

The Peoples Gas Light and Coke Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Interest Synchronization (Sch. 15.5 P Corr.)	Incentive Compensation (Sch. 15.7 P)	Non-Union Base Wages (Sch. 15.8 P)	Invested Capital Taxes (Sch. 15.9 P Corr.)	Liberty Audit (Sch. 15.10 P)	Merger Costs & Savings (Sch. 16.2 P)	Injuries & Damages (Sch. 17.2 P)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectibles Expense	-	-	-	-	-	-	-	-
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	-	-	-	-	-	-	-	-
9	Distribution	-	(954)	(98)	-	(4,961)	-	-	(6,013)
10	Customer Accounts	-	(840)	2,841	-	-	-	-	2,001
11	Customer Service and Informational Services	-	(30)	1,451	-	-	-	-	1,421
12	Sales	-	-	-	-	-	-	-	-
13	Administrative and General	-	(5,802)	(3,367)	-	-	(105)	(864)	(10,138)
14	Depreciation and Amortization	-	(15)	(29)	-	-	-	-	(44)
15	Storage	-	(255)	(49)	-	-	-	-	(304)
16	Transmission	-	(126)	(1,517)	-	-	-	-	(1,643)
17	Taxes Other than Income	-	(664)	(145)	(323)	-	-	-	(1,132)
18	Total Operating Expense	-	(8,686)	(914)	(323)	(4,961)	(105)	(864)	(15,852)
19	Before Income Taxes	-	(8,686)	(914)	(323)	(4,961)	(105)	(864)	(15,852)
20	State Income Tax	509	634	67	24	362	8	63	1,667
21	Federal Income Tax	2,264	2,818	296	105	1,609	34	280	7,406
22	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
23	Total Operating Expenses	2,773	(5,234)	(551)	(194)	(2,990)	(63)	(521)	(6,779)
24	NET OPERATING INCOME	\$ (2,773)	\$ 5,234	\$ 551	\$ 194	\$ 2,990	\$ 63	\$ 521	\$ 6,779

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For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Subtotal Operating Statement Adjustments	Non-Recoverable Cushion Gas (Staff Ex. 27.0 & Sch. 18.2 P)	Gathering System Phase 2 (Staff Ex. 27.0 & Sch. 18.3 P)	Gathering System Pigging (Staff Ex. 27.0 & Sch. 18.4 P)	Uncollectibles Expense (Sch. 19.1 P)	Advertising Expense (Sch. 20.1 P)	Company Use Gas (Sch. 27.4 P)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Base Rate Revenues	\$ -	\$ -	\$ -				\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectibles Expense	-	-	-	-	(1,915)	-	-	(1,915)
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	-	-	-	-	-	-	-	-
9	Distribution	(6,013)	-	-	-	-	-	(18)	(6,031)
10	Customer Accounts	2,001	-	-	-	-	-	-	2,001
11	Customer Service and Informational Services	1,421	-	-	-	-	(350)	-	1,071
12	Sales	-	-	-	-	-	-	-	-
13	Administrative and General	(10,138)	-	-	-	-	-	-	(10,138)
14	Depreciation and Amortization	(44)	(9)	(71)	(13)	-	-	-	(137)
15	Storage	(304)	-	-	-	-	-	(180)	(484)
16	Transmission	(1,643)	-	-	-	-	-	(24)	(1,667)
17	Taxes Other than Income	(1,132)	-	-	-	-	-	-	(1,132)
18	Total Operating Expense								
19	Before Income Taxes	(15,852)	(9)	(71)	(13)	(1,915)	(350)	(222)	(18,432)
20	State Income Tax	1,667	1	5	1	140	26	16	1,856
21	Federal Income Tax	7,406	3	23	4	621	114	72	8,243
22	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
23	Total Operating Expenses	(6,779)	(5)	(43)	(8)	(1,154)	(210)	(134)	(8,333)
24	NET OPERATING INCOME	\$ 6,779	\$ 5	\$ 43	\$ 8	\$ 1,154	\$ 210	\$ 134	\$ 8,333

