

North Shore Gas Company

Comparison of Prior Forecasts to Actual Data  
Income Statement

Historical Year Ended December 31, 2007

| Line No. | Description                                  | Actual              | Budget (1)           | Actual vs. Budget     | Percentage Variation Actual vs. Budget | Line No. |
|----------|--|---------------------|----------------------|-----------------------|--|----------|
|          | [A]  | [B]                 | [C]                  | [D]                   | [E]                                    |          |
| 1        | Operating Revenues                           | \$ 285,783,000      | \$ 279,971,000       | \$ 5,812,000          | 2.1%                                   | 1        |
| 2        | Operating Expenses:                          |                     |                      |                       |  | 2        |
| 3        | Cost of Gas                                  | 205,205,000         | 197,083,000          | 8,122,000             | 4.1%                                   | 3        |
| 4        | Other Operation and Maintenance              | 41,372,000          | 40,625,000           | 747,000               | 1.8%                                   | 4        |
| 5        | Depreciation Expense                         | 5,994,000           | 6,158,000            | (164,000)             | (2.7%)                                 | 5        |
| 6        | Amortization of Other Limited Term Gas Plant | -                   | 66,000               | (66,000)              | (100.0%)                               | 6        |
| 7        | Taxes Other Than Income                      | 17,026,000          | 16,943,000           | 83,000                | 0.5%                                   | 7        |
| 8        | Federal Income Taxes-Current                 | 3,820,000           | 2,057,000            | 1,763,000             | 85.7%                                  | 8        |
| 9        | State Income Taxes-Current                   | 2,176,000           | 355,000              | 1,821,000             | 513.0%                                 | 9        |
| 10       | Deferred Income Taxes                        | (1,229,000)         | 2,885,000            | (4,114,000)           | (142.6%)                               | 10       |
| 11       | Investment Tax Credit                        | (35,000)            | (32,000)             | (3,000)               | 9.4%                                   | 11       |
| 12       | Total Operating Expenses                     | <u>274,329,000</u>  | <u>266,140,000</u>   | <u>8,189,000</u>      | 3.1%                                   | 12       |
| 13       | Operating Income                             | 11,454,000          | 13,831,000           | (2,377,000)           | (17.2%)                                | 13       |
| 14       | Income from Utility Plant Leased to Others   | -                   | -                    | -                     | -                                      | 14       |
| 15       | Utility Operating Income                     | 11,454,000          | 13,831,000           | (2,377,000)           | (17.2%)                                | 15       |
| 16       | Other Income, Net of Income Deductions       | <u>714,000</u>      | <u>438,000</u>       | <u>276,000</u>        | 63.0%                                  | 16       |
| 17       | Income Before Interest Charges               | 12,168,000          | 14,269,000           | (2,101,000)           | (14.7%)                                | 17       |
| 18       | Interest Charges                             | 4,268,000           | 4,167,000            | 101,000               | 2.4%                                   | 18       |
| 19       | Net Income                                   | <u>\$ 7,900,000</u> | <u>\$ 10,102,000</u> | <u>\$ (2,202,000)</u> | (21.8%)                                | 19       |

Note: (1) budget data shown here is a combination of nine months from the 2007 budget and three additional months of budget data that was prepared due to the merger.

North Shore Gas Company

Comparison of Prior Forecasts to Actual Data  
Income Statement

Historical Year Ended December 31, 2008

| Line No. | Description<br>[A]                           | Actual<br>[B]       | Budget<br>[C]       | Actual vs. Budget<br>[D] | Percentage Variation<br>Actual vs. Budget<br>[E] | Line No. |
|----------|--|---------------------|---------------------|--------------------------|--|----------|
| 1        | Operating Revenues                           | \$ 312,870,000      | \$ 270,621,000      | \$ 42,249,000            | 15.6%  | 1        |
| 2        | Operating Expenses:                          |                     |                     |                          |  | 2        |
| 3        | Cost of Gas                                  | 240,566,000         | 202,585,000         | 37,981,000               | 18.7%  | 3        |
| 4        | Other Operation and Maintenance              | 48,345,000          | 50,522,000          | (2,177,000)              | (4.3%)   | 4        |
| 5        | Depreciation Expense                         | 6,583,000           | 6,174,000           | 409,000                  | 6.6%   | 5        |
| 6        | Amortization of Other Limited Term Gas Plant | -                   | -                   | -                        | -  | 6        |
| 7        | Taxes Other Than Income                      | 2,755,000           | 2,311,000           | 444,000                  | 19.2%  | 7        |
| 8        | Federal Income Taxes-Current                 | (359,000)           | (1,539,000)         | (1) 1,180,000            | (76.7%)  | 8        |
| 9        | State Income Taxes-Current                   | (39,000)            | -                   | (1) (39,000)             | -  | 9        |
| 10       | Deferred Income Taxes                        | 4,266,000           | 2,773,000           | 1,493,000                | 53.8%  | 10       |
| 11       | Investment Tax Credit                        | (48,000)            | (39,000)            | (9,000)                  | 23.1%  | 11       |
| 12       | Total Operating Expenses                     | <u>302,069,000</u>  | <u>262,787,000</u>  | <u>39,282,000</u>        | 14.9%  | 12       |
| 13       | Operating Income                             | <u>10,801,000</u>   | <u>7,834,000</u>    | <u>2,967,000</u>         | 37.9%  | 13       |
| 14       | Income from Utility Plant Leased to Others   | -                   | -                   | -                        | -  | 14       |
| 15       | Utility Operating Income                     | <u>10,801,000</u>   | <u>7,834,000</u>    | <u>2,967,000</u>         | 37.9%  | 15       |
| 16       | Other Income, Net of Income Deductions       | <u>481,000</u>      | <u>461,000</u>      | <u>20,000</u>            | 4.3%   | 16       |
| 17       | Income Before Interest Charges               | <u>11,282,000</u>   | <u>8,295,000</u>    | <u>2,987,000</u>         | 36.0%  | 17       |
| 18       | Interest Charges                             | <u>4,216,000</u>    | <u>4,863,000</u>    | <u>(647,000)</u>         | (13.3%)  | 18       |
| 19       | Net Income                                   | <u>\$ 7,066,000</u> | <u>\$ 3,432,000</u> | <u>\$ 3,634,000</u>      | 105.9%   | 19       |

Note: (1) Budget detail pertaining to breakout of income taxes by federal and state is not available.

North Shore Gas Company

Comparison of Prior Forecasts to Actual Data  
Income Statement

Historical Year Ended December 31, 2009

| Line No. | Description                                  | Actual              | Budget (1)          | Actual vs. Budget   | Percentage Variation Actual vs. Budget | Line No. |
|----------|--|---------------------|---------------------|---------------------|--|----------|
|          | [A]  | [B]                 | [C]                 | [D]                 | [E]                                    |          |
| 1        | Operating Revenues                           | \$ 228,210,000      | \$ 265,549,000      | \$ (37,339,000)     | (14.1%)                                | 1        |
| 2        | Operating Expenses:                          |                     |                     |                     |  | 2        |
| 3        | Cost of Gas                                  | 157,949,000         | 194,952,000         | (37,003,000)        | (19.0%)                                | 3        |
| 4        | Other Operation and Maintenance              | 50,340,000          | 48,930,000          | 1,410,000           | 2.9%                                   | 4        |
| 5        | Depreciation Expense                         | 6,225,000           | 6,513,000           | (288,000)           | (4.4%)                                 | 5        |
| 6        | Amortization of Other Limited Term Gas Plant | -                   | -                   | -                   | -                                      | 6        |
| 7        | Taxes Other Than Income                      | 3,081,000           | 3,212,000           | (131,000)           | (4.1%)                                 | 7        |
| 8        | Federal Income Taxes-Current                 | (3,320,000)         | (256,000)           | (3,064,000)         | 1196.9%                                | 8        |
| 9        | State Income Taxes-Current                   | (539,000)           | (74,000)            | (465,000)           | 628.4%                                 | 9        |
| 10       | Deferred Income Taxes                        | 6,139,000           | 2,936,000           | 3,203,000           | 109.1%                                 | 10       |
| 11       | Investment Tax Credit                        | (36,000)            | (16,000)            | (20,000)            | 125.0%                                 | 11       |
| 12       | Total Operating Expenses                     | <u>219,839,000</u>  | <u>256,197,000</u>  | <u>(36,358,000)</u> | <u>(14.2%)</u>                         | 12       |
| 13       | Operating Income                             | <u>8,371,000</u>    | <u>9,352,000</u>    | <u>(981,000)</u>    | <u>(10.5%)</u>                         | 13       |
| 14       | Income from Utility Plant Leased to Others   | -                   | -                   | -                   | -                                      | 14       |
| 15       | Utility Operating Income                     | <u>8,371,000</u>    | <u>9,352,000</u>    | <u>(981,000)</u>    | <u>(10.5%)</u>                         | 15       |
| 16       | Other Income, Net of Income Deductions       | <u>232,000</u>      | <u>337,000</u>      | <u>(105,000)</u>    | <u>(31.2%)</u>                         | 16       |
| 17       | Income Before Interest Charges               | <u>8,603,000</u>    | <u>9,689,000</u>    | <u>(1,086,000)</u>  | <u>(11.2%)</u>                         | 17       |
| 18       | Interest Charges                             | <u>4,252,000</u>    | <u>4,556,000</u>    | <u>(304,000)</u>    | <u>(6.7%)</u>                          | 18       |
| 19       | Net Income                                   | <u>\$ 4,351,000</u> | <u>\$ 5,133,000</u> | <u>\$ (782,000)</u> | <u>(15.2%)</u>                         | 19       |

Note: (1) For 2009, the budget column represents a revised budget that was used for management purposes due to the economic downturn. The revised budget was addressed in Docket Nos. 09-0166/0167 (Cons.).

North Shore Gas Company

Statement from the Independent Certified Public Accountant



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## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors  
North Shore Gas Company

We have examined the accompanying forecasted balance sheet of North Shore Gas Company ("the Company") as of December 31, 2012, and the related forecasted statements of income, retained earnings, and cash flows, for the year then ending. The Company's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of the Board of Directors and management of the Company for filing with the Illinois Commerce Commission in connection with the Company's proposed general increase in rates and is not intended and should not be used by anyone other than these specified parties or parties to such Illinois Commerce Commission proceeding.

*Deloitte & Touche LLP*

February 4, 2011

## NORTH SHORE GAS COMPANY

| FORECASTED STATEMENT OF INCOME        | Year Ended     |
|---------------------------------------|----------------|
| (Millions)                            | December 31,   |
|                                       | 2012           |
| <b>Natural gas operating revenues</b> | <b>\$240.6</b> |
| <b>Operating expenses</b>             |                |
| Natural gas purchased for resale      | 148.9          |
| Operating and maintenance expense     | 63.5           |
| Depreciation and amortization expense | 10.1           |
| Taxes other than income taxes         | 2.7            |
| <b>Operating income</b>               | <b>15.4</b>    |
| Miscellaneous income                  | 1.0            |
| Interest expense                      | (4.6)          |
| <b>Other expense</b>                  | <b>(3.6)</b>   |
| Income before taxes                   | 11.8           |
| Provision for income taxes            | 4.5            |
| <b>Net income</b>                     | <b>\$7.3</b>   |

The accompanying Summary of Significant Accounting Policies and Assumptions are an integral part of these statements.

**NORTH SHORE GAS COMPANY**

| <b>FORECASTED BALANCE SHEET</b><br>(Millions)                               | <b>December 31,<br/>2012</b> |
|---|------------------------------|
| <b>Assets</b>   |                              |
| Cash and cash equivalents   | \$ -                         |
| Accounts receivable and accrued unbilled revenues, net of reserves of \$1.0 | 27.8                         |
| Natural gas in storage, primarily at last-in, first-out cost                | 9.6                          |
| Regulatory assets   | 11.0                         |
| Other current assets  | 3.8                          |
| <b>Current assets</b>   | <b>52.2</b>                  |
| Property, plant, and equipment, net of accumulated depreciation of \$184.6  | 268.2                        |
| Regulatory assets   | 102.5                        |
| Other long-term assets  | 0.9                          |
| <b>Total assets</b>   | <b>\$423.8</b>               |
| <b>Liabilities and Shareholder's Equity</b>                                 |                              |
| Current portion of long-term debt   | \$46.5                       |
| Notes payable to related parties  | 23.2                         |
| Accounts payable  | 12.0                         |
| Accounts payables to related parties  | 6.3                          |
| Accrued taxes   | 5.8                          |
| Customer credit balances  | 7.1                          |
| Regulatory liabilities  | 7.2                          |
| Other current liabilities   | 4.8                          |
| <b>Current liabilities</b>  | <b>112.9</b>                 |
| Long-term debt  | 28.5                         |
| Deferred income taxes   | 56.2                         |
| Environmental remediation liabilities                                       | 71.5                         |
| Pension and other postretirement benefit obligations                        | 22.2                         |
| Asset retirement obligations  | 23.9                         |
| Other long-term liabilities   | 13.5                         |
| <b>Long-term liabilities</b>  | <b>215.8</b>                 |
| <b>Commitments and contingencies</b>  |                              |
| Common stock  | 24.8                         |
| Retained earnings   | 70.3                         |
| <b>Total liabilities and shareholder's equity</b>                           | <b>\$423.8</b>               |

The accompanying Summary of Significant Accounting Policies and Assumptions are an integral part of these statements.

**NORTH SHORE GAS COMPANY**

| <b>FORECASTED STATEMENT OF CASH FLOWS</b>                                     | <b>Year Ended</b>   |
|---|---------------------|
| (Millions)  | <b>December 31,</b> |
|   | <b>2012</b>         |
| <b>Operating Activities:</b>  |                     |
| Net Income  | \$7.3               |
| Adjustments to reconcile net income to cash provided by (used in) operations: |                     |
| Depreciation and amortization expense   | 10.1                |
| Deferred income taxes and investment tax credits- net                         | 0.4                 |
| Pension and postretirement expense  | 4.3                 |
| Pension and postretirement funding  | (6.6)               |
| Other, net  | 3.5                 |
| Net changes in working capital  | 7.0                 |
| <b>Net cash provided by operating activities</b>                              | <b>26.0</b>         |
| <b>Investing Activities:</b>  |                     |
| Capital expenditures  | (21.9)              |
| <b>Net cash used for investing activities</b>                                 | <b>(21.9)</b>       |
| <b>Financing Activities:</b>  |                     |
| Notes payable to related party  | 3.1                 |
| Dividends to parent   | (7.2)               |
| <b>Net cash provided by financing activities</b>                              | <b>(4.1)</b>        |
| Net increase in cash and cash equivalents                                     | -                   |
| Cash and cash equivalents at beginning of year                                | -                   |
| <b>Cash and cash equivalents at end of year</b>                               | <b>\$ -</b>         |

The accompanying Summary of Significant Accounting Policies and Assumptions are an integral part of these statements.

**NORTH SHORE GAS COMPANY**

| <b>FORECASTED STATEMENT OF RETAINED EARNINGS</b>             | <b>December 31,</b>  |
|--|----------------------|
| <b>(Millions)</b>  | <b>2012</b>          |
| <b><u>Account 21600 Unappropriated Retained Earnings</u></b> |                      |
| Balance at beginning of year                                 | <b>\$70.2</b>        |
| Add:   |                      |
| Net income   | <b>7.3</b>           |
| Less:  |                      |
| Common stock dividends declared                              | <b>7.2</b>           |
| <b>Balance at end of year</b>                                | <b><u>\$70.3</u></b> |

The accompanying Summary of Significant Accounting Policies and Assumptions are an integral part of these statements.

North Shore Gas Company  
Assumptions Used in the Forecast

PRESENTATION BASIS

The financial forecast has been prepared by North Shore Gas Company (“the Company” or “NSG”) and presented in accordance with the guidelines established in the March 1, 2009 AICPA Guide for Prospective Financial Information. The forecasted financial statements contained herein present, to the best of management’s knowledge and belief at the time this forecast was prepared using information that was reasonably available at the time, the Company’s expected financial position, results of operations and cash flows as of and for the year ending December 31, 2012, assuming that current tariffed rates remain in effect through December 31, 2012, that natural gas commodity market prices in 2011 and 2012 are equal to the New York Mercantile Exchange (“NYMEX”) future prices as reported on May 14, 2010 and that assumptions for the pension and other postretirement expenses as of December 31, 2009 remain in effect through December 31, 2012. In compliance with the information requirements set forth in Part 285 of Chapter 1, Title 83 of the Illinois Administrative Code, existing rates are used to develop fiscal 2012 operating results for the purpose of determining the Company’s revenue deficiency. Other than the three assumptions discussed above, this forecast also reflects management’s judgment as of December 2, 2010, the date of preparation of this forecast, of expected conditions and the Company’s expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will be differences between the forecast and actual results because events and circumstances do not occur as expected and those differences may be material, which would cause these forecasted results not to be achieved.

ACCOUNTING POLICIES

The accounting policies used in preparing the forecast are the same as those used in the Company’s audited financial statements.

SUMMARY OF SIGNIFICANT ASSUMPTIONS/ITEMS

- I. Operating Revenues
  1. Forecasted revenues were primarily determined by applying the Company’s current rates and rate structure to forecasted deliveries of gas to customers, plus the cost of gas delivered, environmental recovery charges, Enhanced Efficiency Program charges, the Volume Balancing Adjustment and other miscellaneous charges.
  2. Forecasted deliveries, including changes due to customer growth and conservation, were determined using internally developed models that consider various factors,

- including historical, trend and regression analysis. The models also consider economic and market variables.
3. Forecasted deliveries assumed 6,036 normal heating degree-days. This represents the average of actual weather at O'Hare International Airport for the 12-year period from 1998 through 2009 adjusted for the leap year.
  4. Based on the above volume assumptions, forecasted deliveries to customers are 34.9 Bcf, including 21.3 Bcf delivered to sales customers and 13.6 Bcf delivered to transportation customers.
  5. Revenues not associated with delivery volumes were determined primarily from historical factors or the number of customers. Revenues for large customers with special contracts were based on a combination of historical and projected data.
  6. Late payment charges were forecasted to be \$0.6 million. This estimate reflects the Company's recent history of such charges adjusted for the decrease in gas costs in the test year compared to the prior three historical years.
  7. Revenue attributable to the recovery of environmental clean-up costs (Rider 11 revenue) is forecast at \$13.8 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.
  8. Revenue attributable to the Enhanced Efficiency Program (Rider EEP) is forecast at \$1.1 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.
  9. Refunds attributable to the Volume Balancing Adjustment (Rider VBA) are forecast at \$0.6 million based on the assumption that the Rider VBA will expire at the end of February, 2012 per the Rider VBA filing.
  10. There are no significant changes to the customer base.
- II. Cost of Gas
1. The cost of gas purchased for sales to customers is passed on directly to customers without mark-up. Therefore, while a change in the forecast of gas costs may have a significant effect on revenue and the cost of gas, it would not have a direct impact on the Company's forecast of income. Indirectly, changes in the cost of gas impacts customer deliveries and the forecast of other costs.
  2. The forecasted cost of gas purchased for sales to customers includes natural gas commodity costs and non-commodity costs, along with changes in inventory and adjustments for prior and forecasted over/under collections of gas costs from customers. At the end of 2012, the forecasted over collection from customers is \$4.1 million. This is based on forecasted monthly differences between actual gas costs and billed gas costs due in part to timing differences amortized over a 12 month period.

