

Schedule A

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

	(1) Company Position	Adjustments		Proposed Position
Rate Base	\$ 1,396,058	\$ (205,667)	(2)	\$ 1,190,391
Rate of Return	<u>9.34%</u>	<u>-1.98%</u>	(3)	<u>7.36%</u>
Operating Income Requirement	130,392	(42,803)		87,589
Adjusted Operating Income	<u>35,305</u>	<u>23,914</u>	(4)	<u>59,219</u>
Income Deficiency (Excess)	95,087	(66,717)		28,370
Gross Revenue Conversion Factor	<u>1.7029</u>	<u>-</u>		<u>1.7029</u>
Revenue Deficiency (Excess)	<u>\$ 161,920</u>	<u>\$ (113,609)</u>		<u>\$ 48,311</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 Position	Adjustments		Proposed Position
Utility Plant	\$ 2,665,856	\$ (116,343)	(2)	\$ 2,549,514
Accumulated Depreciation and Amortization	<u>1,070,104</u>	<u>(9,830)</u>	(2)	<u>1,060,274</u>
Net Plant	<u>\$ 1,595,752</u>	<u>\$ (106,512)</u>		<u>\$ 1,489,240</u>
Cash Working Capital	47,260	(14,779)	(3)	32,481
Materials and Supplies	9,871			9,871
Gas in Storage	57,930	(1,190)	(4)	56,740
Retirement Benefits - Net	56,254	(143,240)	(5)	(86,986)
Budget Plan Balances	<u>12,605</u>	<u>-</u>		<u>12,605</u>
Subtotal	<u>183,920</u>	<u>(159,208)</u>		<u>24,712</u>
Accumulated Deferred Income Taxes	(342,827)	60,054	(6)	(282,773)
Customer Deposits	(32,088)			(32,088)
Customer Advances for Construction	(392)			(392)
Reserve for Injuries and Damages	<u>(8,307)</u>	<u>-</u>		<u>(8,307)</u>
Subtotal	<u>(383,614)</u>	<u>60,054</u>		<u>(323,560)</u>
Net Rate Base	<u>\$ 1,396,058</u>	<u>\$ (205,667)</u>		<u>\$ 1,190,391</u>

Sources:

- (1) PGL Schedule B-1
- (2) Schedule B-1
- (3) Schedule B-2
- (4) Workpaper PGL DJE B-1
- (5) PGL Schedules B-1.2, B-2.2
- (6) Schedule B-3

Schedule B-1

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

Actual Plant - December 31, 2008	(1)	\$2,472,762
Revised Additions - 2009	(2)	72,390
Retirements - 2009	(3)	<u>(25,170)</u>
Plant - December 31, 2009		2,519,982
Revised Additions - 2010	(2)	80,129
Retirements - 2010	(3)	<u>(21,066)</u>
Plant - December 31, 2010		<u>\$2,579,045</u>
Average Plant 2010		<u>\$2,549,514</u>
Adjustments to Depreciation Reserve:		
Actual Depreciation Reserve - December 31, 2008	(4)	\$ 998,176
Forecasted Depreciation Reserve - December 31, 2008	(5)	<u>1,005,957</u>
Adjustment		(7,781)
Adjustment Related to 2009 Additions	(6)	(1,458)
Adjustment Related to 2010 Additions	(7)	<u>(591)</u>
Total Adjustment to Depreciation Reserve		<u>\$ (9,830)</u>

Sources:

(1)	Response to PGL RWB 4.06, Attachment 1, Excluding ARO	
(2)	Response to PGL MHE 12.01, Attachment 1	
(3)	PGL Schedule B-5, Page 2	
(4)	Response to PGL RWB 4.06, Attachment 2, Excluding ARO	
(5)	PGL Schedule B-6, Page 2	
(6)	Response to PGL DLH 4.06 REV, Attachment 1, Page 3	
(7)	Ratio of YE Dep Res to Plant Adj	1.15% DLH 4.06
	2010 Adjustment to Additions	<u>(102,925)</u> MHE 12.01, PGL B-5
	Adjustment to YE Depreciation Reserve	(1,182)
	Adjustment to TY Average	<u>(591)</u>

Schedule B-2

THE PEOPLES GAS LIGHT AND COKE COMPANY
CASH WORKING CAPITAL
(\$000)

Revenue Lag Days	(1)	50.22
Natural Gas Expense Lag Days	(1)	<u>40.51</u>
Net Lag Days		9.71
Annual Natural Gas Expense as Filed	(1)	1,167,228
Annual Natural Gas Expense, Updated	(2)	<u>611,700</u>
Difference		(555,528)
Difference in Expense per Day		<u>(1,522)</u>
Adjustment to Cash Working Capital		<u>\$ (14,779)</u>

