

Schedule A

NORTH SHORE GAS COMPANY
REVENUE DEFICIENCY
(\$000)

	(1) Company Position	Adjustments		Proposed Position
Rate Base	\$ 178,936	\$ (2,059)	(2)	\$ 176,877
Rate of Return	<u>9.06%</u>	<u>-2.22%</u>	(3)	<u>6.84%</u>
Operating Income Requirement	16,212	(4,110)		12,102
Adjusted Operating Income	<u>4,233</u>	<u>1,270</u>	(4)	<u>5,503</u>
Income Deficiency (Excess)	11,979	(5,380)		6,599
Gross Revenue Conversion Factor	<u>1.6713</u>	<u>-</u>		<u>1.6713</u>
Revenue Deficiency (Excess)	<u>\$ 20,021</u>	<u>\$ (8,992)</u>		<u>\$ 11,029</u>

Sources:

- (1) Exhibit SM-2.1N
- (2) Schedule B
- (3) Schedule D
- (4) Schedule C

Schedule B

NORTH SHORE GAS COMPANY
RATE BASE
(\$000)

	(1) Company Position	Adjustments		Proposed Position
	<u> </u>	<u> </u>		<u> </u>
Utility Plant	\$ 400,247	\$ (6,818)	(2)	\$ 393,430
Accumulated Depreciation and Amortization	<u>165,687</u>	<u>(948)</u>	(2)	<u>164,739</u>
Net Plant	<u>\$ 234,560</u>	<u>\$ (5,870)</u>		<u>\$ 228,690</u>
Cash Working Capital	348	(11)	(3)	337
Materials and Supplies	2,414			2,414
Gas in Storage	6,971	(117)	(4)	7,761
Retirement Benefits - Net	(13,474)	2,728	(5)	(10,746)
Budget Plan Balances	<u>834</u>	<u>-</u>		<u>834</u>
Subtotal	<u>(2,907)</u>	<u>2,600</u>		<u>600</u>
Accumulated Deferred Income Taxes	(48,267)	304	(6)	(47,963)
Customer Deposits	(2,895)			(2,895)
Customer Advances for Construction	(511)			(511)
Reserve for Injuries and Damages	<u>(1,044)</u>	<u>-</u>		<u>(1,044)</u>
Subtotal	<u>(52,717)</u>	<u>304</u>		<u>(52,413)</u>
Net Rate Base	<u>\$ 178,936</u>	<u>\$ (2,965)</u>		<u>\$ 176,877</u>

Sources:

- (1) Exhibit JH-2.1N
- (2) Schedule B-1
- (3) Schedule B-2
- (4) WP Ex. JH-2.5N Page 2, DTR 5.03
- (5) Exhibit JH-2.7N
- (6) Schedule B-3

Schedule B-1

NORTH SHORE GAS COMPANY
 PLANT IN SERVICE, ACCUMULATED DEPRECIATION
 (\$000)

Actual Plant - December 31, 2008	(1)	\$	384,146
Revised Additions - 2009	(2)		9,638
Retirements - 2009	(3)		<u>(3,925)</u>
Plant - December 31, 2009			389,859
Revised Additions - 2010	(2)		10,154
Retirements - 2010	(3)		<u>(3,013)</u>
Plant - December 31, 2010		\$	<u>397,000</u>
Average Plant 2010		\$	<u>393,430</u>
Adjustments to Depreciation Reserve:			
Actual Depreciation Reserve - December 31, 2008	(4)	\$	158,173
Forecasted Depreciation Reserve - December 31, 2008	(5)		<u>158,988</u>
Adjustment			(815)
Adjustment Related to 2009 Additions	(6)		(48)
Adjustment Related to 2010 Additions	(7)		<u>(85)</u>
Total Adjustment to Depreciation Reserve		\$	<u>(948)</u>

Sources:

- (1) Response to NS RWB 4.06, Attachment 1, Excluding ARO
- (2) Response to NS MHE 12.01, Attachment 1
- (3) NS Schedule B-5, Page 2
- (4) Response to NS RWB 4.06, Attachment 2, Excluding ARO
- (5) NS Schedule B-6, Page 2
- (6) AG-7.09, Exh. JH-2.3N $5000 \times 0.019/2$
- (7) AG-7.09, Exh. JH-2.3N $5000 \times 0.019/2 + 7900 \times 0.019/4$

Schedule B-2

NORTH SHORE GAS COMPANY
CASH WORKING CAPITAL
(\$000)

Revenue Lag Days	(1)	40.84
Natural Gas Expense Lag Days	(1)	<u>40.43</u>
Net Lag Days		0.41
Annual Natural Gas Expense as Filed	(1)	162,813
Annual Natural Gas Expense, Updated	(2)	<u>152,855</u>
Difference		(9,958)
Difference in Expense per Day		<u>(27)</u>
Adjustment to Cash Working Capital		<u><u>\$ (11)</u></u>