3. Non-commodity costs, primarily pipeline transportation and storage demand charges, were generally based on contractual volumes and rates in place at July 2010. No material changes are expected in these contracts for the forecast period.
4. Forecasted commodity costs were based on the product of forecasted purchase volumes and forecasted gas purchase costs.
5. Forecasted purchase volumes include lost and unaccounted-for gas. The Company forecasted an unaccounted-for loss rate of 0.1% of forecasted retail deliveries, which is consistent with the actual loss rate experienced in recent years.
6. Forecasted gas purchase costs were determined by applying the forward NYMEX gas price as of May 14, 2010 (\$6.01 per MMBtu, unweighted), adjusted for applicable basis differentials and existing hedge positions in place.

### III. Operations and Maintenance Costs

#### A. Labor

1. The number of employees is projected to remain constant at 167 in calendar year 2012 compared to calendar 2011.
2. Union employee wage increases were based on existing union contracts, which cover the forecast period. The contract stipulates a 3.25% increase in July 2012.
3. Non-union wages were forecast to increase 3.9% in fiscal 2011 and 2012.

#### B. Bad Debt

The provision for bad debt was forecast at 0.7% of revenue. This rate is consistent with prior experience.

#### C. Pension and Post Retirement Expense

Pension and post retirement expense was developed with the assistance of the Company's actuaries. The discount rate assumption for pension expense was forecast at 6.15%, which was the discount rate at December 31, 2009. The discount rate assumption for post retirement expense was forecast at 5.80%, which was the discount rate at December 31, 2009. The forecast used the market value of plan assets at December 31, 2009, and assumed a \$3.3 million pension and post retirement fund contribution in calendar 2011

and a \$6.6 million pension and post retirement fund contribution in calendar 2012.

The discount rate has decreased since the Company prepared its forecast. At December 31, 2010, the discount rate was 5.80% for pension expense and 5.45% for post retirement expense. The decrease to the discount rates will result in increased costs from the forecast.

D. Environmental Costs

Costs related to the investigation and removal of manufactured gas residues are initially recorded in a regulatory asset account. As these costs are billed to customers, a corresponding amount of the deferred charge is expensed, and therefore does not directly impact forecasted income. \$13.8 million is forecasted to be billed and expensed in the year ending December 31, 2012. Liabilities were developed based on engineering costs estimates and probable outcomes, and were based on a review and judgment by the Company's management and outside consultants. The forecast assumes no changes in the liability estimate in 2011 or 2012.

E. Enhanced Efficiency Program Costs

Costs related to the Enhanced Efficiency Program are expensed as incurred. The difference between the budgeted monthly expenditure billed to customers and the actual expenses is recorded as a regulatory asset or liability with an offsetting entry to expense. The amount billed to customers, with an offsetting expense in operating and maintenance expenses is \$1.1 million in calendar 2012, and therefore does not directly impact forecasted income.

F. Inter-company Billing Charges

Various services are performed by affiliates of NSG and those costs are billed to NSG on a monthly basis. These costs are billed to and paid by the Company in accordance with the Master Regulated Affiliated Interest Agreement approved by the Illinois Commerce Commission in Docket No. 07-0361 and any subsequent updates to the Agreement.

G. Other Costs

The Company forecasted operating and maintenance costs through a detailed bottoms-up budgeting process. Unless specifically determined otherwise, this process assumed, as a default, a 2.2% and 3.1% annual rate of inflation for 2011 and 2012 respectively. The cost of natural gas purchased for the Company's internal use was forecasted in a similar manner as gas purchased for sales to customers.

IV. Depreciation

The provision for depreciation and amortization, expressed as an annual percentage of the original cost of depreciable property, was 2.6% for calendar year 2012. Depreciation expense in calendar year 2012 is based on the average estimated life of depreciable property. Estimated lives were based on the depreciation study approved by the Illinois Commerce Commission in 2010, which includes recovery of cost of removal.

V. Income Taxes

1. Income taxes were forecast by applying the current federal and state statutory income tax rates of 35% and 7.3%, respectively to forecasted pre-tax income, after adjusting for forecasted permanent items. The NSG forecasted financial statements do not reflect the impact of the 2011 increase in the Illinois corporate state income tax rate from 7.3% to 9.5% resulting from the January 2011 legislation. The impact of the state income tax increase (net of the Federal benefit) from the 2011 law change on NSG's December 31, 2012 forecasted income statement is an increase in income tax expense of approximately \$0.2 million. The change in law will require an adjustment to deferred income taxes that will be recorded in the first quarter of 2011. Due to the complexity involved in computing this adjustment, an exact amount is not quantifiable at this time. The Company expects an increase in deferred tax liabilities at December 31, 2012 between approximately \$0.8 million and \$2.9 million and a corresponding increase in net regulatory assets between approximately \$0.6 million and \$2.7 million.
2. Reversals of deferred income taxes are based on the weighted average tax rate method.
3. The NSG forecasted financial statements do not reflect the impact of bonus depreciation in connection with the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. The cumulative impact of bonus depreciation on NSG's December 31, 2012 forecasted balance sheet is an increase in Accumulated Deferred Income Taxes of approximately \$6.1 million. The impact of the bonus depreciation on NSG's forecasted statement of income is limited to an insignificant decrease in interest expense associated with short-term borrowings.
4. The NSG forecasted financial statements do not reflect the impact of a tax accounting method change related to overhead capitalization for tax purposes. The Company requested the method change by timely filing a Form 3115 in December 2009. However, the Company did not receive IRS consent until December 2010 and therefore could not reflect within its forecasted financial statements any adjustment to deferred taxes prior to that date. The cumulative impact of this change on NSG's December 31, 2012 forecasted balance sheet is an increase in Accumulated Deferred Income Taxes of approximately \$3.4 million.

VI. Interest Income and Expense

1. Interest expense includes a) interest on long-term debt, b) amortization of debt issuance costs and losses on reacquired debt, c) interest and fees associated with short-term borrowings and lines of credit, and d) interest expense related to customer deposits, budget plan customers, employee deferred compensation balances, and over-collected gas costs.
2. For fixed rate long-term debt, interest expense was forecast by applying the stated interest rate
3. For variable rate short-term debt, interest expense was forecasted at an average of 1.97% for 2012 with rates ranging from 1.15% in January to 2.95% in December based on the Moody's Analytics DataBuffet.com forecast for 1 month non-financial commercial paper as of October 13, 2010.

VII. Long-Term Debt

No long-term debt has been issued or retired since the Company's last rate order nor are any issuances or retirements planned prior to or during the 2012 test year

VIII. Dividends

Dividend declarations are forecasted at 100% of calendar 2012 net income.

IX. Capital Expenditures

Capital expenditures were forecasted as follows for calendar 2012 (\$ in millions):

|                     | <u>Construction</u> |
|---------------------|---------------------|
| Distribution system | \$20.1              |
| Other               | <u>1.8</u>          |
| Total               | \$21.9              |

North Shore Gas Company

Statement on Assumptions Used in the Forecast

- a) The forecast for the test year contains the same assumptions and methodologies used in forecasts that are prepared for management or other entities such as the Securities and Exchange Commission, security rating companies and agencies, underwriters, and investors, except as described in c) below.
- b) There are no differences in assumptions or methodologies used in the forecast of the test year and in forecasts prepared for management or other entities, except as described in c) below.
- c) The test year forecast reflects our judgment, as of December 2, 2010 based on present circumstances of the expected conditions and our expected course of action assuming : (a) current tariffed rates remain in effect through December 31, 2012; (b) forecasted natural gas commodity prices reflect the average of the New York Mercantile Exchange ("NYMEX") futures prices for 2012 for the thirty day period ended May 14, 2010 and (c) the regulatory accounting treatment of the re-measurement of deferred tax balances related to post-retirement medical obligations caused by recent changes in tax law is recorded in 2010.
- d) Events subsequent to the approval of the forecast by the management of North Shore Gas Company (the "Company" or "NSG") and not reflected in the forecast are described in Schedule G-5 and below:
  1. The discount rates associated with pension expense and post retirement expense have decreased since the Company prepared its forecast. At December 31, 2010, the discount rate was 5.80% for pension expense and 5.45% for post retirement expense. The decrease to the discount rates will result in increased costs from the forecast.
  2. The NSG forecasted financial statements do not reflect the impact of the 2011 increase in the Illinois corporate state income tax rate from 7.3% to 9.5% resulting from the January 2011 legislation. The impact of the state income tax increase (net of the Federal benefit) from the 2011 law change on NSG's December 31, 2012 forecasted income statement is an increase in income tax expense of approximately \$0.2 million. The change in law will require an adjustment to deferred income taxes that will be recorded in the first quarter 2011. Due to the complexity involved in computing this adjustment, an exact amount is not quantifiable at this time. The Company expects an increase in deferred tax liabilities at December 31, 2012 between approximately \$0.8 million and \$2.9 million and a corresponding increase in net regulatory assets between approximately \$0.6 million and \$2.7 million.
  3. The NSG forecasted financial statements do not reflect the impact of bonus depreciation in connection with the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. Had it been reflected in the forecast, the cumulative impact of bonus depreciation on NSG's December 31, 2012 forecasted balance sheet would be an increase in Accumulated Deferred Income Taxes of approximately \$6.1 million. The impact of the bonus depreciation on NSG's forecasted statement of income is limited to an insignificant decrease in interest expense associated with short-term borrowings.

4. The NSG forecasted financial statements do not reflect the impact of the tax accounting method change related to overhead capitalization for tax purposes. The Company requested the method change by timely filing a Form 3115 in December 2009. However, the Company did not receive IRS consent until December 2010 and therefore could not reflect within its forecasted financial statements any adjustment to deferred taxes. The cumulative impact of this change on NSG's December 31, 2012 forecasted balance sheet is an increase in Accumulated Deferred Income Taxes of approximately \$3.4 million.

North Shore Gas Company

Statement on Accounting Treatment

- a) The accounting treatment applied to anticipated events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they have occurred.
- b) There are no differences between the accounting treatment applied to anticipated events and transactions in the forecast forming the basis of the test year and the accounting treatment to be applied in recording the event once it has occurred.

North Shore Gas Company  
Assumptions Used in the Forecast

PRESENTATION BASIS

The financial forecast has been prepared by North Shore Gas Company (“the Company” or “NSG”) and presented in accordance with the guidelines established in the March 1, 2009 AICPA Guide for Prospective Financial Information. The forecasted financial statements contained herein present, to the best of management’s knowledge and belief at the time this forecast was prepared using information that was reasonably available at the time, the Company’s expected financial position, results of operations and cash flows as of and for the year ending December 31, 2012, assuming that current tariffed rates remain in effect through December 31, 2012, that natural gas commodity market prices in 2011 and 2012 are equal to the New York Mercantile Exchange (“NYMEX”) future prices as reported on May 14, 2010 and that assumptions for the pension and other postretirement expenses as of December 31, 2009 remain in effect through December 31, 2012. In compliance with the information requirements set forth in Part 285 of Chapter 1, Title 83 of the Illinois Administrative Code, existing rates are used to develop fiscal 2012 operating results for the purpose of determining the Company’s revenue deficiency. Other than the three assumptions discussed above, this forecast also reflects management’s judgment as of December 2, 2010, the date of preparation of this forecast, of expected conditions and the Company’s expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will be differences between the forecast and actual results because events and circumstances do not occur as expected and those differences may be material, which would cause these forecasted results not to be achieved.

ACCOUNTING POLICIES

The accounting policies used in preparing the forecast are the same as those used in the Company’s audited financial statements.

SUMMARY OF SIGNIFICANT ASSUMPTIONS/ITEMS

- I. Operating Revenues
  1. Forecasted revenues were primarily determined by applying the Company’s current rates and rate structure to forecasted deliveries of gas to customers, plus the cost of gas delivered, environmental recovery charges, Enhanced Efficiency Program charges, the Volume Balancing Adjustment and other miscellaneous charges.
  2. Forecasted deliveries, including changes due to customer growth and conservation, were determined using internally developed models that consider various factors,

- including historical, trend and regression analysis. The models also consider economic and market variables.
3. Forecasted deliveries assumed 6,036 normal heating degree-days. This represents the average of actual weather at O'Hare International Airport for the 12-year period from 1998 through 2009 adjusted for the leap year.
  4. Based on the above volume assumptions, forecasted deliveries to customers are 34.9 Bcf, including 21.3 Bcf delivered to sales customers and 13.6 Bcf delivered to transportation customers.
  5. Revenues not associated with delivery volumes were determined primarily from historical factors or the number of customers. Revenues for large customers with special contracts were based on a combination of historical and projected data.
  6. Late payment charges were forecasted to be \$0.6 million. This estimate reflects the Company's recent history of such charges adjusted for the decrease in gas costs in the test year compared to the prior three historical years.
  7. Revenue attributable to the recovery of environmental clean-up costs (Rider 11 revenue) is forecast at \$13.8 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.
  8. Revenue attributable to the Enhanced Efficiency Program (Rider EEP) is forecast at \$1.1 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.
  9. Refunds attributable to the Volume Balancing Adjustment (Rider VBA) are forecast at \$0.6 million based on the assumption that the Rider VBA will expire at the end of February, 2012 per the Rider VBA filing.
  10. There are no significant changes to the customer base.
- II. Cost of Gas
1. The cost of gas purchased for sales to customers is passed on directly to customers without mark-up. Therefore, while a change in the forecast of gas costs may have a significant effect on revenue and the cost of gas, it would not have a direct impact on the Company's forecast of income. Indirectly, changes in the cost of gas impacts customer deliveries and the forecast of other costs.
  2. The forecasted cost of gas purchased for sales to customers includes natural gas commodity costs and non-commodity costs, along with changes in inventory and adjustments for prior and forecasted over/under collections of gas costs from customers. At the end of 2012, the forecasted over collection from customers is \$4.1 million. This is based on forecasted monthly differences between actual gas costs and billed gas costs due in part to timing differences amortized over a 12 month period.

3. Non-commodity costs, primarily pipeline transportation and storage demand charges, were generally based on contractual volumes and rates in place at July 2010. No material changes are expected in these contracts for the forecast period.
4. Forecasted commodity costs were based on the product of forecasted purchase volumes and forecasted gas purchase costs.
5. Forecasted purchase volumes include lost and unaccounted-for gas. The Company forecasted an unaccounted-for loss rate of 0.1% of forecasted retail deliveries, which is consistent with the actual loss rate experienced in recent years.
6. Forecasted gas purchase costs were determined by applying the forward NYMEX gas price as of May 14, 2010 (\$6.01 per MMBtu, unweighted), adjusted for applicable basis differentials and existing hedge positions in place.

### III. Operations and Maintenance Costs

#### A. Labor

1. The number of employees is projected to remain constant at 167 in calendar year 2012 compared to calendar 2011.
2. Union employee wage increases were based on existing union contracts, which cover the forecast period. The contract stipulates a 3.25% increase in July 2012.
3. Non-union wages were forecast to increase 3.9% in fiscal 2011 and 2012.

#### B. Bad Debt

The provision for bad debt was forecast at 0.7% of revenue. This rate is consistent with prior experience.

#### C. Pension and Post Retirement Expense

Pension and post retirement expense was developed with the assistance of the Company's actuaries. The discount rate assumption for pension expense was forecast at 6.15%, which was the discount rate at December 31, 2009. The discount rate assumption for post retirement expense was forecast at 5.80%, which was the discount rate at December 31, 2009. The forecast used the market value of plan assets at December 31, 2009, and assumed a \$3.3 million pension and post retirement fund contribution in calendar 2011

and a \$6.6 million pension and post retirement fund contribution in calendar 2012.

The discount rate has decreased since the Company prepared its forecast. At December 31, 2010, the discount rate was 5.80% for pension expense and 5.45% for post retirement expense. The decrease to the discount rates will result in increased costs from the forecast.

D. Environmental Costs

Costs related to the investigation and removal of manufactured gas residues are initially recorded in a regulatory asset account. As these costs are billed to customers, a corresponding amount of the deferred charge is expensed, and therefore does not directly impact forecasted income. \$13.8 million is forecasted to be billed and expensed in the year ending December 31, 2012. Liabilities were developed based on engineering costs estimates and probable outcomes, and were based on a review and judgment by the Company's management and outside consultants. The forecast assumes no changes in the liability estimate in 2011 or 2012.

E. Enhanced Efficiency Program Costs

Costs related to the Enhanced Efficiency Program are expensed as incurred. The difference between the budgeted monthly expenditure billed to customers and the actual expenses is recorded as a regulatory asset or liability with an offsetting entry to expense. The amount billed to customers, with an offsetting expense in operating and maintenance expenses is \$1.1 million in calendar 2012, and therefore does not directly impact forecasted income.

F. Inter-company Billing Charges

Various services are performed by affiliates of NSG and those costs are billed to NSG on a monthly basis. These costs are billed to and paid by the Company in accordance with the Master Regulated Affiliated Interest Agreement approved by the Illinois Commerce Commission in Docket No. 07-0361 and any subsequent updates to the Agreement.

G. Other Costs

The Company forecasted operating and maintenance costs through a detailed bottoms-up budgeting process. Unless specifically determined otherwise, this process assumed, as a default, a 2.2% and 3.1% annual rate of inflation for 2011 and 2012 respectively. The cost of natural gas purchased for the Company's internal use was forecasted in a similar manner as gas purchased for sales to customers.

IV. Depreciation

The provision for depreciation and amortization, expressed as an annual percentage of the original cost of depreciable property, was 2.6% for calendar year 2012. Depreciation expense in calendar year 2012 is based on the average estimated life of depreciable property. Estimated lives were based on the depreciation study approved by the Illinois Commerce Commission in 2010, which includes recovery of cost of removal.

V. Income Taxes

1. Income taxes were forecast by applying the current federal and state statutory income tax rates of 35% and 7.3%, respectively to forecasted pre-tax income, after adjusting for forecasted permanent items. The NSG forecasted financial statements do not reflect the impact of the 2011 increase in the Illinois corporate state income tax rate from 7.3% to 9.5% resulting from the January 2011 legislation. The impact of the state income tax increase (net of the Federal benefit) from the 2011 law change on NSG's December 31, 2012 forecasted income statement is an increase in income tax expense of approximately \$0.2 million. The change in law will require an adjustment to deferred income taxes that will be recorded in the first quarter of 2011. Due to the complexity involved in computing this adjustment, an exact amount is not quantifiable at this time. The Company expects an increase in deferred tax liabilities at December 31, 2012 between approximately \$0.8 million and \$2.9 million and a corresponding increase in net regulatory assets between approximately \$0.6 million and \$2.7 million.
2. Reversals of deferred income taxes are based on the weighted average tax rate method.
3. The NSG forecasted financial statements do not reflect the impact of bonus depreciation in connection with the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. The cumulative impact of bonus depreciation on NSG's December 31, 2012 forecasted balance sheet is an increase in Accumulated Deferred Income Taxes of approximately \$6.1 million. The impact of the bonus depreciation on NSG's forecasted statement of income is limited to an insignificant decrease in interest expense associated with short-term borrowings.
4. The NSG forecasted financial statements do not reflect the impact of a tax accounting method change related to overhead capitalization for tax purposes. The Company requested the method change by timely filing a Form 3115 in December 2009. However, the Company did not receive IRS consent until December 2010 and therefore could not reflect within its forecasted financial statements any adjustment to deferred taxes prior to that date. The cumulative impact of this change on NSG's December 31, 2012 forecasted balance sheet is an increase in Accumulated Deferred Income Taxes of approximately \$3.4 million.