Sources:

- (1) PGL Schedule B-8, Page 2
- (2) Response to PGL ENG 3.03

Schedule B-3

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

ADIT Adjustment - 2009 Plant Additions	(1)	\$	1,375
ADIT Adjustment - 2010 Plant Additions	(2)		1,241
ADIT on Pension Asset	(3)		<u>57,438</u>
Total Adjustment to Accumulated Deferred Income Taxes			<u>\$ 60,054</u>

Sources:

(1)	Response to PGL DLH 4.06 REV, Attachment 1, Page 3		
(2)	Ratio of YE ADIT to Plant Adj	2.41%	DLH 4.06
	2010 Adjustment to Additions	<u>(102,925)</u>	MHE 12.01, PGL B-5
	Adjustment to YE ADIT	2,481	
	Adjustment to TY Average	<u>1,241</u>	
(3)	Per Books	56,583	PGL Schedule B-9, Page 2
	Rate Base Adjustment	<u>855</u>	PGL Schedule B-2.2
		<u>57,438</u>	

Schedule C

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

	(1) Company <u>Position</u>	<u>Adjustments</u>		<u>Proposed Position</u>
Total Operating Revenue	\$ 462,134	\$ 4,344	(2)	\$ 466,478
Other Operation and Maintenance Expense	326,089	(34,632)	(3)	291,457
Depreciation and Amortization	84,098	(2,702)	(4)	81,396
Taxes other than Income Taxes	22,222	(1,148)	(5)	21,074
Income Taxes				
State Income Tax Expense - Current	(1,946)	3,474	(6)	1,528
Federal Income Tax Expense - Current	(3,063)	15,439	(6)	12,376
Deferred Income Tax Expense	(749)			(749)
Investment Tax Credit	<u>178</u>	<u>-</u>		<u>178</u>
Total Operating Expenses	426,829	(19,570)		407,259
Net Adjusted Operating Income	<u>\$ 35,305</u>	<u>\$ 23,914</u>		<u>\$ 59,219</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 Except per Therm)

				<u>Rate 1</u>	<u>Rate 2</u>	<u>Total</u>
Sales	NYMEX Price	\$ 10.95	(1)	722,654	796,709	
Sales	NYMEX Price	\$ 6.52	(2)	<u>736,851</u>	<u>805,451</u>	
Increase in Sales				14,197	8,742	
Extrapolate to	\$ 6.06	(3)		<u>1,474</u>	<u>908</u>	
Total Adjustment to Therm Sales				15,671	9,650	25,321
Average Price per Therm			(4)	<u>\$ 0.20</u>	<u>\$ 0.13</u>	
Adjustment to Revenues				<u>\$ 3,090</u>	<u>\$ 1,254</u>	<u>\$ 4,344</u>
Increase in Sales to Sales Customers			(5)	14,191	4,074	
Gas Charge per Therm			(6)	<u>0.604</u>	<u>0.605</u>	
Increase to Gas Cost Revenues				<u>\$ 8,575</u>	<u>\$ 2,466</u>	<u>\$ 11,041</u>
Total Adjustment to Revenues						<u>\$ 15,385</u>

Sources:

- (1) Peoples Gas Ex. DWC-1.0, Page 20
- (2) Response to PGL AG-3.48, Attach 01
- (3) Response to PGL ENG 3.02, Attach 02, Including Basis Spread
- (4) PGL Schedule E-5
- (5) Based on Sales/(Sales + Transportation)
- (6) Based on Gas Costs per ENG 3.03

Schedule C-2

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

Adjustments to Operation and Maintenance Expense:

Reduce IBS Charges - Update	(1)	\$ (7,493)
Wage Increases	(2)	(531)
Incentive Compensation	(3)	(4,567)
Employees	(4)	(2,987)
Uncollectible Accounts Expense	(5)	(13,713)
Capitalized Savings Plan Costs	(6)	(867)
Regulatory Expenses	(7)	(1,640)
Company Use Gas	(8)	(1,224)
IBS Billings Account 930.2 - Depreciation	(9)	<u>(1,610)</u>
Total Adjustment to Operation and Maintenance Expense		<u><u>\$ (34,632)</u></u>

Sources:

(1)	Response to PGL DLH 4.06		
(2)	Response to PGL DLH 22.01		
(3)	Total Incentive Compensation	5,620	DLH 1.04, Att. 1
	50% of PGL Employees Incentive Comp	<u>1,053</u>	AG 3.38
	Incentive Compensation Eliminated	<u><u>4,567</u></u>	
(4)	Schedule C-2.1		
(5)	Updated Uncollectible Expense	27,500	ENG 3.03
	Revenue Adjustment 2.54% 15,385	<u>391</u>	ENG 3.03, Sch. C-1
	Test Year Expense	27,891	
	Original Forecast	<u>41,604</u>	PGL Sch. C-4
	Adjustment	<u><u>(13,713)</u></u>	
(6)	PGL Schedules C-11.3, C-11.1 (1-59251/85102)*2854		
(7)	Rate Case Expense in 2010	1,100	BAP 3.03
	Consultants' Fees Docket No. 06-0311	<u>540</u>	DLH 17.02
		<u><u>1,640</u></u>	
(8)	Response to PGL DLH 7.06 5013-6237		
(9)	Response to PGL AG 3.27 (7953+544)/3*0.314-2499		

Schedule C-2.1

THE PEOPLES GAS LIGHT AND COKE COMPANY
ADJUSTMENT TO FUTURE TEST YEAR EMPLOYEES
(\$000)

Forecasted Employees	(1)	1,139
Actual Employees 2008 - 2009	(2)	<u>1,080</u>
Adjustment to Number of Employees		59
2010 Payroll Charged to O&M	(3)	59,251
Adjustments:		
Wage Increases	(4)	(531)
Incentive Compensation	(4)	<u>(1,053)</u>
Adjusted 2010 Payroll Charged to O&M		57,667
Adjusted O&M Payroll per Employee		50.629
Adjustment to Test Year Payroll Expense		<u>2.987</u>

Sources:

- (1) PGL Schedule C-11.2
- (2) Responses to AG 3.18, 3.19
- (3) PGL Schedule C-11.1
- (4) Schedule C-2

Schedule C-2.2

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

Adjustment to Depreciation Expense Related to 2009 Additions	(1)	\$ (1,520)
Adjustment to Depreciation Expense Related to 2010 Additions	(2)	<u>(1,182)</u>
Adjustment to Depreciation Expense		<u>\$ (2,702)</u>

Sources:

- (1) Response to PGL DLH 4.06, Page 2
- (2) Schedule B-1

Schedule C-3

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

Adjustment to Wages and Salaries	(1)	\$ (8,085)
Payroll Tax Rate	(2)	<u>7.65%</u>
Adjustment to Payroll Taxes		<u>\$ (619)</u>
Approximate Net Operating Income Deficiency	(3)	\$ 28,400
Invested Capital Tax Rate	(4)	<u>0.80%</u>
Increase to Tax		227
Increase per Company	(4)	<u>757</u>
Adjustment to Company Position		<u>\$ (530)</u>
Total Adjustment to Other Taxes		<u>\$ (1,148)</u>

Sources:

- (1) Schedule C-2
- (2) FICA Tax Rate
- (3) Schedule A-1, Excluding Invested Capital Tax Adjustment
- (4) PGL Workpaper WPC-2.6.1

Schedule C-4

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

Adjustments to Taxable Income:

Revenue	(1)	\$	4,344
Cost of Gas	(1)		-
Operation and Maintenance Expense	(1)		(34,632)
Depreciation and Amortization	(1)		(2,702)
Taxes other than Income Taxes	(1)		(1,148)
Interest	(2)		<u>(4,758)</u>
Adjustment to Expenses			(43,240)
Adjustment to Taxable Income			47,584
Illinois Income Tax Rate			<u>7.30%</u>
Adjustment to Illinois Income Tax		\$	<u>3,474</u>
Adjustment to Federal Taxable Income			44,110
Federal Income Tax Rate			<u>35%</u>
Adjustment to Federal Income Tax		\$	<u>15,439</u>

Sources:

(1)	Schedule C		
(2)	Rate Base	1,190,391	Schedule B
	Weighted Debt Cost	<u>2.67%</u>	Schedule D
	Interest Deduction	31,819	
	Company Interest Deduction	<u>36,577</u>	PGL Schedule C-5.4
	Adjustment	<u>(4,758)</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%	5.96%	2.62%
Common Equity	<u>56.00%</u>	12.00%	<u>6.72%</u>
Total Capital	<u>100.00%</u>		<u>9.34%</u>

AG Position

	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Short Term Debt	3.87%	5.12%	0.20%
Long Term Debt	41.53%	5.96%	2.48%
Common Equity	<u>54.60%</u>	8.58%	<u>4.69%</u>
Total Capital	<u>100.00%</u>		<u>7.36%</u>

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