Sources:

- (1) Exhibit JH-2.6N
- (2) Response to Staff Data Request DTR 5.03
6.14/6.54 * NS Cost of Gas

Schedule B-3

NORTH SHORE GAS COMPANY
ACCUMULATED DEFERRED INCOME TAXES
(\$000)

ADIT Adjustment - Plant Additions	(1)	\$	86
ADIT on Pension Liability	(2)		<u>218</u>
Total Adjustment to Accumulated Deferred Income Taxes		<u>\$</u>	<u>304</u>

Sources:

(1)	Ratio of ADIT to Plant Adj	0.97%	Exhibit JH-2.2N
	Adjustment to Plant in Service Additions	<u>8,950</u>	AG 7.09
	Adjustment to Test Year ADIT	<u>86</u>	
(2)	Exhibit JH-2.7N		

NORTH SHORE GAS COMPANY
OPERATING INCOME
(\$000)

	(1) Company <u>Position</u>	<u>Adjustments</u>		<u>Proposed Position</u>
Total Operating Revenue	\$ 65,293	\$ 550	(2)	\$ 65,843
Other Operation and Maintenance Expense	49,133	(1,488)	(3)	47,645
Depreciation and Amortization	9,432	(170)	(4)	9,262
Taxes other than Income Taxes	3,383	(122)	(5)	3,261
Income Taxes				
State Income Tax Expense - Current	(684)	195	(6)	(489)
Federal Income Tax Expense - Current	(4,690)	865	(6)	(3,825)
Deferred Income Tax Expense	4,503			4,503
Investment Tax Credit	<u>(17)</u>	<u>-</u>		<u>(17)</u>
Total Operating Expenses	61,060	(721)		60,340
Net Adjusted Operating Income	<u>\$ 4,233</u>	<u>\$ 1,270</u>		<u>\$ 5,503</u>

Sources:

- (1) NS Schedule C-1
- (2) Schedule C-1
- (3) Schedule C-2
- (4) Schedule C-3
- (5) Schedule C-4
- (6) Schedule C-5

Schedule C-1

NORTH SHORE GAS COMPANY
OPERATING REVENUE
(\$000 Except per Therm)

				<u>Rate 1</u>	<u>Rate 2</u>	<u>Total</u>
Sales	NYMEX Price	\$ 10.95	(1)	186,352	143,159	
Sales	NYMEX Price	\$ 6.52	(2)	<u>188,989</u>	<u>146,215</u>	
Increase in Sales				2,637	3,056	
Extrapolate to		\$ 6.14	(3)	<u>226</u>	<u>262</u>	
Total Adjustment to Therm Sales				2,863	3,318	6,181
Average Price per Therm			(4)	<u>\$ 0.13</u>	<u>\$ 0.06</u>	
Adjustment to Revenues				<u>\$ 363</u>	<u>\$ 187</u>	<u>\$ 550</u>
Increase in Sales to Sales Customers				2,726	1,003	
Gas Charge per Therm			(3)	<u>0.614</u>	<u>0.614</u>	
Increase to Gas Cost Revenues				<u>\$ 1,674</u>	<u>\$ 616</u>	<u>\$ 2,290</u>
Total Adjustment to Revenues						<u>\$ 2,839</u>

Sources:

- (1) North Shore Ex. DWC-1.0, Page 20
- (2) Response to NS AG-3.48, Attach 01
- (3) Response to Staff Data Request DTR 5.03
- (4) NS Schedule E-5
- (5) Based on Sales/(Sales + Transportation)

Schedule C-2

NORTH SHORE GAS COMPANY
OPERATION AND MAINTENANCE EXPENSE
(\$000)

Adjustments to Operation and Maintenance Expense:

Reduce IBS Charges - Update	(1)	\$ -
Wage Increases	(2)	-
Incentive Compensation	(3)	(944)
Employees	(4)	(124)
Uncollectible Accounts Expense	(5)	(50)
Amoritzation of Welfare Costs	(10)	(289)
Capitalized Savings Plan Costs	(6)	-
Franchise Requirements	(7)	(72)
Company Use Gas	(8)	(9)
IBS Billings Account 930.2 - Depreciation	(9)	-
Total Adjustment to Operation and Maintenance Expense		<u>\$ (1,488)</u>

Sources:

(1)	Agreed to by NS in Rebuttal		
(2)	Agreed to by NS in Rebuttal		
(3)	Total Incentive Compensation	1,072	NS 1.04, Att. 1
	50% of NS Employees Incentive Comp	<u>128</u>	AG 3.80
	Incentive Compensation Eliminated	<u>944</u>	
(4)	Schedule C-2.1		
(5)	Sales Adjustment	2,839	Schedule C-1
	Gas Cost Revenue - Rate	<u>(9,987)</u>	WP CG 2.3N, DTR 5.03
	Net Revenue	(7,148)	
	Uncollectible Rate	<u>0.70%</u>	
	Adj. to Uncollectible Expense	<u>(50)</u>	
(6)	Issue Resolved		
(7)	Ex. CMG 2.5N, DTR 5.03	6.14/6.54*1184-1184	
(8)	Ex. CMG 2.6N, DTR 5.03	6.14/6.54*140-140	
(9)	Agreed to by NS in Rebuttal		
(10)	Response to AG 7.12		

Schedule C-2.1

NORTH SHORE GAS COMPANY
ADJUSTMENT TO FUTURE TEST YEAR EMPLOYEES
(\$000)

Forecasted Employees	(1)	170.7
Actual Employees 2008 - 2009	(2)	<u>167.7</u>
Adjustment to Number of Employees		3.0
 2010 Payroll Charged to O&M	 (3)	 7,973
Adjustments:		
Wage Increases	(4)	-
Incentive Compensation	(4)	<u>(944)</u>
Adjusted 2010 Payroll Charged to O&M		7,029
 Adjusted O&M Payroll per Employee		 41.178
 Adjustment to Test Year Payroll Expense		 <u>124</u>

Sources:

- (1) NS Schedule C-11.2
- (2) Responses to AG 3.64, 3.65
- (3) NS Schedule C-11.1
- (4) Schedule C-2

Schedule C-2.3

NORTH SHORE GAS COMPANY
DEPRECIATION EXPENSE
(\$000)

Adjustment to Depreciation Expense Related to 2009 Additions	(1)	\$	95
Adjustment to Depreciation Expense Related to 2010 Additions	(2)		<u>75</u>
Adjustment to Depreciation Expense		\$	<u>170</u>

Sources:

- | | | |
|-----|-----------------------|--------------------|
| (1) | AG-7.09, Exh. JH-2.3P | $5000 * 0.019$ |
| (2) | AG-7.09, Exh. JH-2.3P | $7900 * 0.019 / 2$ |

Schedule C-3

NORTH SHORE GAS COMPANY
TAXES OTHER THAN INCOME TAXES
(\$000)

Adjustment to Wages and Salaries	(1)	\$ (1,068)
Payroll Tax Rate	(2)	<u>7.65%</u>
Adjustment to Payroll Taxes		<u>\$ (82)</u>
Approximate Net Operating Income Deficiency	(3)	\$ 6,800
Invested Capital Tax Rate	(4)	<u>0.80%</u>
Increase to Tax		54
Increase per Company	(4)	<u>95</u>
Adjustment to Company Position		<u>\$ (41)</u>
Total Adjustment to Other Taxes		<u>\$ (122)</u>

Sources:

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

Schedule C-4

NORTH SHORE GAS COMPANY
INCOME TAXES
(\$000)

Adjustments to Taxable Income:

Revenue	(1)	\$	550
Cost of Gas	(1)		-
Operation and Maintenance Expense	(1)		(1,488)
Depreciation and Amortization	(1)		(170)
Taxes other than Income Taxes	(1)		(122)
Interest	(2)		<u>(336)</u>
Adjustment to Expenses			(2,116)
Adjustment to Taxable Income			2,665
Illinois Income Tax Rate			<u>7.30%</u>
Adjustment to Illinois Income Tax		\$	<u>195</u>
Adjustment to Federal Taxable Income			2,471
Federal Income Tax Rate			<u>35%</u>
Adjustment to Federal Income Tax		\$	<u>865</u>

Sources:

(1)	Schedule C		
(2)	Rate Base	176,877	Schedule B
	Weighted Debt Cost	<u>2.25%</u>	Schedule D
	Interest Deduction	3,976	
	Company Interest Deduction	<u>4,312</u>	Exhibit SM-2.9N
	Adjustment	<u>(336)</u>	

Schedule D

NORTH SHORE GAS 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%	5.48%	2.41%
Common Equity	<u>56.00%</u>	11.87%	<u>6.65%</u>
Total Capital	<u>100.00%</u>		<u>9.06%</u>

AG Position

	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Short Term Debt	5.86%	0.33%	0.02%
Long Term Debt	40.60%	5.49%	2.23%
Common Equity	<u>53.54%</u>	8.58%	<u>4.59%</u>
Total Capital	<u>100.00%</u>		<u>6.84%</u>

Sources: Exhibit BAJ-2.1N
Testimony of Mr. Thomas