VI. Interest Income and Expense

1. Interest expense includes a) interest on long-term debt, b) amortization of debt issuance costs and losses on reacquired debt, c) interest and fees associated with short-term borrowings and lines of credit, and d) interest expense related to customer deposits, budget plan customers, employee deferred compensation balances, and over-collected gas costs.
2. For fixed rate long-term debt, interest expense was forecast by applying the stated interest rate
3. For variable rate short-term debt, interest expense was forecasted at an average of 1.97% for 2012 with rates ranging from 1.15% in January to 2.95% in December based on the Moody's Analytics DataBuffet.com forecast for 1 month non-financial commercial paper as of October 13, 2010.

VII. Long-Term Debt

No long-term debt has been issued or retired since the Company's last rate order nor are any issuances or retirements planned prior to or during the 2012 test year

VIII. Dividends

Dividend declarations are forecasted at 100% of calendar 2012 net income.

IX. Capital Expenditures

Capital expenditures were forecasted as follows for calendar 2012 (\$ in millions):

|                     | <u>Construction</u> |
|---------------------|---------------------|
| Distribution system | \$20.1              |
| Other               | <u>1.8</u>          |
| Total               | \$21.9              |

North Shore Gas Company

Inflation

| Line No. | Description<br>[A]            | Base Dollars<br>[B] | Inflation Factor<br>[C] | Inflation Amount<br>[D] = [B] x [C] | Line No. |
|----------|-------------------------------|---------------------|-------------------------|-------------------------------------|----------|
| 1        | <b>Invoices</b>               |                     |                         |                                     | 1        |
| 2        | Transportation Costs          |                     |                         |                                     | 2        |
| 3        | B02 Materials and Equipment   | 491,000             | 3.10%                   | 15,000                              | 3        |
| 4        | <b>Telecom Invoices</b>       |                     |                         |                                     | 4        |
| 5        | Distribution                  |                     |                         |                                     | 5        |
| 6        | A53 IT Infrastructure         | 86,000              | 3.10%                   | 3,000                               | 6        |
| 7        | Office Supplies and Expenses  |                     |                         |                                     | 7        |
| 8        | A53 IT Infrastructure         | 103,000             | 3.10%                   | 3,000                               | 8        |
| 9        | <b>Cellular Phone Costs</b>   |                     |                         |                                     | 9        |
| 10       | Distribution                  |                     |                         |                                     | 10       |
| 11       | A53 IT Infrastructure         | 77,000              | 3.10%                   | 2,000                               | 11       |
| 12       | Office Supplies and Expenses  |                     |                         |                                     | 12       |
| 13       | A53 IT Infrastructure         | 38,000              | 3.10%                   | 1,000                               | 13       |
| 14       | <b>Materials and Supplies</b> |                     |                         |                                     | 14       |
| 15       | Capital                       |                     |                         |                                     | 15       |
| 16       | B80 North Shore Operations    | 670,000             | 3.10%                   | 21,000                              | 16       |
| 17       | Transportation Costs          |                     |                         |                                     | 17       |
| 18       | B02 Materials and Equipment   | 30,000              | 3.10%                   | 1,000                               | 18       |
| 19       | <b>Stock Material Loading</b> |                     |                         |                                     | 19       |
| 20       | Distribution                  |                     |                         |                                     | 20       |
| 21       | B03 Supply Chain              | 36,000              | 3.10%                   | 1,000                               | 21       |
| 22       | Capital                       |                     |                         |                                     | 22       |
| 23       | B03 Supply Chain              | 42,000              | 3.10%                   | 1,000                               | 23       |
| 24       | <b>Landscaping</b>            |                     |                         |                                     | 24       |
| 25       | Capital                       |                     |                         |                                     | 25       |
| 26       | B80 North Shore Operations    | 300,000             | 3.10%                   | 9,000                               | 26       |
| 27       | <b>Paving</b>                 |                     |                         |                                     | 27       |
| 28       | Capital                       |                     |                         |                                     | 28       |
| 29       | B80 North Shore Operations    | 270,000             | 3.10%                   | 8,000                               | 29       |

North Shore Gas Company

Proration of Accumulated Deferred Income Taxes

Test Year Ending December 31, 2012

| Line No. | Description<br>[A] | Days(1)<br>[B] | Ratio<br>[C] | Liberalized Depreciation<br>Statutory Rate |                        | Line No. |
|----------|--------------------|----------------|--------------|--|------------------------|----------|
|          |                    |                |              | Per Books<br>[D]                           | Prorated<br>[E]        |          |
| 1        | Balance 12/31/2011 |                |              | \$ (53,064,000)                            | \$ (53,064,000)        | 1        |
| 2        | January 1-17       |                | 100.0%       | (6,000)                                    | (6,000)                | 2        |
| 3        | January 18-31      | 336            | 96.0%        | (7,000)                                    | (7,000)                | 3        |
| 4        | February           | 307            | 87.7%        | (12,000)                                   | (11,000)               | 4        |
| 5        | March              | 276            | 78.9%        | (13,000)                                   | (10,000)               | 5        |
| 6        | April              | 246            | 70.3%        | (12,000)                                   | (8,000)                | 6        |
| 7        | May                | 215            | 61.4%        | (13,000)                                   | (8,000)                | 7        |
| 8        | June               | 185            | 52.9%        | (12,000)                                   | (6,000)                | 8        |
| 9        | July               | 154            | 44.0%        | (13,000)                                   | (6,000)                | 9        |
| 10       | August             | 123            | 35.1%        | (12,000)                                   | (4,000)                | 10       |
| 11       | September          | 93             | 26.6%        | (13,000)                                   | (3,000)                | 11       |
| 12       | October            | 62             | 17.7%        | (12,000)                                   | (2,000)                | 12       |
| 13       | November           | 32             | 9.1%         | (13,000)                                   | (1,000)                | 13       |
| 14       | December           | 1              | 0.3%         | (12,000)                                   | 0                      | 14       |
| 15       | Balance 12/31/2012 |                |              | \$ <u>(53,214,000)</u>                     | \$ <u>(53,136,000)</u> | 15       |
|          |                    |                |              |  | <u>(78,000)</u>        |          |

Notes: (1) Total days in period: 350

Assumes a February 15, 2011 filing, so the new rates become effective January 18, 2012.

North Shore Gas Company

Actual Gross Additions and Retirements  
Compared to Original Budget

| Line No. | Plant Function<br>[A]                 | Historical Fiscal Year Ended Decmeber 31, 2007 |                      |                       |                 |               |                   | Line No. |
|----------|---------------------------------------|--|----------------------|-----------------------|-----------------|---------------|-------------------|----------|
|          |                                       | Gross Additions                                |                      |                       | Retirements (1) |               |                   |          |
|          |                                       | Actual<br>[B]                                  | Budget<br>[C]        | Difference<br>[D]     | Actual<br>[E]   | Budget<br>[F] | Difference<br>[G] |          |
| 1        | Distribution                          | \$ 6,792,000                                   | \$ 8,433,000         | \$ (1,641,000)        |                 |               | \$ -              | 1        |
| 2        | Underground Storage                   | -  | -                    | -                     |                 |               | -                 | 2        |
| 3        | Transmission - Not Leased             | 19,000   | -                    | 19,000                |                 |               | -                 | 3        |
| 4        | General                               | 1,070,000                                      | 1,042,000            | 28,000                |                 |               | -                 | 4        |
| 5        | Intangible                            | -  | 439,000              | (439,000)             |                 |               | -                 | 5        |
| 6        | Production                            | <u>159,000</u>                                 | <u>609,000</u>       | <u>(450,000)</u>      |                 |               | <u>-</u>          | 6        |
| 7        | Total Account 101                     | 8,040,000                                      | 10,523,000           | (2,483,000)           | -               | -             | -                 | 7        |
| 8        | Recoverable Natural Gas (Account 117) | <u>-</u>                                       | <u>-</u>             | <u>-</u>              |                 |               | <u>-</u>          | 8        |
| 9        | Total Plant In Service                | <u>\$ 8,040,000</u>                            | <u>\$ 10,523,000</u> | <u>\$ (2,483,000)</u> | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ -</u>       | 9        |

Note: (1) Budgeted retirements are not available. Gains and losses are not recognized upon the normal disposition of fixed assets, and retirements do not factor into the determination of depreciation expense. Since the Company calculated depreciation expense based on net plant over remaining life, retirements do not impact the calculation. For these reasons, Respondent did not attempt to prepare reasonable estimates of budgeted retirements for the periods reflected on this Schedule.

North Shore Gas Company

Actual Gross Additions and Retirements  
Compared to Original Budget

| Historical Fiscal Year Ended December 31, 2008 |                                       |                      |                     |                     |                       |                       |                   | Line<br>No. |
|--|---------------------------------------|----------------------|---------------------|---------------------|-----------------------|-----------------------|-------------------|-------------|
| Line<br>No.                                    | Plant Function<br>[A]                 | Gross Additions      |                     |                     | Retirements           |                       |                   |             |
|  |                                       | Actual<br>[B]        | Budget<br>[C]       | Difference<br>[D]   | Actual<br>[E]         | Budget<br>[F]         | Difference<br>[G] |             |
| 1  | Distribution                          | \$ 9,519,000         | \$ 8,284,000        | \$ 1,235,000        | \$ (1,427,000)        | \$ (1,497,000)        | \$ 70,000         | 1           |
| 2  | Underground Storage                   | -                    | -                   | -                   | -                     | -                     | -                 | 2           |
| 3  | Transmission - Not Leased             | -                    | -                   | -                   | -                     | -                     | -                 | 3           |
| 4  | General                               | 846,000              | 908,000             | (62,000)            | (424,000)             | (382,000)             | (42,000)          | 4           |
| 5  | Intangible                            | -                    | -                   | -                   | -                     | -                     | -                 | 5           |
| 6  | Production                            | 463,000              | 261,000             | 202,000             | -                     | -                     | -                 | 6           |
| 7  | Total Account 101                     | 10,828,000           | 9,453,000           | 1,375,000           | (1,851,000)           | (1,879,000)           | 28,000            | 7           |
| 8  | Recoverable Natural Gas (Account 117) | -                    | -                   | -                   | -                     | -                     | -                 | 8           |
| 9  | Total Plant In Service                | <u>\$ 10,828,000</u> | <u>\$ 9,453,000</u> | <u>\$ 1,375,000</u> | <u>\$ (1,851,000)</u> | <u>\$ (1,879,000)</u> | <u>\$ 28,000</u>  | 9           |

North Shore Gas Company

Actual Gross Additions and Retirements  
Compared to Original Budget

| Line No. | Plant Function<br>[A]                 | Historical Year Ended December 31, 2009 |                     |                     |                       |                       |                   | Line No. |
|----------|---------------------------------------|---|---------------------|---------------------|-----------------------|-----------------------|-------------------|----------|
|          |                                       | Gross Additions                         |                     |                     | Retirements           |                       |                   |          |
|          |                                       | Actual<br>[B]                           | Budget (1)<br>[C]   | Difference<br>[D]   | Actual<br>[E]         | Budget (1)<br>[F]     | Difference<br>[G] |          |
| 1        | Distribution                          | \$ 12,273,000                           | \$ 8,283,000        | \$ 3,990,000        | \$ (2,459,000)        | \$ (2,475,000)        | \$ 16,000         | 1        |
| 2        | Underground Storage                   | -                                       | -                   | -                   | -                     | -                     | -                 | 2        |
| 3        | Transmission - Not Leased             | 687,000                                 | 30,000              | 657,000             | -                     | -                     | -                 | 3        |
| 4        | General                               | 1,191,000                               | 1,154,000           | 37,000              | (768,000)             | (1,450,000)           | 682,000           | 4        |
| 5        | Intangible                            | -                                       | -                   | -                   | -                     | -                     | -                 | 5        |
| 6        | Production                            | 339,000                                 | 160,000             | 179,000             | (250,000)             | -                     | (250,000)         | 6        |
| 7        | Total Account 101                     | 14,490,000                              | 9,627,000           | 4,863,000           | (3,477,000)           | (3,925,000)           | 448,000           | 7        |
| 8        | Recoverable Natural Gas (Account 117) | -                                       | -                   | -                   | -                     | -                     | -                 | 8        |
| 9        | Total Plant In Service                | <u>\$ 14,490,000</u>                    | <u>\$ 9,627,000</u> | <u>\$ 4,863,000</u> | <u>\$ (3,477,000)</u> | <u>\$ (3,925,000)</u> | <u>\$ 448,000</u> | 9        |

Note: (1) For 2009, the budget column represents a revised budget that was used for management purposes due to the economic downturn. The revised budget was addressed in Docket Nos. 09-0166/0167 (Cons.).

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

| Line No. | Account Number and Description<br>[A]                               | Historical Year Ended September 30, 2007 (1) |                  |                  |                   | Line No. |
|----------|---|--|------------------|------------------|-------------------|----------|
|          |   | Actual<br>[B]                                | Budget<br>[C]    | Variance<br>[D]  | % Variance<br>[E] |          |
| 1        | <b>Production</b>   |  |                  |                  |                   | 1        |
| 2        | Operation   |  |                  |                  |                   | 2        |
| 3        | 710.00 Operation Supervision and Engineering                        | \$ -   | \$ 18,000        | \$ (18,000)      | -100.00%          | 3        |
| 4        | 717.00 Liquefied Petroleum Gas Expenses                             | 14,000                                       | 8,000            | 6,000            | 75.00%            | 4        |
| 5        | 735.00 Miscellaneous Production Expenses                            | 4,000  | 2,000            | 2,000            | 100.00%           | 5        |
| 6        | Total Operation   | 18,000                                       | 28,000           | (10,000)         | -35.71%           | 6        |
| 7        | Maintenance   |  |                  |                  |                   | 7        |
| 8        | 740.00 Maintenance Supervision and Engineering                      | -  | 15,000           | (15,000)         | -100.00%          | 8        |
| 9        | 741.00 Maintenance of Structures and Improvements                   | -  | 1,000            | (1,000)          | -100.00%          | 9        |
| 10       | 742.00 Maintenance of Production Equipment                          | 32,000                                       | 46,000           | (14,000)         | -30.43%           | 10       |
| 11       | Total Maintenance   | 32,000                                       | 62,000           | (30,000)         | -48.39%           | 11       |
| 12       | <b>Total Production</b>   | <b>50,000</b>                                | <b>90,000</b>    | <b>(40,000)</b>  | <b>-44.44%</b>    | 12       |
| 13       | <b>Transmission</b>   |  |                  |                  |                   | 13       |
| 14       | Operation   |  |                  |                  |                   | 14       |
| 15       | 856.00 Mains Expenses   | 84,000                                       | 249,000          | (165,000)        | -66.27%           | 15       |
| 16       | <b>Total Transmission</b>   | <b>84,000</b>                                | <b>249,000</b>   | <b>(165,000)</b> | <b>-66.27%</b>    | 16       |
| 17       | <b>Distribution</b>   |  |                  |                  |                   | 17       |
| 18       | Operation   |  |                  |                  |                   | 18       |
| 19       | 870.00 Operation Supervision and Engineering                        | 224,000                                      | 145,000          | 79,000           | 54.48%            | 19       |
| 20       | 871.00 Distribution Load Dispatching                                | 6,000  | -                | 6,000            | -                 | 20       |
| 21       | 874.00 Mains and Services Expenses                                  | 468,000                                      | 510,000          | (42,000)         | -8.24%            | 21       |
| 22       | 875.00 Measuring and Regulating Station Expense - General           | 10,000                                       | 17,000           | (7,000)          | -41.18%           | 22       |
| 23       | 878.00 Meter and House Regulator Expenses                           | 460,000                                      | 374,000          | 86,000           | 22.99%            | 23       |
| 24       | 879.00 Customer Installations Expenses                              | 40,000                                       | 32,000           | 8,000            | 25.00%            | 24       |
| 25       | 880.00 Other Expenses   | 1,224,000                                    | 640,000          | 584,000          | 91.25%            | 25       |
| 26       | 881.00 Rents  | 20,000                                       | -                | 20,000           | -                 | 26       |
| 27       | Total Operation   | 2,452,000                                    | 1,718,000        | 734,000          | 42.72%            | 27       |
| 28       | Maintenance   |  |                  |                  |                   | 28       |
| 29       | 885.00 Maintenance Supervision and Engineering                      | 361,000                                      | 363,000          | (2,000)          | -0.55%            | 29       |
| 30       | 886.00 Maintenance of Structures and Improvements                   | 6,000  | -                | 6,000            | -                 | 30       |
| 31       | 887.00 Maintenance of Mains   | 305,000                                      | 221,000          | 84,000           | 38.01%            | 31       |
| 32       | 889.00 Maintenance of Measuring and Regulating Station - General    | (8,000)                                      | 14,000           | (22,000)         | -157.14%          | 32       |
| 33       | 890.00 Maintenance of Measuring and Regulating Station - Industrial | 2,000  | 5,000            | (3,000)          | -60.00%           | 33       |
| 34       | 891.00 Maintenance of Measuring and Regulating Station - City Gate  | 52,000                                       | 18,000           | 34,000           | 188.89%           | 34       |
| 35       | 892.00 Maintenance of Services                                      | 117,000                                      | 133,000          | (16,000)         | -12.03%           | 35       |
| 36       | 893.00 Maintenance of Meters and House Regulators                   | 257,000                                      | 165,000          | 92,000           | 55.76%            | 36       |
| 37       | 894.00 Maintenance of Other Equipment                               | 1,000  | -                | 1,000            | -                 | 37       |
| 38       | Total Maintenance   | 1,093,000                                    | 919,000          | 174,000          | 18.93%            | 38       |
| 39       | <b>Total Distribution</b>   | <b>3,545,000</b>                             | <b>2,637,000</b> | <b>908,000</b>   | <b>34.43%</b>     | 39       |

Note: (1) Calendar year data by O&M ICC account was not available for 2007 Budget so all 2007 is based on Historical Fiscal Year Ended September 30.

