, col.(C), line 10
9	Staff Proposed Adjustment	$ (61)	Line 7 - line 8

The Peoples Gas Light and Coke Company
Adjustment to Net Dismantling
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Average Test year Utility Plant in Service per Company	$ 2,665,856	Co. Sch. B-1, col. (H), line 1
2	Staff Adjustment to Utility Plant in Service-Forecasted Plant Additions	104,000	Staff Ex. 4.01 P, p. 1, col. (b), line 3
3	Percent of Average Utility Plant in Service	3.90%	Line 2 / line 1
	Accumulated Depreciation		
4	Net Dismantling Adjustment per Company	$ 3,903	Co. Sch. B-2, col. (C), line 2
5	Net Dismantling Adjustment as a percent of Utility Plant in Service	152	Line 4 x line 3
6	Net Dismantling Adjustment per Staff	$ 3,751	Line 4 - line 5
	Depreciation Expense		
7	Net Dismantling Adjustment per Company	$ 8,094	Co. Sch. C-2, p.2, col. (F), line 14
8	Net Dismantling Adjustment as a percent of Utility Plant in Service	316	Line 7 x line 3
9	Net Dismantling Adjustment per Staff	$ 7,778	Line 7 - line 8
	Accumulated Deferred Income Taxes		
10	Net Dismantling Adjustment per Company	$ 1,551	Co. Sch. B-2, col. (C), line 10
11	Net Dismantling Adjustment as a percent of Utility Plant in Service	61	Line 10 x line 3
12	Net Dismantling Adjustment per Staff	$ 1,490	Line 10 - line 11

North Shore Gas Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
	Utility Plant in Service		
1	Average Utility Plant in Service per Staff	$ 396,303	Staff Ex. 4.1 N, p. 2, col. (c), line 4
2	Average Utility Plant in Service per Company	398,803	Co. Schedule B-1, col. (H), line 1
3	Staff Proposed Adjustment	$ (2,500)	Line 1 - line 2
	Accumulated Depreciation -Forecasted Plant Additions		
4	Accumulated Depreciation per Staff	$ (165,626)	Staff Ex. 4.1 N, p. 4, col. (c), line 5
5	Accumulated Depreciation per Company	(165,670)	Co. Sch. B-1, col. (H), line 2
6	Staff Proposed Adjustment	$ 44	Line 4 - line 5
	Depreciation Expense-Forecasted Plant Additions		
7	Depreciation Expense per Staff	$ 9,354	Staff Ex. 4.1 N, p. 4, col. (c), line 10
8	Depreciation Expense per Company	9,398	Co. Schedule C-1, col. (G), line 14
9	Staff Proposed Adjustment	$ (44)	Line 7 - line 8
	Accumulated Deferred Income Taxes		
10	Average ADIT per Staff	$ (48,329)	Staff Ex. 4.1 N, p. 4, col. (c), line 17
11	Average ADIT per Company	(48,395)	Co. Schedule B-1, col. (H), line 10
12	Staff Proposed Adjustment	$ 66	Line 10 - line 11

North Shore Gas Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Disallowed 2010 Plant Additions	Amount	Source
	(a)	(b)	(c)	(d)
1	Average Utility Plant in Service per Company		$ 398,803	Co. Sch. B-1, col. (H), line 1
2	Disallowed 2010 Plant Additions	(5,000)		Staff Ex. 4.1 N, p. 3, col. (g), line 3
3	Average 2010 Plant Additions Disallowed	(2,500)	(2,500)	Col. (b), line 2 divided by 2
4	2010 Forecasted Plant Additions per Staff		$ 396,303	Line 1 + line 3

North Shore Gas Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010
(In Thousands)

Line Number	Description	Original 2009	Update 2009	2009 Difference	Original 2010	Update 2010	2010 Difference
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Total Additions	$14,626,768	$14,626,768	$0	$15,153,681	$10,153,681	(5,000,000.00)
2	Non-Recov. Cushion Gas/Gathering System Additions	-	-	-	-	-	-
3	Additions less those impacted by pricing	$14,626,768	$14,626,768	$0	$15,153,681	$10,153,681	(5,000,000.00)