The Peoples Gas Light and Coke Company
Rate Base
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Company Rebuttal Pro Forma Jurisdictional Rate Base (NS-PGL Ex. JH-2.1P) col. F)	Staff Adjustments (Sch.15.4 P Corr.)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant	\$ 2,577,615	\$ (5,547)	\$ 2,572,068
2	Accumulated Provision for Depreciation and Amortization	(1,068,305)	233	(1,068,072)
3		-	-	-
4	Net Plant	\$ 1,509,310	\$ (5,314)	\$ 1,503,996
5	Additions to Rate Base:			
6	Materials and Supplies	9,871	-	9,871
7	Cash Working Capital	34,325	(31,116)	3,209
8	Gas in Storage	49,440	(663)	48,777
9	Budget Plan Balances	12,605	-	12,605
10	Retirement Benefits, Net	67,827	(155,496)	(87,669)
11		-	-	-
12	Deductions From Rate Base:			
13	Accumulated Deferred Income Taxes	(343,851)	59,777	(284,074)
14	Pre-1971 Investment Tax Credits	-	-	-
15	Reserve for Injuries and Damages	(8,307)	-	(8,307)
16	Customer Advances for Construction	(392)	-	(392)
17	Customer Deposits	(32,088)	-	(32,088)
18		-	-	-
19		-	-	-
20		-	-	-
21		-	-	-
22		-	-	-
23	Rate Base	\$ 1,298,740	\$ (132,812)	\$ 1,165,928

The Peoples Gas Light and Coke Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Incentive Compensation (Sch. 15.7 P)	Non-Union Base Wages (Sch. 15.8 P)	Pension Asset (Sch. 16.1 P)	Cash Working Capital (Sch. 17.1 P Corr.)	Recoverable Cushion Gas (Staff Ex. 27.0 & Sch. 18.1 P)	Non-Recoverable Cushion Gas (Staff Ex. 27.0 & Sch. 18.2 P)	Gathering System Phase 2 (Staff Ex. 27.0 & Sch. 18.3 P)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant	\$ (675)	\$ (1,150)	\$ -	\$ -	\$ (18)	\$ (354)	\$ (2,850)	\$ (5,047)
2	Accumulated Provision for Depreciation and Amortization	99	29	-	-	-	9	71	208
3		-	-	-	-	-	-	-	-
4	Net Plant	\$ (576)	\$ (1,121)	\$ -	\$ -	\$ (18)	\$ (345)	\$ (2,779)	\$ (4,839)
5	Additions to Rate Base:								
6	Materials and Supplies	-	-	-	-	-	-	-	-
7	Cash Working Capital	-	-	-	(31,116)	-	-	-	(31,116)
8	Gas in Storage	-	-	-	-	-	-	-	-
9	Budget Plan Balances	-	-	-	-	-	-	-	-
10	Retirement Benefits, Net	-	-	(155,496)	-	-	-	-	(155,496)
11		-	-	-	-	-	-	-	-
12	Deductions From Rate Base:								
13	Accumulated Deferred Income Taxes	3	5	59,731	-	-	3	23	59,765
14	Pre-1971 Investment Tax Credits	-	-	-	-	-	-	-	-
15	Reserve for Injuries and Damages	-	-	-	-	-	-	-	-
16	Customer Advances for Construction	-	-	-	-	-	-	-	-
17	Customer Deposits	-	-	-	-	-	-	-	-
18		-	-	-	-	-	-	-	-
19		-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (573)	\$ (1,116)	\$ (95,765)	\$ (31,116)	\$ (18)	\$ (342)	\$ (2,756)	\$ (131,686)