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

| Line No. | Account Number and Description<br>[A]                    | Historical Year Ended September 30, 2007 (1) |                      |                   |                   | Line No. |
|----------|--|--|----------------------|-------------------|-------------------|----------|
|          |  | Actual<br>[B]                                | Budget<br>[C]        | Variance<br>[D]   | % Variance<br>[E] |          |
| 1        | <b>Customer Accounts</b>                                 |  |                      |                   |                   | 1        |
| 2        | 902.00 Meter Reading Expenses                            | \$ 165,000                                   | \$ 269,000           | \$ (104,000)      | -38.66%           | 2        |
| 3        | 903.00 Customer Records and Collection Expenses          | 4,320,000                                    | 4,680,000            | (360,000)         | -7.69%            | 3        |
| 4        | 904.00 Uncollectible Accounts                            | 1,574,000                                    | 1,961,000            | (387,000)         | -19.73%           | 4        |
| 5        | <b>Total Customer Accounts</b>                           | <b>6,059,000</b>                             | <b>6,910,000</b>     | <b>(851,000)</b>  | <b>-12.32%</b>    | 5        |
| 6        | <b>Customer Service and Informational Expenses</b>       |  |                      |                   |                   | 6        |
| 7        | 909.00 Information and Instructional Advertising Expense | 47,000                                       | 112,000              | (65,000)          | -58.04%           | 7        |
| 8        | <b>Total Customer Service and Informational Expenses</b> | <b>47,000</b>                                | <b>112,000</b>       | <b>(65,000)</b>   | <b>-58.04%</b>    | 8        |
| 9        | <b>Sales</b>   |  |                      |                   |                   | 9        |
| 10       | 912.00 Demonstrating and Selling Expenses                | 5,000  | 6,000                | (1,000)           | -16.67%           | 10       |
| 11       | <b>Total Sales</b>                                       | <b>5,000</b>                                 | <b>6,000</b>         | <b>(1,000)</b>    | <b>-16.67%</b>    | 11       |
| 12       | <b>Administrative and General</b>                        |  |                      |                   |                   | 12       |
| 13       | Operation  |  |                      |                   |                   | 13       |
| 14       | 920.00 Administrative and General Salaries               | (8,000)                                      | 25,000               | (33,000)          | -132.00%          | 14       |
| 15       | 921.00 Office Supplies and Expense                       | 152,000                                      | 40,000               | 112,000           | 280.00%           | 15       |
| 16       | 923.00 Outside Services Employed                         | 10,495,000                                   | 11,549,000           | (1,054,000)       | -9.13%            | 16       |
| 17       | 924.00 Property Insurance                                | 34,000                                       | 51,000               | (17,000)          | -33.33%           | 17       |
| 18       | 925.00 Injuries and Damages                              | 1,636,000                                    | 1,106,000            | 530,000           | 47.92%            | 18       |
| 19       | 926.00 Employee Pensions and Benefits                    | 5,375,000                                    | 4,853,000            | 522,000           | 10.76%            | 19       |
| 20       | 927.00 Franchise Requirements                            | 1,548,000                                    | 1,439,000            | 109,000           | 7.57%             | 20       |
| 21       | 929.00 Duplicate Charges - Credit                        | (332,000)                                    | -                    | (332,000)         | -                 | 21       |
| 22       | 930.10 General Advertising Expenses                      | 5,000  | -                    | 5,000             | -                 | 22       |
| 23       | 930.20 Miscellaneous General Expenses                    | 3,757,000                                    | 2,757,000            | 1,000,000         | 36.27%            | 23       |
| 24       | <b>Total Operation</b>                                   | <b>22,662,000</b>                            | <b>21,820,000</b>    | <b>837,000</b>    | <b>3.84%</b>      | 24       |
| 25       | Maintenance  |  |                      |                   |                   | 25       |
| 26       | 932.00 Maintenance of General Plant                      | 231,000                                      | 322,000              | (91,000)          | -28.26%           | 26       |
| 27       | <b>Total Maintenance</b>                                 | <b>231,000</b>                               | <b>322,000</b>       | <b>(91,000)</b>   | <b>-28.26%</b>    | 27       |
| 28       | <b>Total Administrative and General</b>                  | <b>22,893,000</b>                            | <b>22,142,000</b>    | <b>746,000</b>    | <b>3.37%</b>      | 28       |
| 29       | <b>Total Operation and Maintenance Non-Payroll</b>       | <b>\$ 32,683,000</b>                         | <b>\$ 32,146,000</b> | <b>\$ 532,000</b> | <b>1.65%</b>      | 29       |

Note: (1) Calendar year data by O&M ICC account was not available for 2007 Budget so all 2007 is based on Historical Fiscal Year Ended September 30.

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

| Line No. | Account Number and Description<br>[A]                               | Historical Year Ended December 31, 2008 |                  |                    |                   | Line No. |
|----------|---|---|------------------|--------------------|-------------------|----------|
|          |   | Actual<br>[B]                           | Budget<br>[C]    | Variance<br>[D]    | % Variance<br>[E] |          |
| 1        | <b>Production</b>   |   |                  |                    |                   | 1        |
| 2        | Operation   |   |                  |                    |                   | 2        |
| 3        | 710.00 Operation Supervision and Engineering                        | \$ -                                    | \$ 12,000        | \$ (12,000)        | -100.00%          | 3        |
| 4        | 717.00 Liquefied Petroleum Gas Expenses                             | 17,000                                  | 6,000            | 11,000             | 183.33%           | 4        |
| 5        | 735.00 Miscellaneous Production Expenses                            | 43,000                                  | 1,000            | 42,000             | 4200.00%          | 5        |
| 6        | Total Operation   | 60,000                                  | 19,000           | 41,000             | 215.79%           | 6        |
| 7        | Maintenance   |   |                  |                    |                   | 7        |
| 8        | 740.00 Maintenance Supervision and Engineering                      | 24,000                                  | 9,000            | 15,000             | 166.67%           | 8        |
| 9        | 741.00 Maintenance of Structures and Improvements                   | 17,000                                  | 1,000            | 16,000             | 1600.00%          | 9        |
| 10       | 742.00 Maintenance of Production Equipment                          | 18,000                                  | 28,000           | (10,000)           | -35.71%           | 10       |
| 11       | Total Maintenance   | 59,000                                  | 38,000           | 21,000             | 55.26%            | 11       |
| 12       | <b>Total Production</b>   | <b>119,000</b>                          | <b>57,000</b>    | <b>62,000</b>      | <b>108.77%</b>    | 12       |
| 13       | <b>Underground Storage</b>  |   |                  |                    |                   | 13       |
| 14       | Operation   |   |                  |                    |                   | 14       |
| 15       | 814.00 Operation Supervision and Engineering                        | -                                       | 6,000            | (6,000)            | -100.00%          | 15       |
| 16       | 824.00 Other Expense  | 30,000                                  | -                | 30,000             | -                 | 16       |
| 17       | <b>Total Underground Storage</b>                                    | <b>30,000</b>                           | <b>6,000</b>     | <b>24,000</b>      | <b>400.00%</b>    | 17       |
| 18       | <b>Transmission</b>   |   |                  |                    |                   | 18       |
| 19       | Operation   |   |                  |                    |                   | 19       |
| 20       | 856.00 Mains Expenses   | 74,000                                  | 546,000          | (472,000)          | -86.45%           | 20       |
| 21       | <b>Total Transmission</b>   | <b>74,000</b>                           | <b>546,000</b>   | <b>(472,000)</b>   | <b>-86.45%</b>    | 21       |
| 22       | <b>Distribution</b>   |   |                  |                    |                   | 22       |
| 23       | Operation   |   |                  |                    |                   | 23       |
| 24       | 870.00 Operation Supervision and Engineering                        | (363,000)                               | 1,319,000        | (1,682,000)        | -127.52%          | 24       |
| 25       | 871.00 Distribution Load Dispatching                                | 40,000                                  | -                | 40,000             | -                 | 25       |
| 26       | 874.00 Mains and Services Expenses                                  | 505,000                                 | 547,000          | (42,000)           | -7.68%            | 26       |
| 27       | 875.00 Measuring and Regulating Station Expense - General           | -                                       | 18,000           | (18,000)           | -100.00%          | 27       |
| 28       | 878.00 Meter and House Regulator Expenses                           | 381,000                                 | 401,000          | (20,000)           | -4.99%            | 28       |
| 29       | 879.00 Customer Installations Expenses                              | 73,000                                  | 35,000           | 38,000             | 108.57%           | 29       |
| 30       | 880.00 Other Expenses   | 2,107,000                               | 2,496,000        | (389,000)          | -15.58%           | 30       |
| 31       | 881.00 Rents  | 28,000                                  | -                | 28,000             | -                 | 31       |
| 32       | Total Operation   | 2,771,000                               | 4,816,000        | (2,045,000)        | -42.46%           | 32       |
| 33       | Maintenance   |   |                  |                    |                   | 33       |
| 34       | 885.00 Maintenance Supervision and Engineering                      | 242,000                                 | 424,000          | (182,000)          | -42.92%           | 34       |
| 35       | 886.00 Maintenance of Structures and Improvements                   | 14,000                                  | -                | 14,000             | -                 | 35       |
| 36       | 887.00 Maintenance of Mains   | 385,000                                 | 258,000          | 127,000            | 49.22%            | 36       |
| 37       | 889.00 Maintenance of Measuring and Regulating Station - General    | 14,000                                  | 16,000           | (2,000)            | -12.50%           | 37       |
| 38       | 890.00 Maintenance of Measuring and Regulating Station - Industrial | 3,000                                   | 5,000            | (2,000)            | -40.00%           | 38       |
| 39       | 891.00 Maintenance of Measuring and Regulating Station - City Gate  | 111,000                                 | 21,000           | 90,000             | 428.57%           | 39       |
| 40       | 892.00 Maintenance of Services                                      | 263,000                                 | 156,000          | 107,000            | 68.59%            | 40       |
| 41       | 893.00 Maintenance of Meters and House Regulators                   | 45,000                                  | 193,000          | (148,000)          | -76.68%           | 41       |
| 42       | Total Maintenance   | 1,077,000                               | 1,073,000        | 4,000              | 0.37%             | 42       |
| 43       | <b>Total Distribution</b>   | <b>3,848,000</b>                        | <b>5,889,000</b> | <b>(2,041,000)</b> | <b>-34.66%</b>    | 43       |

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

| Line No. | Account Number and Description<br>[A]                           | Historical Year Ended December 31, 2008 |                      |                       |                   | Line No. |
|----------|---|---|----------------------|-----------------------|-------------------|----------|
|          |   | Actual<br>[B]                           | Budget<br>[C]        | Variance<br>[D]       | % Variance<br>[E] |          |
| 1        | <b>Customer Accounts</b>  |   |                      |                       |                   | 1        |
| 2        | 901.00 Customer Accounts Supervision                            | \$ 606,000                              | \$ 293,000           | \$ 313,000            | 106.83%           | 2        |
| 3        | 902.00 Meter Reading Expenses                                   | 47,000                                  | 86,000               | (39,000)              | -45.35%           | 3        |
| 4        | 903.00 Customer Records and Collection Expenses                 | 4,844,000                               | 4,310,000            | 534,000               | 12.39%            | 4        |
| 5        | 904.00 Uncollectible Accounts                                   | 2,279,000                               | 1,883,000            | 396,000               | 21.03%            | 5        |
| 6        | 905.00 Miscellaneous Customer Accounts Expenses                 | 1,343,000                               | 284,000              | 1,059,000             | 372.89%           | 6        |
| 7        | <b>Total Customer Accounts</b>                                  | <b>9,119,000</b>                        | <b>6,856,000</b>     | <b>2,263,000</b>      | <b>33.01%</b>     | 7        |
| 8        | <b>Customer Service and Informational Expenses</b>              |   |                      |                       |                   | 8        |
| 9        | 907.00 Customer Service Supervision                             | 178,000                                 | 216,000              | (38,000)              | -17.59%           | 9        |
| 10       | 908.00 Customer Assistance Expenses                             | 171,000                                 | 320,000              | (149,000)             | -46.56%           | 10       |
| 11       | 909.00 Information and Instructional Advertising Expense        | 235,000                                 | 348,000              | (113,000)             | -32.47%           | 11       |
| 12       | 910.00 Miscellaneous Customer Service and Informational Expense | (7,000)                                 | -                    | (7,000)               | -                 | 12       |
| 13       | <b>Total Customer Service and Informational Expenses</b>        | <b>577,000</b>                          | <b>884,000</b>       | <b>(307,000)</b>      | <b>-34.73%</b>    | 13       |
| 14       | <b>Sales</b>  |   |                      |                       |                   | 14       |
| 15       | 912.00 Demonstrating and Selling Expenses                       | -                                       | 3,000                | (3,000)               | -100.00%          | 15       |
| 16       | <b>Total Sales</b>  | <b>-</b>                                | <b>3,000</b>         | <b>(3,000)</b>        | <b>-100.00%</b>   | 16       |
| 17       | <b>Administrative and General</b>                               |   |                      |                       |                   | 17       |
| 18       | Operation   |   |                      |                       |                   | 18       |
| 19       | 920.00 Administrative and General Salaries                      | 5,343,000                               | 3,892,000            | 1,451,000             | 37.28%            | 19       |
| 20       | 921.00 Office Supplies and Expense                              | 2,027,000                               | 6,619,000            | (4,592,000)           | -69.38%           | 20       |
| 21       | 923.00 Outside Services Employed                                | 1,458,000                               | 254,000              | 1,204,000             | 474.02%           | 21       |
| 22       | 924.00 Property Insurance                                       | 33,000                                  | 29,000               | 4,000                 | 13.79%            | 22       |
| 23       | 925.00 Injuries and Damages                                     | 929,000                                 | 1,339,000            | (410,000)             | -30.62%           | 23       |
| 24       | 926.00 Employee Pensions and Benefits                           | 6,515,000                               | 8,165,000            | (1,650,000)           | -20.21%           | 24       |
| 25       | 927.00 Franchise Requirements                                   | 1,888,000                               | -                    | 1,888,000             | -                 | 25       |
| 26       | 928.00 Regulatory Commission Expenses                           | 381,000                                 | -                    | 381,000               | -                 | 26       |
| 27       | 929.00 Duplicate Charges - Credit                               | (337,000)                               | -                    | (337,000)             | -                 | 27       |
| 28       | 930.10 General Advertising Expenses                             | 11,000                                  | 3,000                | 8,000                 | 266.67%           | 28       |
| 29       | 930.20 Miscellaneous General Expenses                           | 7,968,000                               | 7,566,000            | 402,000               | 5.31%             | 29       |
| 30       | 931.00 Rents  | 602,000                                 | 1,880,000            | (1,278,000)           | -67.98%           | 30       |
| 31       | <b>Total Operation</b>  | <b>26,818,000</b>                       | <b>29,747,000</b>    | <b>(2,929,000)</b>    | <b>-9.85%</b>     | 31       |
| 32       | Maintenance   |   |                      |                       |                   | 32       |
| 33       | 932.00 Maintenance of General Plant                             | 1,000                                   | -                    | 1,000                 | -                 | 33       |
| 34       | <b>Total Maintenance</b>  | <b>1,000</b>                            | <b>-</b>             | <b>1,000</b>          | <b>-</b>          | 34       |
| 35       | <b>Total Administrative and General</b>                         | <b>26,819,000</b>                       | <b>29,747,000</b>    | <b>(2,928,000)</b>    | <b>-9.84%</b>     | 35       |
| 36       | <b>Total Operation and Maintenance Non-Payroll</b>              | <b>\$ 40,586,000</b>                    | <b>\$ 43,988,000</b> | <b>\$ (3,402,000)</b> | <b>-7.73%</b>     | 36       |

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

| Line No. | Account Number and Description<br>[A] | Historical Year Ended December 31, 2009                      |                   |                  |                   | Line No.        |    |
|----------|---------------------------------------|--|-------------------|------------------|-------------------|-----------------|----|
|          |                                       | Actual<br>[B]  | Budget (1)<br>[C] | Variance<br>[D]  | % Variance<br>[E] |                 |    |
| 1        | <b>Production</b>                     |  |                   |                  |                   | 1               |    |
| 2        | Operation                             |  |                   |                  |                   | 2               |    |
| 3        | 710.00                                | Operation Supervision and Engineering                        | \$ 33,000         | \$ -             | \$ 33,000         | -               | 3  |
| 4        | 717.00                                | Liquefied Petroleum Gas Expenses                             | 9,000             | -                | 9,000             | -               | 4  |
| 5        | 735.00                                | Miscellaneous Production Expenses                            | 28,000            | -                | 28,000            | -               | 5  |
| 6        |                                       | Total Operation  | 70,000            | -                | 70,000            | -               | 6  |
| 7        | Maintenance                           |  |                   |                  |                   | 7               |    |
| 8        | 740.00                                | Maintenance Supervision and Engineering                      | 101,000           | -                | 101,000           | -               | 8  |
| 9        | 741.00                                | Maintenance of Structures and Improvements                   | 30,000            | 12,000           | 18,000            | 150.00%         | 9  |
| 10       | 742.00                                | Maintenance of Production Equipment                          | 10,000            | 24,000           | (14,000)          | -58.33%         | 10 |
| 11       |                                       | Total Maintenance  | 141,000           | 36,000           | 105,000           | 291.67%         | 11 |
| 12       |                                       | <b>Total Production</b>                                      | <b>211,000</b>    | <b>36,000</b>    | <b>175,000</b>    | <b>486.11%</b>  | 12 |
| 13       | <b>Underground Storage</b>            |  |                   |                  |                   |                 | 13 |
| 14       | Operation                             |  |                   |                  |                   | 14              |    |
| 15       | 814.00                                | Operation Supervision and Engineering                        | -                 | 6,000            | (6,000)           | -100.00%        | 15 |
| 16       |                                       | <b>Total Underground Storage</b>                             | <b>-</b>          | <b>6,000</b>     | <b>(6,000)</b>    | <b>-100.00%</b> | 16 |
| 17       | <b>Transmission</b>                   |  |                   |                  |                   |                 | 17 |
| 18       | Operation                             |  |                   |                  |                   | 18              |    |
| 19       | 856.00                                | Mains Expenses   | 83,000            | 375,000          | (292,000)         | -77.87%         | 19 |
| 20       |                                       | <b>Total Transmission</b>                                    | <b>83,000</b>     | <b>375,000</b>   | <b>(292,000)</b>  | <b>-77.87%</b>  | 20 |
| 21       | <b>Distribution</b>                   |  |                   |                  |                   |                 | 21 |
| 22       | Operation                             |  |                   |                  |                   | 22              |    |
| 23       | 870.00                                | Operation Supervision and Engineering                        | 387,000           | 642,000          | (255,000)         | -39.72%         | 23 |
| 24       | 871.00                                | Distribution Load Dispatching                                | 29,000            | 215,000          | (186,000)         | -86.51%         | 24 |
| 25       | 874.00                                | Mains and Services Expenses                                  | 578,000           | 1,582,000        | (1,004,000)       | -63.46%         | 25 |
| 26       | 878.00                                | Meter and House Regulator Expenses                           | 924,000           | 96,000           | 828,000           | 862.50%         | 26 |
| 27       | 879.00                                | Customer Installations Expenses                              | 371,000           | (36,000)         | 407,000           | -1130.56%       | 27 |
| 28       | 880.00                                | Other Expenses   | 554,000           | 535,000          | 19,000            | 3.55%           | 28 |
| 29       | 881.00                                | Rents  | 10,000            | 12,000           | (2,000)           | -16.67%         | 29 |
| 30       |                                       | Total Operation  | 2,853,000         | 3,046,000        | (193,000)         | -6.34%          | 30 |
| 31       | Maintenance                           |  |                   |                  |                   | 31              |    |
| 32       | 885.00                                | Maintenance Supervision and Engineering                      | 204,000           | 27,000           | 177,000           | 655.56%         | 32 |
| 33       | 886.00                                | Maintenance of Structures and Improvements                   | 9,000             | -                | 9,000             | -               | 33 |
| 34       | 887.00                                | Maintenance of Mains   | 503,000           | 974,000          | (471,000)         | -48.36%         | 34 |
| 35       | 889.00                                | Maintenance of Measuring and Regulating Station - General    | 2,000             | -                | 2,000             | -               | 35 |
| 36       | 890.00                                | Maintenance of Measuring and Regulating Station - Industrial | 1,000             | -                | 1,000             | -               | 36 |
| 37       | 891.00                                | Maintenance of Measuring and Regulating Station - City Gate  | 86,000            | 12,000           | 74,000            | 616.67%         | 37 |
| 38       | 892.00                                | Maintenance of Services                                      | 890,000           | 108,000          | 782,000           | 724.07%         | 38 |
| 39       | 893.00                                | Maintenance of Meters and House Regulators                   | 39,000            | 9,000            | 30,000            | 333.33%         | 39 |
| 40       |                                       | Total Maintenance  | 1,734,000         | 1,130,000        | 604,000           | 53.45%          | 40 |
| 41       |                                       | <b>Total Distribution</b>                                    | <b>4,587,000</b>  | <b>4,176,000</b> | <b>411,000</b>    | <b>9.84%</b>    | 41 |

Note: (1) For 2009, the budget column represents a revised budget that was used for management purposes due to the economic downturn. The revised budget was addressed in Docket Nos. 09-0166/0167 (Cons.).