North Shore Gas Company
Adjustment to Utility Plant in Service-Forecasted Plant Additions
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Calculation of Staff's Adjustment	Amount	Source
	(a)	(b)	(c)	
	Accumulated Depreciation			
1	Accumulated Depreciation per Company		$ (165,670)	Co. Schedule B-1, col. (H), line 2
2	Disallowed 2010 Plant Additions	$ 2,500		Staff Ex. 4.1 N, p. 1, col. (b), line 3
3	Composite Depreciation Rate	1.76%		Co Sch. C-12, p. 4, Col. (E), line 1
4	Accumulated Depreciation Adjustment	$ 44	44	Col.(b), line 2 x line 3
5	Accumulated Depreciation per Staff		$ (165,626)	Line 1 + line 4
	Depreciation Expense			
6	Depreciation Expense per Company		$ 9,398	Co. Sch. C-1, col. (G), line 14
7	Average Plant Additions Disallowed	$ 2,500		Staff Ex. 4.1 N, p. 1, col. (b), line 3
8	Composite Depreciation Rate	1.76%		Co Sch. C-12, p. 4, col. (E), line 1
9	Depreciation Expense per Company	$ 44	(44)	Col. (b), line 7 x line 8
10	Staff Depreciation Expense		$ 9,354	Line 6 + line 9
	Accumulated Deferred Income Taxes			
11	Accumulated Deferred Income Taxes per Company		$ (48,395)	Co. Sch. B-1, Col. (H), line 10
12	Average Test year Utility Plant in Service per Company	$ 398,803		Co. Sch. B-1, Col. (H), line 1
13	Staff Adjustment to Utility Plant (Forecasted Additions)	2,500		Staff Ex. 4.1 N, p. 2, line 3
14	Percent of Average Utility Plant in Service per Company	0.0063		Line 13 / line 12
15	Avg. Accumulated Deferred Income Taxes due to Depreciation	10,593		Co. Sch. B-9, sum of lines 5 and 6
16	Accumulated Deferred Income Taxes Adjustment	$ 66	66	Col (b), line 14 x line 15
17	Accumulated Deferred Income Taxes per Staff		$ (48,329)	Line 11 + line 16

North Shore Gas Company
Adjustment to Net Dismantling
For the Test Year Ending December 31, 2010
(In Thousands)

No.	Description (a)	Amount (b)	Source (c)
	Accumulated Depreciation -Net Dismantling		
1	Adjustment to Accumulated Depreciation-Net Dismantling per Staff	$ (924)	Staff Ex. 4.2 N. p. 2, col. (b), line 6
2	Adjustment to Accumulated Depreciation-Net Dismantling per Company	(930)	Co. Sch. B-1, col. (G), line 2
3	Staff Proposed Adjustment	$ 6	Line 1 - line 2
	Depreciation Expense-Net Dismantling		
4	Adjustment to Depreciation Expense-Net Dismantling per Staff	$ 1,970	Staff Ex. 4.2 N. p. 2, col. (b), line 8
5	Adjustment to Depreciation Expense-Net Dismantling per Company	1,982	Co. Sch. C-2, col. (F), line 14
6	Staff Proposed Adjustment	$ (12)	Line 4 - line 5
	Accumulated Defered Income Taxes		
7	Adj. to Accumulated Deferred Income Taxes-Net Dismantling per Staff	$ 368	Staff Ex. 4.2 N. p. 2, col. (b), line 11
8	Adj. to Accumulated Deferred Income Taxes-Net Dismantling per Company	370	Co. Sch. B-2, col. (C), line 10
9	Staff Proposed Adjustment	$ (2)	Line 7 - line 8

North Shore Gas Company
Adjustment to Net Dismantling
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Average Test year Utility Plant in Service per Company	398,803	Co. Sch. B-1, col. (H), line 1
2	Staff Adjustment to Utility Plant-Forecasted Plant Additions	2,500	Staff Ex. 4.1 N, col. (c), p. 1, line 3
3	Percent of Average Utility Plant in Service	0.0063	Line 2 / line 1
	Accumulated Depreciation		
4	Net Dismantling Adjustment-per Company	$ 930	Co. Sch. B-2, col. (C), line 2
5	Net Dismantling Adjustment as a percent of Utility Plant in service	6	Line 4 x line 3
6	Net Dismantling Adjustment per Staff	$ 924	Line 4 - line 5
	Depreciation Expense		
6	Net Dismantling Adjustment-per Company	$ 1,982	Co. Sch. C-2, p. 2, col. (F), line 14
7	Net Dismantling Adjustment as a percent of Utility Plant in service	12	Line 6 x line 3
8	Net Dismantling Adjustment per Staff	$ 1,970	Line 6 - line 7
	Accumulated Deferred Income Taxes		
9	Net Dismantling Adjustment-per Company	$ 370	Co. Sch. B-2, col. (C), line 10
10	Net Dismantling Adjustment as a percent of Utility Plant in service	2	Line 9 x line 3
11	Net Dismantling Adjustment per Staff	$ 368	Line 9 - line 10