The Peoples Gas Light and Coke Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description	Subtotal Rate Base Adjustments	Gathering System Pigging (Staff Ex. 27.0 & Sch. 18.4 P)	Gas in Storage (Sch. 27.3 P)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Gross Utility Plant	\$ (5,047)	\$ (500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,547)
2	Accumulated Provision for Depreciation and Amortization	208	25	-	-	-	-	-	233
3	-	-	-	-	-	-	-	-	-
4	Net Plant	(4,839)	(475)	-	-	-	-	-	(5,314)
5	Additions to Rate Base:								
6	Materials and Supplies	-	-	-	-	-	-	-	-
7	Cash Working Capital	(31,116)	-	-	-	-	-	-	(31,116)
8	Gas in Storage	-	-	(663)	-	-	-	-	(663)
9	Budget Plan Balances	-	-	-	-	-	-	-	-
10	Retirement Benefits, Net	(155,496)	-	-	-	-	-	-	(155,496)
11	-	-	-	-	-	-	-	-	-
12	Deductions From Rate Base:								
13	Accumulated Deferred Income Taxes	59,765	12	-	-	-	-	-	59,777
14	Pre-1971 Investment Tax Credits	-	-	-	-	-	-	-	-
15	Reserve for Injuries and Damages	-	-	-	-	-	-	-	-
16	Customer Advances for Construction	-	-	-	-	-	-	-	-
17	Customer Deposits	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-
23	Rate Base	\$ (131,686)	\$ (463)	\$ (663)	\$ -	\$ -	\$ -	\$ -	\$ (132,812)

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

Line No.	Description (a)	Amount (b)
1	Rate Base	\$ 1,165,928 ⁽¹⁾
2	Weighted Cost of Debt	<u>2.32%</u> ⁽²⁾
3	Synchronized Interest Per Staff (Line 1 x Line 2)	\$ 27,050
4	Company Interest Expense	<u>34,027</u> ⁽³⁾
5	Increase (Decrease) in Interest Expense	<u>\$ (6,977)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.300%	<u>\$ 509</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 2,264</u>

(1) Source: Schedule 15.3 P Corrected, column (d), line 23

(2) Source: ICC Staff Exhibit 22.0, Schedule 22.1

(3) Source: NS-PGL Ex. SM-2.9P

The Peoples Gas Light and Coke Company
 Gross Revenue Conversion Factor
 For the Test Year Ending December 31, 2010
 (In Thousands)

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	1.000000
2	Uncollectibles	2.5400%	<u>0.025400</u>	
3	State Taxable Income		0.974600	
4	State Income Tax	7.3000%	<u>0.071146</u>	<u>0.073000</u>
5	Federal Taxable Income		0.903454	0.927000
6	Federal Income Tax	35.0000%	<u>0.316209</u>	<u>0.324450</u>
7	Operating Income		<u>0.587245</u>	<u>0.602550</u>
8	Gross Revenue Conversion Factor Per Staff (Line 1 / Line 7)		<u>1.702867</u>	<u>1.659613</u>

The Peoples Gas Light and Coke Company
Invested Capital Taxes Adjustment
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Rate Base	\$ 1,165,928	Staff Ex. 15.0, Schedule 15.1 P Corrected, col. i, line 25
2	Rate of Return	<u>7.75%</u>	Staff Ex. 15.0, Schedule 15.1 P Corrected, col. i, line 26
3	Operating Income Required	\$ 90,359	Line 1 x Line 2
4	Pro forma operating income at present rates adjusted before ICT adjustment	<u>59,293</u>	Staff Ex. 15.0, Schedule 15.1 P Corrected, col. d line 24 - Staff Ex. 15.0, Schedule 15.2 P Corrected, page 1, col. e line 17
5	Operating Income Additional Allowed	\$ 31,066	Line 3 - line 4
6	Invested Capital Tax Rate	<u>0.80%</u>	NS-PGL Ex. SM-2.8P
7	Incremental Invested Capital Tax Impact per Staff	\$ 249	Line 5 x line 6
8	Incremental Invested Capital Tax Impact per Company	<u>572</u>	NS-PGL Ex. SM-2.8P
9	Staff Proposed Adjustment	<u><u>\$ (323)</u></u>	Line 7 - line 8