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

| Line No. | Account Number and Description<br>[A]                    | Historical Year Ended December 31, 2009 |                      |                     |                   | Line No. |
|----------|--|---|----------------------|---------------------|-------------------|----------|
|          |  | Actual<br>[B]                           | Budget (1)<br>[C]    | Variance<br>[D]     | % Variance<br>[E] |          |
| 1        | <b>Customer Accounts</b>                                 |   |                      |                     |                   | 1        |
| 2        | 901.00 Customer Accounts Supervision                     | \$ 639,000                              | \$ 187,000           | \$ 452,000          | 241.71%           | 2        |
| 3        | 902.00 Meter Reading Expenses                            | 33,000                                  | (339,000)            | 372,000             | -109.73%          | 3        |
| 4        | 903.00 Customer Records and Collection Expenses          | 4,315,000                               | 4,878,000            | (563,000)           | -11.54%           | 4        |
| 5        | 904.00 Uncollectible Accounts                            | 1,936,000                               | 1,848,000            | 88,000              | 4.76%             | 5        |
| 6        | 905.00 Miscellaneous Customer Accounts Expenses          | 701,000                                 | 248,000              | 453,000             | 182.66%           | 6        |
| 7        | <b>Total Customer Accounts</b>                           | <b>7,624,000</b>                        | <b>6,822,000</b>     | <b>802,000</b>      | <b>11.76%</b>     | 7        |
| 8        | <b>Customer Service and Informational Expenses</b>       |   |                      |                     |                   | 8        |
| 9        | 907.00 Customer Service Supervision                      | 144,000                                 | 161,000              | (17,000)            | -10.56%           | 9        |
| 10       | 908.00 Customer Assistance Expenses                      | 207,000                                 | 236,000              | (29,000)            | -12.29%           | 10       |
| 11       | 909.00 Information and Instructional Advertising Expense | 257,000                                 | 297,000              | (40,000)            | -13.47%           | 11       |
| 12       | <b>Total Customer Service and Informational Expenses</b> | <b>608,000</b>                          | <b>694,000</b>       | <b>(86,000)</b>     | <b>-12.39%</b>    | 12       |
| 13       | <b>Administrative and General</b>                        |   |                      |                     |                   | 13       |
| 14       | Operation  |   |                      |                     |                   | 14       |
| 15       | 920.00 Administrative and General Salaries               | 5,618,000                               | 4,184,000            | 1,434,000           | 34.27%            | 15       |
| 16       | 921.00 Office Supplies and Expense                       | 1,475,000                               | 5,815,000            | (4,340,000)         | -74.63%           | 16       |
| 17       | 922.00 Administrative Expenses Transferred - Credit      | -                                       | (1,330,000)          | 1,330,000           | -100.00%          | 17       |
| 18       | 923.00 Outside Services Employed                         | 1,179,000                               | 354,000              | 825,000             | 233.05%           | 18       |
| 19       | 924.00 Property Insurance                                | 34,000                                  | 31,000               | 3,000               | 9.68%             | 19       |
| 20       | 925.00 Injuries and Damages                              | 2,068,000                               | 1,099,000            | 969,000             | 88.17%            | 20       |
| 21       | 926.00 Employee Pensions and Benefits                    | 7,201,000                               | 7,480,000            | (279,000)           | -3.73%            | 21       |
| 22       | 927.00 Franchise Requirements                            | 1,421,000                               | -                    | 1,421,000           | -                 | 22       |
| 23       | 928.00 Regulatory Commission Expenses                    | 434,000                                 | 434,000              | -                   | 0.00%             | 23       |
| 24       | 929.00 Duplicate Charges - Credit                        | (463,000)                               | -                    | (463,000)           | -                 | 24       |
| 25       | 930.10 General Advertising Expenses                      | 12,000                                  | 2,000                | 10,000              | 500.00%           | 25       |
| 26       | 930.20 Miscellaneous General Expenses                    | 9,893,000                               | 10,078,000           | (185,000)           | -1.84%            | 26       |
| 27       | 931.00 Rents   | 793,000                                 | 1,002,000            | (209,000)           | -20.86%           | 27       |
| 28       | <b>Total Operation</b>                                   | <b>29,665,000</b>                       | <b>29,149,000</b>    | <b>516,000</b>      | <b>1.77%</b>      | 28       |
| 29       | Maintenance  |   |                      |                     |                   | 29       |
| 30       | 932.00 Maintenance of General Plant                      | 3,000                                   | -                    | 3,000               | -                 | 30       |
| 31       | <b>Total Maintenance</b>                                 | <b>3,000</b>                            | <b>-</b>             | <b>3,000</b>        | <b>-</b>          | 31       |
| 32       | <b>Total Administrative and General</b>                  | <b>29,668,000</b>                       | <b>29,149,000</b>    | <b>519,000</b>      | <b>1.78%</b>      | 32       |
| 33       | <b>Total Operation and Maintenance Non-Payroll</b>       | <b>\$ 42,781,000</b>                    | <b>\$ 41,258,000</b> | <b>\$ 1,523,000</b> | <b>3.69%</b>      | 33       |

Note: (1) For 2009, the budget column represents a revised budget that was used for management purposes due to the economic downturn. The revised budget was addressed in Docket Nos. 09-0166/0167 (Cons.).

North Shore Gas Company

Budgeted Payroll Expense

Historical Year Ended September 30, 2007 (1)

| Line No. | Account Number and Description<br>[A]                               | Actual<br>[B]       | Budget<br>[C]       | Variance<br>[D]  | % Variance<br>[E] | Line No. |
|----------|---|---------------------|---------------------|------------------|-------------------|----------|
| 1        | <b>Production</b>   |                     |                     |                  |                   | 1        |
| 2        | Operation   |                     |                     |                  |                   | 2        |
| 3        | 710.00 Operation Supervision and Engineering                        | \$ 34,000           | \$ 40,000           | \$ (6,000)       | -15.00%           | 3        |
| 4        | 717.00 Liquefied Petroleum Gas Expenses                             | 6,000               | 19,000              | (13,000)         | -68.42%           | 4        |
| 5        | 735.00 Miscellaneous Production Expenses                            | 18,000              | 4,000               | 14,000           | 350.00%           | 5        |
| 6        | 807.50 Other Purchased Gas Expense                                  | -                   | 1,000               | (1,000)          | -100.00%          | 6        |
| 7        | Total Operation   | 58,000              | 64,000              | (6,000)          | -9.38%            | 7        |
| 8        | Maintenance   |                     |                     |                  |                   | 8        |
| 9        | 740.00 Maintenance Supervision and Engineering                      | 34,000              | 14,000              | 20,000           | 142.86%           | 9        |
| 10       | 741.00 Maintenance of Structures and Improvements                   | 1,000               | 1,000               | -                | 0.00%             | 10       |
| 11       | 742.00 Maintenance of Production Equipment                          | 33,000              | 45,000              | (12,000)         | -26.67%           | 11       |
| 12       | Total Maintenance   | 68,000              | 60,000              | 8,000            | 13.33%            | 12       |
| 13       | <b>Total Production</b>   | <b>126,000</b>      | <b>124,000</b>      | <b>2,000</b>     | <b>1.61%</b>      | 13       |
| 14       | <b>Transmission</b>   |                     |                     |                  |                   | 14       |
| 15       | Operation   |                     |                     |                  |                   | 15       |
| 16       | 856.00 Mains Expenses   | 4,000               | 64,000              | (60,000)         | -93.75%           | 16       |
| 17       | <b>Total Transmission</b>   | <b>4,000</b>        | <b>64,000</b>       | <b>(60,000)</b>  | <b>-93.75%</b>    | 17       |
| 18       | <b>Distribution</b>   |                     |                     |                  |                   | 18       |
| 19       | Operation   |                     |                     |                  |                   | 19       |
| 20       | 870.00 Operation Supervision and Engineering                        | 334,000             | 292,000             | 42,000           | 14.38%            | 20       |
| 21       | 874.00 Mains and Services Expenses                                  | 829,000             | 1,031,000           | (202,000)        | -19.59%           | 21       |
| 22       | 875.00 Measuring and Regulating Station Expense - General           | 22,000              | 35,000              | (13,000)         | -37.14%           | 22       |
| 23       | 878.00 Meter and House Regulator Expenses                           | 925,000             | 756,000             | 169,000          | 22.35%            | 23       |
| 24       | 879.00 Customer Installations Expenses                              | 352,000             | 65,000              | 287,000          | 441.54%           | 24       |
| 25       | 880.00 Other Expenses   | 807,000             | 1,258,000           | (451,000)        | -35.85%           | 25       |
| 26       | Total Operation   | 3,269,000           | 3,437,000           | (168,000)        | -4.89%            | 26       |
| 27       | Maintenance   |                     |                     |                  |                   | 27       |
| 28       | 885.00 Maintenance Supervision and Engineering                      | 836,000             | 670,000             | 166,000          | 24.78%            | 28       |
| 29       | 886.00 Maintenance of Structures and Improvements                   | 13,000              | -                   | 13,000           | -                 | 29       |
| 30       | 887.00 Maintenance of Mains   | 369,000             | 407,000             | (38,000)         | -9.34%            | 30       |
| 31       | 889.00 Maintenance of Measuring and Regulating Station - General    | 26,000              | 25,000              | 1,000            | 4.00%             | 31       |
| 32       | 890.00 Maintenance of Measuring and Regulating Station - Industrial | 5,000               | 9,000               | (4,000)          | -44.44%           | 32       |
| 33       | 891.00 Maintenance of Measuring and Regulating Station - City Gate  | 1,000               | 34,000              | (33,000)         | -97.06%           | 33       |
| 34       | 892.00 Maintenance of Services                                      | 232,000             | 246,000             | (14,000)         | -5.69%            | 34       |
| 35       | 893.00 Maintenance of Meters and House Regulators                   | 414,000             | 305,000             | 109,000          | 35.74%            | 35       |
| 36       | 894.00 Maintenance of Other Equipment                               | 2,000               | -                   | 2,000            | -                 | 36       |
| 37       | Total Maintenance   | 1,898,000           | 1,696,000           | 202,000          | 11.91%            | 37       |
| 38       | <b>Total Distribution</b>   | <b>5,167,000</b>    | <b>5,133,000</b>    | <b>34,000</b>    | <b>0.66%</b>      | 38       |
| 39       | <b>Customer Accounts</b>  |                     |                     |                  |                   | 39       |
| 40       | 902.00 Meter Reading Expenses                                       | \$ 427,000          | \$ 578,000          | \$ (151,000)     | -26.12%           | 40       |
| 41       | 903.00 Customer Records and Collection Expenses                     | 1,233,000           | 1,006,000           | 227,000          | 22.56%            | 41       |
| 42       | <b>Total Customer Accounts</b>                                      | <b>1,660,000</b>    | <b>1,584,000</b>    | <b>76,000</b>    | <b>4.80%</b>      | 42       |
| 43       | <b>Administrative and General</b>                                   |                     |                     |                  |                   | 43       |
| 44       | Operation   |                     |                     |                  |                   | 44       |
| 45       | 920.00 Administrative and General Salaries                          | 58,000              | 79,000              | (21,000)         | -26.58%           | 45       |
| 46       | Total Operation   | 58,000              | 79,000              | (21,000)         | -26.58%           | 46       |
| 47       | Maintenance   |                     |                     |                  |                   | 47       |
| 48       | 932.00 Maintenance of General Plant                                 | 37,000              | 32,000              | 5,000            | 15.63%            | 48       |
| 49       | Total Maintenance   | 37,000              | 32,000              | 5,000            | 15.63%            | 49       |
| 50       | <b>Total Administrative and General</b>                             | <b>95,000</b>       | <b>111,000</b>      | <b>(16,000)</b>  | <b>-14.41%</b>    | 50       |
| 51       | <b>Total Operation and Maintenance Payroll</b>                      | <b>\$ 7,052,000</b> | <b>\$ 7,016,000</b> | <b>\$ 36,000</b> | <b>0.51%</b>      | 51       |

Note: (1) Calendar year data by O&M ICC account was not available for 2007 Budget Year so all 2007 is based on Historical Fiscal Year Ended September 30.

North Shore Gas Company

Budgeted Payroll Expense

| Line No. | Account Number and Description<br>[A]                               | Historical Year Ended December 31, 2008 |                     |                     |                   | Line No. |
|----------|---|---|---------------------|---------------------|-------------------|----------|
|          |   | Actual<br>[F]                           | Budget<br>[G]       | Variance<br>[H]     | % Variance<br>[I] |          |
| 1        | <b>Production</b>   |   |                     |                     |                   | 1        |
| 2        | Operation   |   |                     |                     |                   | 2        |
| 3        | 710.00 Operation Supervision and Engineering                        | \$ 32,000                               | \$ 34,000           | \$ (2,000)          | -5.88%            | 3        |
| 4        | 717.00 Liquefied Petroleum Gas Expenses                             | 4,000                                   | 16,000              | (12,000)            | -75.00%           | 4        |
| 5        | 735.00 Miscellaneous Production Expenses                            | 58,000                                  | 4,000               | 54,000              | 1350.00%          | 5        |
| 6        | Total Operation   | 94,000                                  | 54,000              | 40,000              | 74.07%            | 6        |
| 7        | Maintenance   |   |                     |                     |                   | 7        |
| 8        | 740.00 Maintenance Supervision and Engineering                      | 78,000                                  | 16,000              | 62,000              | 387.50%           | 8        |
| 9        | 741.00 Maintenance of Structures and Improvements                   | 10,000                                  | 1,000               | 9,000               | 900.00%           | 9        |
| 10       | 742.00 Maintenance of Production Equipment                          | 26,000                                  | 49,000              | (23,000)            | -46.94%           | 10       |
| 11       | Total Maintenance   | 114,000                                 | 66,000              | 48,000              | 72.73%            | 11       |
| 12       | <b>Total Production</b>   | <b>208,000</b>                          | <b>120,000</b>      | <b>88,000</b>       | <b>73.33%</b>     | 12       |
| 13       | <b>Transmission</b>   |   |                     |                     |                   | 13       |
| 14       | Operation   |   |                     |                     |                   | 14       |
| 15       | 856.00 Mains Expenses   | 1,000                                   | -                   | 1,000               | -                 | 15       |
| 16       | <b>Total Transmission</b>   | <b>1,000</b>                            | <b>-</b>            | <b>1,000</b>        | <b>-</b>          | 16       |
| 17       | <b>Distribution</b>   |   |                     |                     |                   | 17       |
| 18       | Operation   |   |                     |                     |                   | 18       |
| 19       | 870.00 Operation Supervision and Engineering                        | 934,000                                 | 325,000             | 609,000             | 187.38%           | 19       |
| 20       | 871.00 Distribution Load Dispatching                                | 40,000                                  | -                   | 40,000              | -                 | 20       |
| 21       | 874.00 Mains and Services Expenses                                  | 973,000                                 | 1,146,000           | (173,000)           | -15.10%           | 21       |
| 22       | 875.00 Measuring and Regulating Station Expense - General           | -                                       | 38,000              | (38,000)            | -100.00%          | 22       |
| 23       | 878.00 Meter and House Regulator Expenses                           | 750,000                                 | 841,000             | (91,000)            | -10.82%           | 23       |
| 24       | 879.00 Customer Installations Expenses                              | 396,000                                 | 73,000              | 323,000             | 442.47%           | 24       |
| 25       | 880.00 Other Expenses   | 2,049,000                               | 1,399,000           | 650,000             | 46.46%            | 25       |
| 26       | Total Operation   | 5,142,000                               | 3,822,000           | 1,320,000           | 34.54%            | 26       |
| 27       | Maintenance   |   |                     |                     |                   | 27       |
| 28       | 885.00 Maintenance Supervision and Engineering                      | 945,000                                 | 748,000             | 197,000             | 26.34%            | 28       |
| 29       | 886.00 Maintenance of Structures and Improvements                   | 24,000                                  | -                   | 24,000              | -                 | 29       |
| 30       | 887.00 Maintenance of Mains   | 486,000                                 | 455,000             | 31,000              | 6.81%             | 30       |
| 31       | 889.00 Maintenance of Measuring and Regulating Station - General    | 2,000                                   | 28,000              | (26,000)            | -92.86%           | 31       |
| 32       | 890.00 Maintenance of Measuring and Regulating Station - Industrial | 13,000                                  | 9,000               | 4,000               | 44.44%            | 32       |
| 33       | 891.00 Maintenance of Measuring and Regulating Station - City Gate  | 6,000                                   | 38,000              | (32,000)            | -84.21%           | 33       |
| 34       | 892.00 Maintenance of Services                                      | 583,000                                 | 275,000             | 308,000             | 112.00%           | 34       |
| 35       | 893.00 Maintenance of Meters and House Regulators                   | -                                       | 341,000             | (341,000)           | -100.00%          | 35       |
| 36       | Total Maintenance   | 2,059,000                               | 1,894,000           | 165,000             | 8.71%             | 36       |
| 37       | <b>Total Distribution</b>   | <b>7,201,000</b>                        | <b>5,716,000</b>    | <b>1,485,000</b>    | <b>25.98%</b>     | 37       |
| 38       | <b>Customer Accounts</b>  |   |                     |                     |                   | 38       |
| 39       | 902.00 Meter Reading Expenses                                       | \$ 548,000                              | \$ 238,000          | \$ 310,000          | 130.25%           | 39       |
| 40       | 903.00 Customer Records and Collection Expenses                     | 183,000                                 | 413,000             | (230,000)           | -55.69%           | 40       |
| 41       | <b>Total Customer Accounts</b>                                      | <b>731,000</b>                          | <b>651,000</b>      | <b>80,000</b>       | <b>12.29%</b>     | 41       |
| 42       | <b>Administrative and General</b>                                   |   |                     |                     |                   | 42       |
| 43       | Operation   |   |                     |                     |                   | 43       |
| 44       | 920.00 Administrative and General Salaries                          | 16,000                                  | -                   | 16,000              | -                 | 44       |
| 45       | 926.00 Employee Pensions and Benefits                               | (398,000)                               | -                   | (398,000)           | -                 | 45       |
| 46       | 930.20 Miscellaneous General Expenses                               | -                                       | 47,000              | (47,000)            | -100.00%          | 46       |
| 47       | <b>Total Administrative and General</b>                             | <b>(382,000)</b>                        | <b>47,000</b>       | <b>(429,000)</b>    | <b>-912.77%</b>   | 47       |
| 48       | <b>Total Operation and Maintenance Payroll</b>                      | <b>\$ 7,759,000</b>                     | <b>\$ 6,534,000</b> | <b>\$ 1,225,000</b> | <b>18.75%</b>     | 48       |

North Shore Gas Company

Budgeted Payroll Expense

| Line No. | Account Number and Description<br>[A] | Historical Year Ended December 31, 2009                      |                     |                     |                     | Test Year Ending<br>December 31, 2012<br>[F] | Line No.            |    |
|----------|---------------------------------------|--|---------------------|---------------------|---------------------|--|---------------------|----|
|          |                                       | Actual<br>[B]  | Budget (1)<br>[C]   | Variance<br>[D]     | % Variance<br>[E]   |  |                     |    |
| 1        | <b>Production</b>                     |  |                     |                     |                     |  | 1                   |    |
| 2        | Operation                             |  |                     |                     |                     |  | 2                   |    |
| 3        | 710.00                                | Operation Supervision and Engineering                        | \$ -                | \$ 40,000           | \$ (40,000)         | -100.00%                                     | \$ 43,000           | 3  |
| 4        | 717.00                                | Liquefied Petroleum Gas Expenses                             | -                   | 10,000              | (10,000)            | -100.00%                                     | -                   | 4  |
| 5        | 735.00                                | Miscellaneous Production Expenses                            | 51,000              | 77,000              | (26,000)            | -33.77%                                      | 42,000              | 5  |
| 6        |                                       | Total Operation  | 51,000              | 127,000             | (76,000)            | -59.84%                                      | 85,000              | 6  |
| 7        | Maintenance                           |  |                     |                     |                     |  | 7                   |    |
| 8        | 740.00                                | Maintenance Supervision and Engineering                      | -                   | 88,000              | (88,000)            | -100.00%                                     | 86,000              | 8  |
| 9        | 741.00                                | Maintenance of Structures and Improvements                   | -                   | 1,000               | (1,000)             | -100.00%                                     | -                   | 9  |
| 10       | 742.00                                | Maintenance of Production Equipment                          | 19,000              | 51,000              | (32,000)            | -62.75%                                      | 44,000              | 10 |
| 11       |                                       | Total Maintenance  | 19,000              | 140,000             | (121,000)           | -86.43%                                      | 130,000             | 11 |
| 12       |                                       | <b>Total Production</b>                                      | <b>70,000</b>       | <b>267,000</b>      | <b>(197,000)</b>    | <b>-73.78%</b>                               | <b>215,000</b>      | 12 |
| 13       | <b>Transmission</b>                   |  |                     |                     |                     |  |                     | 13 |
| 14       | Operation                             |  |                     |                     |                     |  |                     | 14 |
| 15       | 856.00                                | Mains Expenses   | 10,000              | -                   | 10,000              | -  | -                   | 15 |
| 16       |                                       | <b>Total Transmission</b>                                    | <b>10,000</b>       | <b>-</b>            | <b>10,000</b>       | <b>-</b>                                     | <b>-</b>            | 16 |
| 17       | <b>Distribution</b>                   |  |                     |                     |                     |  |                     | 17 |
| 18       | Operation                             |  |                     |                     |                     |  |                     | 18 |
| 19       | 870.00                                | Operation Supervision and Engineering                        | 278,000             | 186,000             | 92,000              | 49.46%                                       | 69,000              | 19 |
| 20       | 871.00                                | Distribution Load Dispatching                                | 41,000              | 42,000              | (1,000)             | -2.38%                                       | 41,000              | 20 |
| 21       | 874.00                                | Mains and Services Expenses                                  | 1,048,000           | 817,000             | 231,000             | 28.27%                                       | 934,000             | 21 |
| 22       | 878.00                                | Meter and House Regulator Expenses                           | 864,000             | 803,000             | 61,000              | 7.60%  | 899,000             | 22 |
| 23       | 879.00                                | Customer Installations Expenses                              | 304,000             | 275,000             | 29,000              | 10.55%                                       | 292,000             | 23 |
| 24       | 880.00                                | Other Expenses   | 1,822,000           | 2,659,000           | (837,000)           | -31.48%                                      | 2,642,000           | 24 |
| 25       |                                       | Total Operation  | 4,357,000           | 4,782,000           | (425,000)           | -8.89%                                       | 4,877,000           | 25 |
| 26       | Maintenance                           |  |                     |                     |                     |  |                     | 26 |
| 27       | 885.00                                | Maintenance Supervision and Engineering                      | 951,000             | 1,030,000           | (79,000)            | -7.67%                                       | 213,000             | 27 |
| 28       | 886.00                                | Maintenance of Structures and Improvements                   | 7,000               | 19,000              | (12,000)            | -63.16%                                      | 68,000              | 28 |
| 29       | 887.00                                | Maintenance of Mains   | 570,000             | 494,000             | 76,000              | 15.38%                                       | 625,000             | 29 |
| 30       | 890.00                                | Maintenance of Measuring and Regulating Station - Industrial | 5,000               | -                   | 5,000               | -  | -                   | 30 |
| 31       | 891.00                                | Maintenance of Measuring and Regulating Station - City Gate  | 12,000              | -                   | 12,000              | -  | 14,000              | 31 |
| 32       | 892.00                                | Maintenance of Services                                      | 904,000             | 409,000             | 495,000             | 121.03%                                      | 598,000             | 32 |
| 33       |                                       | Total Maintenance  | 2,449,000           | 1,952,000           | 497,000             | 25.46%                                       | 1,518,000           | 33 |
| 34       |                                       | <b>Total Distribution</b>                                    | <b>6,806,000</b>    | <b>6,734,000</b>    | <b>72,000</b>       | <b>1.07%</b>                                 | <b>6,395,000</b>    | 34 |
| 35       | <b>Customer Accounts</b>              |  |                     |                     |                     |  |                     | 35 |
| 36       | 902.00                                | Meter Reading Expenses                                       | \$ 535,000          | \$ 578,000          | \$ (43,000)         | -7.44%                                       | \$ 472,000          | 36 |
| 37       | 903.00                                | Customer Records and Collection Expenses                     | 225,000             | 92,000              | 133,000             | 144.57%                                      | 108,000             | 37 |
| 38       |                                       | <b>Total Customer Accounts</b>                               | <b>760,000</b>      | <b>670,000</b>      | <b>90,000</b>       | <b>13.43%</b>                                | <b>580,000</b>      | 38 |
| 39       | <b>Administrative and General</b>     |  |                     |                     |                     |  |                     | 39 |
| 40       | Operation                             |  |                     |                     |                     |  |                     | 40 |
| 41       | 920.00                                | Administrative and General Salaries                          | 23,000              | -                   | 23,000              | -  | -                   | 41 |
| 42       | 926.00                                | Employee Pensions and Benefits                               | (109,000)           | -                   | (109,000)           | -  | -                   | 42 |
| 43       |                                       | <b>Total Administrative and General</b>                      | <b>(86,000)</b>     | <b>-</b>            | <b>(86,000)</b>     | <b>-</b>                                     | <b>-</b>            | 43 |
| 44       |                                       | <b>Total Operation and Maintenance Payroll</b>               | <b>\$ 7,560,000</b> | <b>\$ 7,671,000</b> | <b>\$ (111,000)</b> | <b>-1.45%</b>                                | <b>\$ 7,190,000</b> | 44 |

Note: (1) For 2009, the budget column represents a revised budget that was used for management purposes due to the economic downturn. The revised budget was addressed in Docket Nos. 09-0166/0167 (Cons.).



North Shore Gas Company

Budgeted Number of Employees

Historical Year Ended December 31, 2009 (1)

| Line No. | Department<br>[A]                          | January Budget<br>[B] | February Budget<br>[C] | March Budget<br>[D] | April Budget<br>[E] | May Budget<br>[F] | June Budget<br>[G] | July Budget<br>[H] | August Budget<br>[I] | September Budget<br>[J] | October Budget<br>[K] | November Budget<br>[L] | December Budget<br>[M] | Line No. |
|----------|--|-----------------------|------------------------|---------------------|---------------------|-------------------|--------------------|--------------------|----------------------|-------------------------|-----------------------|------------------------|------------------------|----------|
| 1        | <b>Operations</b>                          |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 1        |
| 2        | B25 Meter Reading                          |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 2        |
| 3        | Full Time Employees (a)                    | 10                    | 10                     | 10                  | 10                  | 10                | 10                 | 10                 | 10                   | 10                      | 10                    | 10                     | 10                     | 3        |
| 4        | Part Time Employees                        | 0                     | 0                      | 0                   | 0                   | 0                 | 0                  | 0                  | 0                    | 0                       | 0                     | 0                      | 0                      | 4        |
| 5        | Full Time Equivalents for PT Employees (b) | 0.00                  | 0.00                   | 0.00                | 0.00                | 0.00              | 0.00               | 0.00               | 0.00                 | 0.00                    | 0.00                  | 0.00                   | 0.00                   | 5        |
| 6        | Total Full Time Equivalents (a)+(b)        | 10.00                 | 10.00                  | 10.00               | 10.00               | 10.00             | 10.00              | 10.00              | 10.00                | 10.00                   | 10.00                 | 10.00                  | 10.00                  | 6        |
| 7        | B53 Production Department                  |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 7        |
| 8        | Full Time Employees (a)                    | 3                     | 3                      | 3                   | 3                   | 3                 | 3                  | 3                  | 3                    | 3                       | 3                     | 3                      | 3                      | 8        |
| 9        | Part Time Employees                        | 0                     | 0                      | 0                   | 0                   | 0                 | 0                  | 0                  | 0                    | 0                       | 0                     | 0                      | 0                      | 9        |
| 10       | Full Time Equivalents for PT Employees (b) | 0.00                  | 0.00                   | 0.00                | 0.00                | 0.00              | 0.00               | 0.00               | 0.00                 | 0.00                    | 0.00                  | 0.00                   | 0.00                   | 10       |
| 11       | Total Full Time Equivalents (a)+(b)        | 3.00                  | 3.00                   | 3.00                | 3.00                | 3.00              | 3.00               | 3.00               | 3.00                 | 3.00                    | 3.00                  | 3.00                   | 3.00                   | 11       |
| 12       | B80 North Shore Operations                 |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 12       |
| 13       | Full Time Employees (a)                    | 147                   | 147                    | 147                 | 147                 | 147               | 147                | 147                | 147                  | 147                     | 147                   | 147                    | 147                    | 13       |
| 14       | Part Time Employees                        | 1                     | 1                      | 1                   | 1                   | 1                 | 1                  | 1                  | 1                    | 1                       | 1                     | 1                      | 1                      | 14       |
| 15       | Full Time Equivalents for PT Employees (b) | 0.68                  | 0.68                   | 0.68                | 0.68                | 0.68              | 0.68               | 0.68               | 0.68                 | 0.68                    | 0.68                  | 0.68                   | 0.68                   | 15       |
| 16       | Total Full Time Equivalents (a)+(b)        | 147.68                | 147.68                 | 147.68              | 147.68              | 147.68            | 147.68             | 147.68             | 147.68               | 147.68                  | 147.68                | 147.68                 | 147.68                 | 16       |
| 17       | Total Operations                           |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 17       |
| 18       | Full Time Employees (a)                    | 160                   | 160                    | 160                 | 160                 | 160               | 160                | 160                | 160                  | 160                     | 160                   | 160                    | 160                    | 18       |
| 19       | Part Time Employees                        | 1                     | 1                      | 1                   | 1                   | 1                 | 1                  | 1                  | 1                    | 1                       | 1                     | 1                      | 1                      | 19       |
| 20       | Full Time Equivalents for PT Employees (b) | 0.68                  | 0.68                   | 0.68                | 0.68                | 0.68              | 0.68               | 0.68               | 0.68                 | 0.68                    | 0.68                  | 0.68                   | 0.68                   | 20       |
| 21       | Total Full Time Equivalents (a)+(b)        | 160.68                | 160.68                 | 160.68              | 160.68              | 160.68            | 160.68             | 160.68             | 160.68               | 160.68                  | 160.68                | 160.68                 | 160.68                 | 21       |
| 22       | <b>Materials and Stores</b>                |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 22       |
| 23       | B02 Materials and Equipment                |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 23       |
| 24       | Full Time Employees (a)                    | 7                     | 7                      | 7                   | 7                   | 7                 | 7                  | 7                  | 7                    | 7                       | 7                     | 7                      | 7                      | 24       |
| 25       | Part Time Employees                        | 0                     | 0                      | 0                   | 0                   | 0                 | 0                  | 0                  | 0                    | 0                       | 0                     | 0                      | 0                      | 25       |
| 26       | Full Time Equivalents for PT Employees (b) | 0.00                  | 0.00                   | 0.00                | 0.00                | 0.00              | 0.00               | 0.00               | 0.00                 | 0.00                    | 0.00                  | 0.00                   | 0.00                   | 26       |
| 27       | Total Full Time Equivalents (a)+(b)        | 7.00                  | 7.00                   | 7.00                | 7.00                | 7.00              | 7.00               | 7.00               | 7.00                 | 7.00                    | 7.00                  | 7.00                   | 7.00                   | 27       |
| 28       | B03 Stores                                 |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 28       |
| 29       | Full Time Employees (a)                    | 3                     | 3                      | 3                   | 3                   | 3                 | 3                  | 3                  | 3                    | 3                       | 3                     | 3                      | 3                      | 29       |
| 30       | Part Time Employees                        | 0                     | 0                      | 0                   | 0                   | 0                 | 0                  | 0                  | 0                    | 0                       | 0                     | 0                      | 0                      | 30       |
| 31       | Full Time Equivalents for PT Employees (b) | 0.00                  | 0.00                   | 0.00                | 0.00                | 0.00              | 0.00               | 0.00               | 0.00                 | 0.00                    | 0.00                  | 0.00                   | 0.00                   | 31       |
| 32       | Total Full Time Equivalents (a)+(b)        | 3.00                  | 3.00                   | 3.00                | 3.00                | 3.00              | 3.00               | 3.00               | 3.00                 | 3.00                    | 3.00                  | 3.00                   | 3.00                   | 32       |
| 33       | Total Material and Stores                  |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 33       |
| 34       | Full Time Employees (a)                    | 10                    | 10                     | 10                  | 10                  | 10                | 10                 | 10                 | 10                   | 10                      | 10                    | 10                     | 10                     | 34       |
| 35       | Part Time Employees                        | 0                     | 0                      | 0                   | 0                   | 0                 | 0                  | 0                  | 0                    | 0                       | 0                     | 0                      | 0                      | 35       |
| 36       | Full Time Equivalents for PT Employees (b) | 0.00                  | 0.00                   | 0.00                | 0.00                | 0.00              | 0.00               | 0.00               | 0.00                 | 0.00                    | 0.00                  | 0.00                   | 0.00                   | 36       |
| 37       | Total Full Time Equivalents (a)+(b)        | 10.00                 | 10.00                  | 10.00               | 10.00               | 10.00             | 10.00              | 10.00              | 10.00                | 10.00                   | 10.00                 | 10.00                  | 10.00                  | 37       |
| 38       | <b>Total North Shore Gas Company</b>       |                       |                        |                     |                     |                   |                    |                    |                      |                         |                       |                        |                        | 38       |
| 39       | Full Time Employees (a)                    | 170.00                | 170.00                 | 170.00              | 170.00              | 170.00            | 170.00             | 170.00             | 170.00               | 170.00                  | 170.00                | 170.00                 | 170.00                 | 39       |
| 40       | Part Time Employees                        | 1.00                  | 1.00                   | 1.00                | 1.00                | 1.00              | 1.00               | 1.00               | 1.00                 | 1.00                    | 1.00                  | 1.00                   | 1.00                   | 40       |
| 41       | Full Time Equivalents for PT Employees (b) | 0.68                  | 0.68                   | 0.68                | 0.68                | 0.68              | 0.68               | 0.68               | 0.68                 | 0.68                    | 0.68                  | 0.68                   | 0.68                   | 41       |
| 42       | Total Full Time Equivalents (a)+(b)        | 170.68                | 170.68                 | 170.68              | 170.68              | 170.68            | 170.68             | 170.68             | 170.68               | 170.68                  | 170.68                | 170.68                 | 170.68                 | 42       |

Note: (1) For 2009, the budget column represents a revised budget that was used for management purposes due to the economic downturn. The revised budget was addressed in Docket Nos. 09-0166/0167 (Cons.).





North Shore Gas Company

Budgeted Number of Employees

Historical Year Ended December 31, 2007

| Line No. | Department                                 | January Budget | February Budget | March Budget | April Budget | May Budget | June Budget | July Budget | August Budget | September Budget | October Budget | November Budget | December Budget | Line No. |
|----------|--|----------------|-----------------|--------------|--------------|------------|-------------|-------------|---------------|------------------|----------------|-----------------|-----------------|----------|
|          | [A]  | [B]            | [C]             | [D]          | [E]          | [F]        | [G]         | [H]         | [I]           | [J]              | [K]            | [L]             | [M]             |          |
| 1        | Total Field Support                        |                |                 |              |              |            |             |             |               |                  |                |                 |                 | 1        |
| 2        | Full Time Employees (a)                    | 20             | 20              | 20           | 20           | 20         | 20          | 20          | 20            | 20               | 19             | 19              | 19              | 2        |
| 3        | Part Time Employees                        | 0              | 0               | 0            | 0            | 0          | 0           | 0           | 0             | 0                | 0              | 0               | 0               | 3        |
| 4        | Full Time Equivalents for PT Employees (b) | 0.00           | 0.00            | 0.00         | 0.00         | 0.00       | 0.00        | 0.00        | 0.00          | 0.00             | 0.00           | 0.00            | 0.00            | 4        |
| 5        | Total Full Time Equivalents (a)+(b)        | 20.00          | 20.00           | 20.00        | 20.00        | 20.00      | 20.00       | 20.00       | 20.00         | 20.00            | 19.00          | 19.00           | 19.00           | 5        |
| 6        | <b>Total North Shore Gas Company</b>       |                |                 |              |              |            |             |             |               |                  |                |                 |                 | 6        |
| 7        | Full Time Employees (a)                    | 202            | 202             | 202          | 202          | 202        | 202         | 202         | 202           | 202              | 204            | 202             | 200             | 7        |
| 8        | Part Time Employees                        | 0              | 0               | 0            | 0            | 0          | 0           | 0           | 0             | 0                | 0              | 0               | 0               | 8        |
| 9        | Full Time Equivalents for PT Employees (b) | 0.00           | 0.00            | 0.00         | 0.00         | 0.00       | 0.00        | 0.00        | 0.00          | 0.00             | 0.00           | 0.00            | 0.00            | 9        |
| 10       | Total Full Time Equivalents (a)+(b)        | 202.00         | 202.00          | 202.00       | 202.00       | 202.00     | 202.00      | 202.00      | 202.00        | 202.00           | 204.00         | 202.00          | 200.00          | 10       |

North Shore Gas Company

Forecasted Property Taxes

| Line No. | County | Current Year Ending December 31, 2010 (1) |                    | Budget Year Ending December 31, 2011 (2) |                    | Test Year Ending December 31, 2012 |                    | Basis for Escalation Rate Used in Test Year   |
|----------|--------|---|--------------------|--|--------------------|------------------------------------|--------------------|---|
|          |        | Equalized Assessed Value                  | Effective Tax Rate | Equalized Assessed Value                 | Effective Tax Rate | Equalized Assessed Value           | Effective Tax Rate |   |
|          | [A]    | [B]                                       | [C]                | [D]                                      | [E]                | [F]                                | [G]                | [H]   |
| 1        | Lake   | \$2,834,105                               | 7.908%             | \$2,834,105                              | 8.082%             | \$2,834,105                        | 8.333%             | The Company assumed an increase in the effective tax rate of 2.2% for 2010, 2011 and 3.1% for 2012. |
| 2        |        |   |                    |  |                    |                                    |                    |   |

3 Description of Methodology Used to Derive Forecasted Amounts Reflected on Schedule C-19 (Property Taxes):

4 The Company used the last known liability paid (2009 in 2010) as the starting point, and estimated the taxes  
 5 based upon the taxes paid using the inflation assumptions of 2.2% in 2010 and 2011 and 3.1% in 2012.

6 Property tax recoveries obtained from any appeals process for 2010, 2009, 2008

|                    | 2010 (1) | 2009  | 2008 |
|--------------------|----------|-------|------|
|                    | [A]      | [B]   | [C]  |
| 7 Amount Recovered | \$0      | \$925 | \$0  |

Notes: (1) Includes six months of actual data and six months of forecasted data.  
 (2) Includes zero months of actual data and twelve months of forecasted data.

**PUBLIC**

North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | December, 2009    |                   |                             |   | Line<br>No. |
|-------------|--|-------------------|-------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]     | Budget (1)<br>[C] | Actual<br>Vs. Budget<br>[D] | Percentage<br>Variation<br>Actual vs. Budget<br>[E] |             |
| 1           | Operating Revenues                           | \$ 30,173,000     | \$ 37,061,000     | \$ (6,888,000)              | (18.6%)   | 1           |
| 2           | Operating Expenses:                          |                   |                   |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 21,957,000        | 29,529,000        | (7,572,000)                 | (25.6%)   | 3           |
| 4           | Other Operation and Maintenance              | 6,923,000         | 4,690,000         | 2,233,000                   | 47.6%   | 4           |
| 5           | Depreciation Expense                         | 509,000           | 544,000           | (35,000)                    | (6.4%)  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                 | -                 | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 277,000           | 282,000           | (5,000)                     | (1.8%)  | 7           |
| 8           | Federal Income Taxes - Current               | (2,121,000)       | 291,000           | (2,412,000)                 | (828.9%)  | 8           |
| 9           | State Income Taxes - Current                 | (345,000)         | 40,000            | (385,000)                   | (962.5%)  | 9           |
| 10          | Deferred Income Taxes                        | 2,559,000         | 244,000           | 2,315,000                   | 948.8%  | 10          |
| 11          | Investment Tax Credit                        | (21,000)          | (1,000)           | (20,000)                    | 2000.0%   | 11          |
| 12          | Total Operating Expenses                     | <u>29,738,000</u> | <u>35,619,000</u> | <u>(5,881,000)</u>          | (16.5%)   | 12          |
| 13          | Operating Income                             | 435,000           | 1,442,000         | (1,007,000)                 | (69.8%)   | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                 | -                 | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 435,000           | 1,442,000         | (1,007,000)                 | (69.8%)   | 15          |
| 16          | Other Income, Net of Income Deductions       | 27,000            | (23,000)          | 50,000                      | (217.4%)  | 16          |
| 17          | Income Before Interest Charges               | 462,000           | 1,419,000         | (957,000)                   | (67.4%)   | 17          |
| 18          | Interest Charges                             | 352,000           | 424,000           | (72,000)                    | (17.0%)   | 18          |
| 19          | Net Income                                   | <u>\$ 110,000</u> | <u>\$ 995,000</u> | <u>\$ (885,000)</u>         | (88.9%)   | 19          |

Note: (1) For 2009, the budget column represents a revised budget that was used for management purposes due to the economic down  
The revised budget was addressed in Docket Nos. 09-0166/0167 (Cons.).

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North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | January, 2010       |                     |                             |   | Line<br>No. |
|-------------|--|---------------------|---------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]       | Budget<br>[C]       | Actual<br>Vs. Budget<br>[D] | Percentage<br>Variation<br>Actual vs. Budget<br>[E] |             |
| 1           | Operating Revenues                           | \$ 37,668,000       | \$ 38,041,000       | \$ (373,000)                | (1.0%)  | 1           |
| 2           | Operating Expenses:                          |                     |                     |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 28,938,000          | 29,365,000          | (427,000)                   | (1.5%)  | 3           |
| 4           | Other Operation and Maintenance              | 5,163,000           | 5,247,000           | (84,000)                    | (1.6%)  | 4           |
| 5           | Depreciation Expense                         | 559,000             | 760,000             | (201,000)                   | (26.4%)   | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                   | -                   | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 307,000             | 275,000             | 32,000                      | 11.6%   | 7           |
| 8           | Federal Income Taxes - Current               | 641,000             | 581,000             | 60,000                      | 10.3%   | 8           |
| 9           | State Income Taxes - Current                 | 128,000             | 75,000              | 53,000                      | 70.7%   | 9           |
| 10          | Deferred Income Taxes                        | 129,000             | 124,000             | 5,000                       | 4.0%  | 10          |
| 11          | Investment Tax Credit                        | (1,000)             | 1,000               | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>35,864,000</u>   | <u>36,428,000</u>   | <u>(564,000)</u>            | (1.5%)  | 12          |
| 13          | Operating Income                             | 1,804,000           | 1,613,000           | 191,000                     | 11.8%   | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                   | -                   | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 1,804,000           | 1,613,000           | 191,000                     | 11.8%   | 15          |
| 16          | Other Income, Net of Income Deductions       | 6,000               | 8,000               | (2,000)                     | (25.0%)   | 16          |
| 17          | Income Before Interest Charges               | 1,810,000           | 1,621,000           | 189,000                     | 11.7%   | 17          |
| 18          | Interest Charges                             | 348,000             | 355,000             | (7,000)                     | (2.0%)  | 18          |
| 19          | Net Income                                   | <u>\$ 1,462,000</u> | <u>\$ 1,266,000</u> | <u>\$ 196,000</u>           | 15.5%   | 19          |

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North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | February, 2010      |                     |                             |   | Line<br>No. |
|-------------|--|---------------------|---------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]       | Budget<br>[C]       | Actual<br>Vs. Budget<br>[D] | Percentage<br>Variation<br>Actual vs. Budget<br>[E] |             |
| 1           | Operating Revenues                           | \$ 32,156,000       | \$ 34,122,000       | \$ (1,966,000)              | (5.8%)  | 1           |
| 2           | Operating Expenses:                          |                     |                     |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 23,638,000          | 25,129,000          | (1,491,000)                 | (5.9%)  | 3           |
| 4           | Other Operation and Maintenance              | 4,758,000           | 4,990,000           | (232,000)                   | (4.6%)  | 4           |
| 5           | Depreciation Expense                         | 769,000             | 762,000             | 7,000                       | 0.9%  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                   | -                   | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 305,000             | 245,000             | 60,000                      | 24.5%   | 7           |
| 8           | Federal Income Taxes - Current               | 662,000             | 780,000             | (118,000)                   | (15.1%)   | 8           |
| 9           | State Income Taxes - Current                 | 133,000             | 104,000             | 29,000                      | 27.9%   | 9           |
| 10          | Deferred Income Taxes                        | 99,000              | 124,000             | (25,000)                    | (20.2%)   | 10          |
| 11          | Investment Tax Credit                        | (1,000)             | 1,000               | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>30,363,000</u>   | <u>32,135,000</u>   | <u>(1,772,000)</u>          | (5.5%)  | 12          |
| 13          | Operating Income                             | 1,793,000           | 1,987,000           | (194,000)                   | (9.8%)  | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                   | -                   | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 1,793,000           | 1,987,000           | (194,000)                   | (9.8%)  | 15          |
| 16          | Other Income, Net of Income Deductions       | 2,000               | 2,000               | -                           | 0.0%  | 16          |
| 17          | Income Before Interest Charges               | 1,795,000           | 1,989,000           | (194,000)                   | (9.8%)  | 17          |
| 18          | Interest Charges                             | 345,000             | 350,000             | (5,000)                     | (1.4%)  | 18          |
| 19          | Net Income                                   | <u>\$ 1,450,000</u> | <u>\$ 1,639,000</u> | <u>\$ (189,000)</u>         | (11.5%)   | 19          |

## North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | March, 2010         |                    |                             | Percentage<br>Variation<br>Actual vs. Budget<br>[E] | Line<br>No. |
|-------------|--|---------------------|--------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]       | Budget<br>[C]      | Actual<br>Vs. Budget<br>[D] |   |             |
| 1           | Operating Revenues                           | \$ 26,070,000       | \$29,116,000       | \$ (3,046,000)              | (10.5%)   | 1           |
| 2           | Operating Expenses:                          |                     |                    |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 17,451,000          | 20,185,000         | (2,734,000)                 | (13.5%)   | 3           |
| 4           | Other Operation and Maintenance              | 5,067,000           | 5,368,000          | (301,000)                   | (5.6%)  | 4           |
| 5           | Depreciation Expense                         | 759,000             | 757,000            | 2,000                       | 0.3%  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                   | -                  | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 334,000             | 289,000            | 45,000                      | 15.6%   | 7           |
| 8           | Federal Income Taxes - Current               | 625,000             | 621,000            | 4,000                       | 0.6%  | 8           |
| 9           | State Income Taxes - Current                 | 124,000             | 81,000             | 43,000                      | 53.1%   | 9           |
| 10          | Deferred Income Taxes                        | 109,000             | 124,000            | (15,000)                    | (12.1%)   | 10          |
| 11          | Investment Tax Credit                        | (1,000)             | 1,000              | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>24,468,000</u>   | <u>27,426,000</u>  | <u>(2,958,000)</u>          | (10.8%)   | 12          |
| 13          | Operating Income                             | 1,602,000           | 1,690,000          | (88,000)                    | (5.2%)  | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                   | -                  | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 1,602,000           | 1,690,000          | (88,000)                    | (5.2%)  | 15          |
| 16          | Other Income, Net of Income Deductions       | 27,000              | 16,000             | 11,000                      | 68.8%   | 16          |
| 17          | Income Before Interest Charges               | 1,629,000           | 1,706,000          | (77,000)                    | (4.5%)  | 17          |
| 18          | Interest Charges                             | 343,000             | 350,000            | (7,000)                     | (2.0%)  | 18          |
| 19          | Net Income                                   | <u>\$ 1,286,000</u> | <u>\$1,356,000</u> | <u>\$ (70,000)</u>          | (5.2%)  | 19          |

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North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | April, 2010         |                   |                             |   | Line<br>No. |
|-------------|--|---------------------|-------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]       | Budget<br>[C]     | Actual<br>Vs. Budget<br>[D] | Percentage<br>Variation<br>Actual vs. Budget<br>[E] |             |
| 1           | Operating Revenues                           | \$ 13,243,000       | \$18,481,000      | \$ (5,238,000)              | (28.3%)   | 1           |
| 2           | Operating Expenses:                          |                     |                   |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 6,096,000           | 11,327,000        | (5,231,000)                 | (46.2%)   | 3           |
| 4           | Other Operation and Maintenance              | 4,233,000           | 4,501,000         | (268,000)                   | (6.0%)  | 4           |
| 5           | Depreciation Expense                         | 770,000             | 770,000           | -                           | 0.0%  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                   | -                 | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 144,000             | 221,000           | (77,000)                    | (34.8%)   | 7           |
| 8           | Federal Income Taxes - Current               | 454,000             | 331,000           | 123,000                     | 37.2%   | 8           |
| 9           | State Income Taxes - Current                 | 85,000              | 40,000            | 45,000                      | 112.5%  | 9           |
| 10          | Deferred Income Taxes                        | 107,000             | 124,000           | (17,000)                    | (13.7%)   | 10          |
| 11          | Investment Tax Credit                        | (1,000)             | 1,000             | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>11,888,000</u>   | <u>17,315,000</u> | <u>(5,427,000)</u>          | <u>(31.3%)</u>                                      | 12          |
| 13          | Operating Income                             | 1,355,000           | 1,166,000         | 189,000                     | 16.2%   | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                   | -                 | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 1,355,000           | 1,166,000         | 189,000                     | 16.2%   | 15          |
| 16          | Other Income, Net of Income Deductions       | 3,000               | 19,000            | (16,000)                    | (84.2%)   | 16          |
| 17          | Income Before Interest Charges               | 1,358,000           | 1,185,000         | 173,000                     | 14.6%   | 17          |
| 18          | Interest Charges                             | 345,000             | 351,000           | (6,000)                     | (1.7%)  | 18          |
| 19          | Net Income                                   | <u>\$ 1,013,000</u> | <u>\$834,000</u>  | <u>\$ 179,000</u>           | 21.5%   | 19          |

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North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | May , 2010        |                   |                             | Percentage<br>Variation<br>Actual vs. Budget<br>[E] | Line<br>No. |
|-------------|--|-------------------|-------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]     | Budget<br>[C]     | Actual<br>Vs. Budget<br>[D] |   |             |
| 1           | Operating Revenues                           | \$ 9,306,000      | \$11,859,000      | \$ (2,553,000)              | (21.5%)   | 1           |
| 2           | Operating Expenses:                          |                   |                   |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 3,378,000         | 5,910,000         | (2,532,000)                 | (42.8%)   | 3           |
| 4           | Other Operation and Maintenance              | 3,958,000         | 3,934,000         | 24,000                      | 0.6%  | 4           |
| 5           | Depreciation Expense                         | 772,000           | 774,000           | (2,000)                     | (0.3%)  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                 | -                 | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 224,000           | 209,000           | 15,000                      | 7.2%  | 7           |
| 8           | Federal Income Taxes - Current               | 131,000           | 117,000           | 14,000                      | 12.0%   | 8           |
| 9           | State Income Taxes - Current                 | 12,000            | 11,000            | 1,000                       | 9.1%  | 9           |
| 10          | Deferred Income Taxes                        | 107,000           | 124,000           | (17,000)                    | (13.7%)   | 10          |
| 11          | Investment Tax Credit                        | (1,000)           | 1,000             | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>8,581,000</u>  | <u>11,080,000</u> | <u>(2,499,000)</u>          | (22.6%)   | 12          |
| 13          | Operating Income                             | 725,000           | 779,000           | (54,000)                    | (6.9%)  | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                 | -                 | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 725,000           | 779,000           | (54,000)                    | (6.9%)  | 15          |
| 16          | Other Income, Net of Income Deductions       | 9,000             | 21,000            | (12,000)                    | (57.1%)   | 16          |
| 17          | Income Before Interest Charges               | 734,000           | 800,000           | (66,000)                    | (8.3%)  | 17          |
| 18          | Interest Charges                             | 354,000           | 349,000           | 5,000                       | 1.4%  | 18          |
| 19          | Net Income                                   | <u>\$ 380,000</u> | <u>\$451,000</u>  | <u>\$ (71,000)</u>          | (15.7%)   | 19          |

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North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | June, 2010        |                    |                             |   | Line<br>No. |
|-------------|--|-------------------|--------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]     | Budget<br>[C]      | Actual<br>Vs. Budget<br>[D] | Percentage<br>Variation<br>Actual vs. Budget<br>[E] |             |
| 1           | Operating Revenues                           | \$ 7,547,000      | \$9,800,000        | \$ (2,253,000)              | (23.0%)   | 1           |
| 2           | Operating Expenses:                          |                   |                    |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 2,339,000         | 4,403,000          | (2,064,000)                 | (46.9%)   | 3           |
| 4           | Other Operation and Maintenance              | 3,548,000         | 4,305,000          | (757,000)                   | (17.6%)   | 4           |
| 5           | Depreciation Expense                         | 763,000           | 767,000            | (4,000)                     | (0.5%)  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                 | -                  | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 237,000           | 212,000            | 25,000                      | 11.8%   | 7           |
| 8           | Federal Income Taxes - Current               | 75,000            | (194,000)          | 269,000                     | (138.7%)  | 8           |
| 9           | State Income Taxes - Current                 | (14,000)          | (33,000)           | 19,000                      | (57.6%)   | 9           |
| 10          | Deferred Income Taxes                        | 16,000            | 124,000            | (108,000)                   | (87.1%)   | 10          |
| 11          | Investment Tax Credit                        | (1,000)           | 1,000              | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>6,963,000</u>  | <u>9,585,000</u>   | <u>(2,622,000)</u>          | (27.4%)   | 12          |
| 13          | Operating Income                             | 584,000           | 215,000            | 369,000                     | 171.6%  | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                 | -                  | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 584,000           | 215,000            | 369,000                     | 171.6%  | 15          |
| 16          | Other Income, Net of Income Deductions       | 8,000             | 21,000             | (13,000)                    | (61.9%)   | 16          |
| 17          | Income Before Interest Charges               | 592,000           | 236,000            | 356,000                     | 150.8%  | 17          |
| 18          | Interest Charges                             | 349,000           | 348,000            | 1,000                       | 0.3%  | 18          |
| 19          | Net Income                                   | <u>\$ 243,000</u> | <u>(\$112,000)</u> | <u>\$ 355,000</u>           | (317.0%)  | 19          |

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North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | July, 2010       |                  |                             |   | Line<br>No. |
|-------------|--|------------------|------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]    | Budget<br>[C]    | Actual<br>Vs. Budget<br>[D] | Percentage<br>Variation<br>Actual vs. Budget<br>[E] |             |
| 1           | Operating Revenues                           | \$ 8,403,000     | \$9,926,000      | \$ (1,523,000)              | (15.3%)   | 1           |
| 2           | Operating Expenses:                          |                  |                  |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 3,198,000        | 4,431,000        | (1,233,000)                 | (27.8%)   | 3           |
| 4           | Other Operation and Maintenance              | 3,861,000        | 3,932,000        | (71,000)                    | (1.8%)  | 4           |
| 5           | Depreciation Expense                         | 773,000          | 779,000          | (6,000)                     | (0.8%)  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                | -                | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 250,000          | 219,000          | 31,000                      | 14.2%   | 7           |
| 8           | Federal Income Taxes - Current               | (101,000)        | (43,000)         | (58,000)                    | 134.9%  | 8           |
| 9           | State Income Taxes - Current                 | (40,000)         | (12,000)         | (28,000)                    | 233.3%  | 9           |
| 10          | Deferred Income Taxes                        | 122,000          | 124,000          | (2,000)                     | (1.6%)  | 10          |
| 11          | Investment Tax Credit                        | (1,000)          | 1,000            | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>8,062,000</u> | <u>9,431,000</u> | <u>(1,369,000)</u>          | <u>(14.5%)</u>                                      | 12          |
| 13          | Operating Income                             | 341,000          | 495,000          | (154,000)                   | (31.1%)   | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                | -                | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 341,000          | 495,000          | (154,000)                   | (31.1%)   | 15          |
| 16          | Other Income, Net of Income Deductions       | <u>28,000</u>    | <u>22,000</u>    | <u>6,000</u>                | <u>27.3%</u>  | 16          |
| 17          | Income Before Interest Charges               | 369,000          | 517,000          | (148,000)                   | (28.6%)   | 17          |
| 18          | Interest Charges                             | <u>349,000</u>   | <u>355,000</u>   | <u>(6,000)</u>              | <u>(1.7%)</u>                                       | 18          |
| 19          | Net Income                                   | <u>\$ 20,000</u> | <u>\$162,000</u> | <u>\$ (142,000)</u>         | <u>(87.7%)</u>                                      | 19          |

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North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | August, 2010     |                  |                             |   | Line<br>No. |
|-------------|--|------------------|------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]    | Budget<br>[C]    | Actual<br>Vs. Budget<br>[D] | Percentage<br>Variation<br>Actual vs. Budget<br>[E] |             |
| 1           | Operating Revenues                           | \$ 7,820,000     | \$9,056,000      | \$ (1,236,000)              | (13.6%)   | 1           |
| 2           | Operating Expenses:                          |                  |                  |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 2,590,000        | 3,813,000        | (1,223,000)                 | (32.1%)   | 3           |
| 4           | Other Operation and Maintenance              | 3,798,000        | 3,931,000        | (133,000)                   | (3.4%)  | 4           |
| 5           | Depreciation Expense                         | 774,000          | 782,000          | (8,000)                     | (1.0%)  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                | -                | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 245,000          | 222,000          | 23,000                      | 10.4%   | 7           |
| 8           | Federal Income Taxes - Current               | (67,000)         | (133,000)        | 66,000                      | (49.6%)   | 8           |
| 9           | State Income Taxes - Current                 | (32,000)         | (25,000)         | (7,000)                     | 28.0%   | 9           |
| 10          | Deferred Income Taxes                        | 115,000          | 125,000          | (10,000)                    | (8.0%)  | 10          |
| 11          | Investment Tax Credit                        | (1,000)          | 1,000            | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>7,422,000</u> | <u>8,716,000</u> | <u>(1,294,000)</u>          | <u>(14.8%)</u>                                      | 12          |
| 13          | Operating Income                             | 398,000          | 340,000          | 58,000                      | 17.1%   | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                | -                | -                           | -   | 14          |
| 15          | Utility Operating Income                     | 398,000          | 340,000          | 58,000                      | 17.1%   | 15          |
| 16          | Other Income, Net of Income Deductions       | 24,000           | 24,000           | -                           | 0.0%  | 16          |
| 17          | Income Before Interest Charges               | 422,000          | 364,000          | 58,000                      | 15.9%   | 17          |
| 18          | Interest Charges                             | 350,000          | 364,000          | (14,000)                    | (3.8%)  | 18          |
| 19          | Net Income                                   | <u>\$ 72,000</u> | <u>-</u>         | <u>\$ 72,000</u>            | <u>-</u>  | 19          |

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North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast

| Line<br>No. | Account<br>[A]                               | September, 2010       |                   |                             |   | Line<br>No. |
|-------------|--|-----------------------|-------------------|-----------------------------|---|-------------|
|             |  | Actual<br>[B]         | Budget<br>[C]     | Actual<br>Vs. Budget<br>[D] | Percentage<br>Variation<br>Actual vs. Budget<br>[E] |             |
| 1           | Operating Revenues                           | \$ 8,424,000          | \$10,169,000      | \$ (1,745,000)              | (17.2%)   | 1           |
| 2           | Operating Expenses:                          |                       |                   |                             | -   | 2           |
| 3           | Cost Of Gas                                  | 3,020,000             | 4,595,000         | (1,575,000)                 | (34.3%)   | 3           |
| 4           | Other Operation and Maintenance              | 5,921,000             | 4,336,000         | 1,585,000                   | 36.6%   | 4           |
| 5           | Depreciation Expense                         | 766,000               | 775,000           | (9,000)                     | (1.2%)  | 5           |
| 6           | Amortization Of Other Limited Term Gas Plant | -                     | -                 | -                           | -   | 6           |
| 7           | Taxes Other Than Income                      | 263,000               | 210,000           | 53,000                      | 25.2%   | 7           |
| 8           | Federal Income Taxes - Current               | (1,571,000)           | (153,000)         | (1,418,000)                 | 926.8%  | 8           |
| 9           | State Income Taxes - Current                 | (139,000)             | (27,000)          | (112,000)                   | 414.8%  | 9           |
| 10          | Deferred Income Taxes                        | 994,000               | 125,000           | 869,000                     | 695.2%  | 10          |
| 11          | Investment Tax Credit                        | (1,000)               | 1,000             | (2,000)                     | (200.0%)  | 11          |
| 12          | Total Operating Expenses                     | <u>9,253,000</u>      | <u>9,862,000</u>  | <u>(609,000)</u>            | (6.2%)  | 12          |
| 13          | Operating Income                             | (829,000)             | 307,000           | (1,136,000)                 | (370.0%)  | 13          |
| 14          | Income From Utility Plant Leased to Others   | -                     | -                 | -                           | -   | 14          |
| 15          | Utility Operating Income                     | (829,000)             | 307,000           | (1,136,000)                 | (370.0%)  | 15          |
| 16          | Other Income, Net of Income Deductions       | <u>32,000</u>         | <u>22,000</u>     | <u>10,000</u>               | 45.5%   | 16          |
| 17          | Income Before Interest Charges               | (797,000)             | 329,000           | (1,126,000)                 | (342.2%)  | 17          |
| 18          | Interest Charges                             | <u>350,000</u>        | <u>365,000</u>    | <u>(15,000)</u>             | (4.1%)  | 18          |
| 19          | Net Income                                   | <u>\$ (1,147,000)</u> | <u>(\$36,000)</u> | <u>\$ (1,111,000)</u>       | 3086.1%   | 19          |

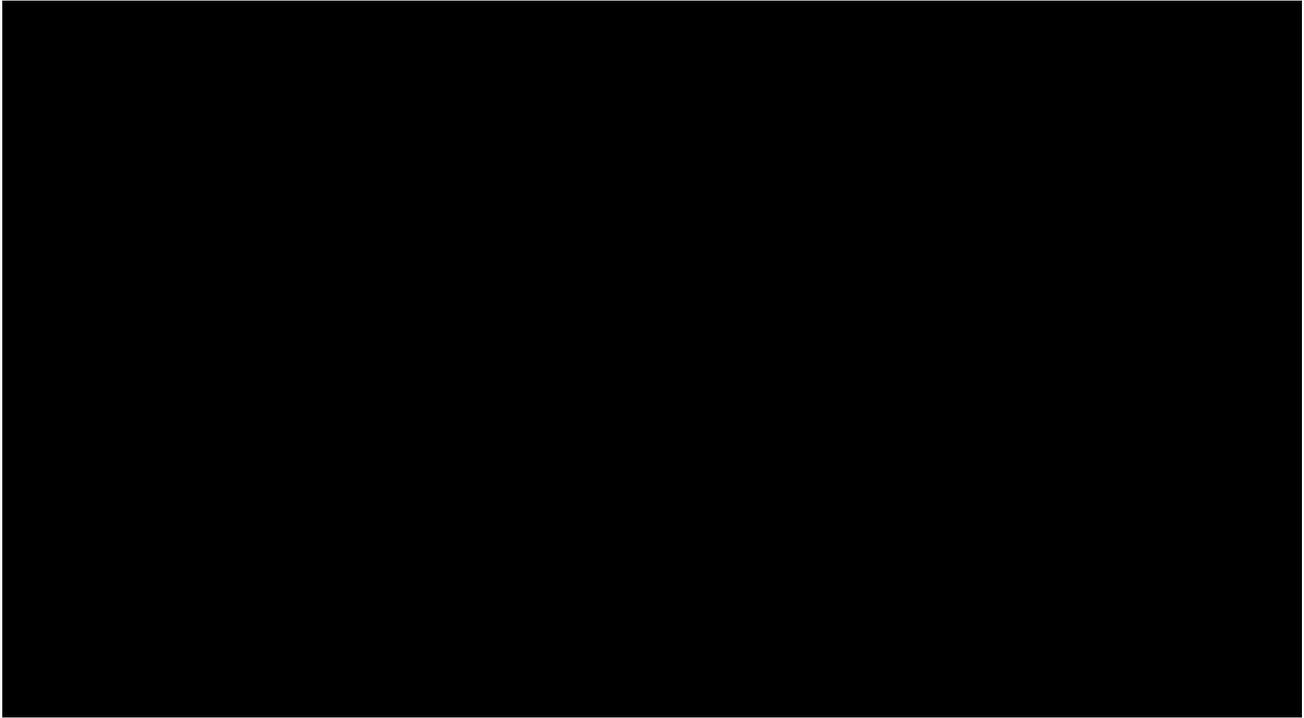
North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast



North Shore Gas Company

Comparison of Actual Financial Results to  
the Originally Approved Forecast



North Shore Gas Company

Income Statement

| Line No. | Description<br>[A]                              | Test Year<br>Ending<br>December 31, 2012<br>[B] | Forecasted Year<br>Ending<br>December 31, 2011 (1)<br>[C] | Forecasted Year<br>Ending<br>December 31, 2010 (2)<br>[D] | Historical Year<br>Ended<br>December 31, 2009<br>(E) | Line No. |
|----------|---|---|---|---|--|----------|
| 1        | OPERATING REVENUES                              | \$ 240,608,000                                  | \$ 232,921,000  | \$ 218,636,000  | \$ 228,210,000                                       | 1        |
| 2        | OPERATING EXPENSES                              |   |   |   |  | 2        |
| 3        | Cost Of Gas                                     | 148,869,000                                     | 142,247,000   | 133,638,000   | 157,949,000  | 3        |
| 4        | Other Operation and Maintenance                 | 62,765,000                                      | 58,502,000  | 53,689,000  | 50,340,000   | 4        |
| 5        | Depreciation Expense                            | 10,102,000                                      | 9,550,000   | 9,040,000   | 6,225,000  | 5        |
| 6        | Amortization Of Other Limited Term Gas Plant    | -   | -   | -   | -  | 6        |
| 7        | Taxes Other Than Income                         | 3,308,000                                       | 2,948,000   | 2,935,000   | 3,081,000  | 7        |
| 8        | Income Taxes                                    |   |   |   |  | 8        |
| 9        | Federal Income Taxes-Current                    | 3,248,000                                       | 4,416,000   | 3,017,000   | (3,320,000)  | 9        |
| 10       | State Income Taxes-Current                      | 584,000   | 505,000   | 690,000   | (539,000)  | 10       |
| 11       | Deferred Income Taxes                           | 381,000   | 1,088,000   | 2,780,000   | 6,139,000  | 11       |
| 12       | Investment Tax Credit                           | 6,000   | (37,000)  | (52,000)  | (36,000)   | 12       |
| 13       | Total Operating Expenses                        | 229,263,000                                     | 219,219,000   | 205,737,000   | 219,839,000  | 13       |
| 14       | OPERATING INCOME                                | 11,345,000                                      | 13,702,000  | 12,899,000  | 8,371,000  | 14       |
| 15       | INCOME FROM GAS PLANT LEASED TO OTHERS          |   |   |   |  | 15       |
| 16       | Revenues From Gas Plant Leased To Others        | -   | -   | -   | -  | 16       |
| 17       | Expenses From Gas Plant Leased To Others        | -   | -   | -   | -  | 17       |
| 18       | Total Income from Gas Plant Leased to Others    | -   | -   | -   | -  | 18       |
| 19       | UTILITY OPERATING INCOME                        | 11,345,000                                      | 13,702,000  | 12,899,000  | 8,371,000  | 19       |
| 20       | OTHER INCOME AND (INCOME DEDUCTIONS)            |   |   |   |  | 20       |
| 21       | Other Income                                    |   |   |   |  | 21       |
| 22       | Interest and Dividend Income                    | 974,000   | 842,000   | 612,000   | 428,000  | 22       |
| 23       | Gain on Disposition of Property                 | -   | -   | -   | 3,000  | 23       |
| 24       | Equity Earnings of Subsidiary Companies         | -   | -   | -   | -  | 24       |
| 25       | Other   | -   | -   | -   | 15,000   | 25       |
| 26       | Total Other Income                              | 974,000   | 842,000   | 612,000   | 446,000  | 26       |
| 27       | Other Income Deductions                         | (145,000)                                       | (162,000)   | (188,000)   | (81,000)   | 27       |
| 28       | Taxes Applicable to Other Income and Deductions | (334,000)                                       | (275,000)   | (174,000)   | (133,000)  | 28       |
| 29       | Net Other Income and Income Deductions          | 495,000   | 405,000   | 250,000   | 232,000  | 29       |
| 30       | INCOME BEFORE INTEREST CHARGES                  | 11,840,000                                      | 14,107,000  | 13,149,000  | 8,603,000  | 30       |
| 31       | INTEREST CHARGES                                |   |   |   |  | 31       |
| 32       | Interest on Long Term Debt                      | 3,728,000                                       | 3,728,000   | 3,728,000   | 3,744,000  | 32       |
| 33       | Amortization of Debt Discount and Expense       | 160,000   | 160,000   | 160,000   | 161,000  | 33       |
| 34       | Amortization of Loss on Recquired Debt          | 113,000   | 113,000   | 113,000   | 113,000  | 34       |
| 35       | Other Interest                                  | 579,000   | 343,000   | 207,000   | 234,000  | 35       |
| 36       | Total Interest Charges                          | 4,580,000                                       | 4,344,000   | 4,208,000   | 4,252,000  | 36       |
| 37       | NET INCOME                                      | \$ 7,260,000                                    | \$ 9,763,000  | \$ 8,941,000  | \$ 4,351,000   | 37       |

Notes: (1) Includes zero months of actual data and twelve months of forecasted data.  
(2) Includes six months of actual data and six months of forecasted data.

North Shore Gas Company

Comparative Balance Sheets

| Line No.                              | Description                            | Test Year<br>Ending<br>December 31, 2012<br>[B] | Forecasted Year<br>Ending<br>December 31, 2011 (1)<br>[C] | Forecasted Year<br>Ending<br>December 31, 2010 (2)<br>[D] | Historical Year<br>Ended<br>December 31, 2009<br>[E] | Line No. |
|---------------------------------------|--|---|---|---|--|----------|
| <b>Assets</b>                         |  |   |   |   |  |          |
| 1                                     | Utility Plant, Net                     | \$ 268,149,000                                  | \$ 254,873,000  | \$ 249,993,000  | \$ 248,180,000                                       | 1        |
| 2                                     | Investment in Subsidiary Companies     | -   | -   | -   | -  | 2        |
| 3                                     | Other Property and Investments         | 22,000  | 22,000  | 22,000  | 22,000   | 3        |
| 4                                     | Current Assets                         | 41,670,000                                      | 42,087,000  | 39,251,000  | 55,671,000   | 4        |
| 5                                     | Other Assets                           | 122,540,000                                     | 137,313,000   | 149,951,000   | 157,993,000  | 5        |
| 6                                     | Total Assets                           | <u>\$ 432,381,000</u>                           | <u>\$ 434,295,000</u>                                     | <u>\$ 439,217,000</u>                                     | <u>\$ 461,866,000</u>                                | 6        |
| <b>Capitalization and Liabilities</b> |  |   |   |   |  |          |
| 7                                     | Proprietary Capital                    | \$ 95,648,000                                   | \$ 95,562,000   | \$ 95,573,000   | \$ 95,032,000  | 7        |
| 8                                     | Long Term Debt                         | 74,969,000                                      | 74,966,000  | 74,963,000  | 74,959,000   | 8        |
| 9                                     | Current Liabilities                    | 66,347,000                                      | 57,541,000  | 54,561,000  | 67,546,000   | 9        |
| 10                                    | Deferred Credits and Other Liabilities | 195,417,000                                     | 206,226,000   | 214,120,000   | 224,329,000  | 10       |
| 11                                    | Total Capitalization and Liabilities   | <u>\$ 432,381,000</u>                           | <u>\$ 434,295,000</u>                                     | <u>\$ 439,217,000</u>                                     | <u>\$ 461,866,000</u>                                | 11       |

Note: (1) Includes zero months of actual data and twelve months of forecasted data.  
(2) Includes six months of actual data and six months of forecasted data.

North Shore Gas Company

Statement of Cash Flows

| Line No. | Description<br>[A]  | Test Year<br>Ending<br>December 31, 2012<br>[B] | Forecasted Year<br>Ending<br>December 31, 2011 (1)<br>[C] | Forecasted Year<br>Ending<br>December 31, 2010 (2)<br>[D] | Historical Year<br>Ended<br>December 31, 2009<br>[E] | Line No. |
|----------|---|---|---|---|--|----------|
| 1        | <b>Net Income</b>   | \$ 7,260,000                                    | \$ 9,763,000  | \$ 8,941,000  | \$ 4,351,000   | 1        |
| 2        | <b>Adjustments to Reconcile Net Income to Net Cash</b>      |   |   |   |  | 2        |
| 3        | <b>Flow Provided from Operating Activities:</b>             |   |   |   |  | 3        |
| 4        | Depreciation and Amortization                               | 10,102,000                                      | 9,550,000   | 9,040,000   | 6,225,000  | 4        |
| 5        | Deferred Income Taxes and Investment Tax Credits, net       | 385,000   | 1,042,000   | 2,689,000   | 6,072,000  | 5        |
| 6        | Pension (income)/ Post Retirement Liability                 | 4,331,000                                       | 3,967,000   | 3,726,000   | 4,423,000  | 6        |
| 7        | Pension and Post Retirement Funding                         | (6,627,000)                                     | (3,271,000)   | (13,388,000)  | (6,180,000)  | 7        |
| 8        | Other Changes   | 3,542,000                                       | 3,105,000   | 8,004,000   | 2,019,000  | 8        |
| 9        | Changes in Working Capital, net                             | 6,958,000                                       | (7,069,000)   | (4,001,000)   | 11,013,000   | 9        |
| 10       | Net Cash Flow (used for) provided from Operating Activities | 25,951,000                                      | 17,087,000  | 15,011,000  | 27,923,000   | 10       |
| 11       | <b>Investing Activities</b>                                 |   |   |   |  | 11       |
| 12       | Capital Expenditures  | (21,900,000)                                    | (12,980,000)  | (14,159,000)  | (14,130,000)   | 12       |
| 13       | Other Investing Activities, net                             | -   | -   | 155,000   | 130,000  | 13       |
| 14       | Net Cash Flow used for Investing Activities                 | (21,900,000)                                    | (12,980,000)  | (14,004,000)  | (14,000,000)   | 14       |
| 15       | <b>Financing Activities</b>                                 |   |   |   |  | 15       |
| 16       | Issuance of Long-Term Debt                                  | -   | -   | -   | -  | 16       |
| 17       | Redemption of Long-Term Debt                                | -   | -   | -   | (335,000)  | 17       |
| 18       | Intercompany Loan Payable                                   | 3,149,000                                       | 5,693,000   | 6,800,000   | (1,470,000)  | 18       |
| 19       | Equity Contribution from Parent                             | -   | -   | -   | -  | 19       |
| 20       | Return of Capital Paid to Parent                            | -   | -   | -   | -  | 20       |
| 21       | Other Financing Activity, net                               | -   | -   | -   | -  | 21       |
| 22       | Dividends Paid to Parent                                    | (7,200,000)                                     | (9,800,000)   | (8,425,000)   | (11,500,000)   | 22       |
| 23       | Net Cash Flow provided from (used for) Financing Activities | (4,051,000)                                     | (4,107,000)   | (1,625,000)   | (13,305,000)   | 23       |
| 24       | <b>Net Increase (Decrease) in Cash</b>                      | \$ -  | \$ -  | \$ (618,000)  | \$ 618,000   | 24       |

Note: (1) Includes zero months actual data and twelve months of forecasted data.  
(2) Includes six months of actual data and six months of forecasted data.

North Shore Gas Company

Statement of Retained Earnings (1)

| Line No. | Description<br>[A]              | Historical Year Ended<br>December 31, 2009<br>[B] | Forecasted Year<br>Ending December 31,<br>2010 (2)<br>[C] | Forecasted Year<br>Ending December 31,<br>2011 (3)<br>[D] | Test Year Ending<br>December 31, 2012<br>(E) | Line No. |
|----------|---------------------------------|---|---|---|--|----------|
| 1        | Balance at Beginning of Period  | \$ 77,500,000                                     | \$ 70,351,000   | \$ 70,867,000   | \$ 70,830,000                                | 1        |
| 2        | Add:                            |   |   |   |  | 2        |
| 3        | Net Income                      | 4,351,000   | 8,941,000   | 9,763,000   | 7,260,000                                    | 3        |
| 4        | Other                           | -   | -   | -   | -  | 4        |
| 5        | Less:                           |   |   |   |  | 5        |
| 6        | Common Stock Dividends Declared | 11,500,000  | 8,425,000   | 9,800,000   | 7,200,000                                    | 6        |
| 7        | Balance at End of Period        | <u>\$ 70,351,000</u>                              | <u>\$ 70,867,000</u>                                      | <u>\$ 70,830,000</u>                                      | <u>\$ 70,890,000</u>                         | 7        |

Note: (1) Excludes Accumulated Other Comprehensive (Income) Loss of \$76,000 (\$126,000 less tax impact of \$50,000), \$51,000 (\$88,000 less tax impact of \$37,000), \$25,000 (\$50,000 less tax impact of \$25,000) and \$(1,000) (\$13,000 less tax impact of \$14,000) at 12/31/2009, 12/31/2010, 12/31/2011 and 12/31/2012

Total Comprehensive Income (Loss) is \$4,374,000, \$8,966,000, \$9,789,000 and \$7,286,000 for Calendar Years 2009, 2010, 2011 and 2012 respectively.

(2) Includes six months of actual data and six months of forecasted data.

(3) Includes zero months of actual data and twelve months of forecasted data.