

North Shore Gas Company

Jurisdictional Operating Income Summary

Line No.	I.C.C. Acc. No.	Description	Company Rebuttal Proforma Present (Ex. 22.1N) (Col. F)	Rate Making Adjustments excluding NOL (Exhibit 39.2N, p1, col K minus p3, col H) (D)	Rate Making Adjustment NOL (Exhibit 39.2N, p1, col H) (E)	As Adjusted Under Present Rates (F) = [C + D + E]	Requested Rate Increase (G)	As adjusted Under Proposed Rates (H) = [F + G]	Line No.
	[A]	[B]	[C]		[E]	[F] = [C + D + E]	[G]	[H] = [F + G]	
1	480-481, 489	Base Rate Revenues exclude Base Rate adjustments	\$ 75,170,000	-	-	\$ 75,170,000	\$ 8,214,000	\$ 83,384,000	1
2	480-481, 489	Uncollectible Expense Adjustment Revenues	\$ -	-	-	\$ -	-	\$ -	2
3	480-481, 489	Volume Balancing Adjustment Revenues	\$ -	-	-	\$ -	-	\$ -	3
4	480-481, 489	Franchise Cost Adjustment Revenues	\$ -	-	-	\$ -	-	\$ -	4
5		Base Rate Revenues	<u>75,170,000</u>	<u>-</u>	<u>-</u>	<u>75,170,000</u>	<u>8,214,000</u>	<u>83,384,000</u>	5
6	480-481, 489	PGA Revenues	-	-	-	\$ -	-	\$ -	6
7	480-481, 489	Coaltar Revenues	-	-	-	\$ -	-	\$ -	7
8	480-481, 489	Enhanced Energy Program Revenues	-	-	-	-	-	\$ -	8
9		Pass Through Service Revenues	-	-	-	-	-	\$ -	9
10	487, 488, 495	Other Revenues	<u>1,550,000</u>	<u>7,000</u>	<u>-</u>	<u>1,557,000</u>	<u>\$ 133,000</u>	<u>\$ 1,690,000</u>	10
11	400	Operating Revenues	<u>\$ 76,720,000</u>	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 76,727,000</u>	<u>\$ 8,347,000</u>	<u>\$ 85,074,000</u>	11
12		Operating Expenses							12
13	401	Cost of Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	13
14	401 & 402	Other Operation and Maintenance:							14
15	401 & 402	Other Production	\$ 273,000	\$ -	\$ -	\$ 273,000	\$ -	\$ 273,000	15
16	401 & 402	Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	16
17	401 & 402	Transmission	\$ 180,000	\$ -	\$ -	\$ 180,000	\$ -	\$ 180,000	17
18	401 & 402	Distribution	\$ 11,886,000	\$ -	\$ -	\$ 11,886,000	\$ -	\$ 11,886,000	18
19	401	Customer Accounts - Uncollectible Expense	\$ 1,675,000	\$ -	\$ -	\$ 1,675,000	\$ 58,000	\$ 1,733,000	19
20	401	Customer Accounts - Other	\$ 5,678,000	\$ -	\$ -	\$ 5,678,000	\$ -	\$ 5,678,000	20
21	401	Customer Services and Informational Services	\$ 502,000	\$ -	\$ -	\$ 502,000	\$ -	\$ 502,000	21
22	401	Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	22
23	401 & 402	Administrative and General	\$ 26,614,000	\$ (79,000)	\$ -	\$ 26,535,000	\$ -	\$ 26,535,000	23
24		Total Other Operation and Maintenance	\$ 46,808,000	\$ (79,000)	\$ -	\$ 46,729,000	\$ 58,000	\$ 46,787,000	24
25	403	Depreciation	\$ 10,317,000	\$ (71,000)	\$ -	\$ 10,246,000	\$ -	\$ 10,246,000	25
26	404	Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	26
27	408.1	Taxes Other than Income	\$ 3,348,000	\$ (1,000)	\$ -	\$ 3,347,000	\$ -	\$ 3,347,000	27
28		Income Taxes					\$ -	\$ -	28
29	409.1	Federal Income Taxes - Current	\$ -	\$ 25,000	\$ (25,000)	\$ -	\$ 2,626,000	\$ 2,626,000	29
30	409.1	State Income Taxes - Current	\$ 313,000	\$ 9,000	\$ -	\$ 322,000	\$ 787,000	\$ 1,109,000	30
31	410.1 & 411.1	Deferred Income Taxes	\$ 4,531,000	\$ 29,000	\$ 25,000	\$ 4,585,000	\$ -	\$ 4,585,000	31
32	411.4	Investment Tax Credit	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ -	\$ 6,000	32
33		Total Operating Expenses	<u>\$ 65,323,000</u>	<u>\$ (88,000)</u>	<u>\$ -</u>	<u>\$ 65,235,000</u>	<u>\$ 3,471,000</u>	<u>\$ 68,706,000</u>	33
34		Jurisdictional Operating Income (Loss)	<u>\$ 11,397,000</u>	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ 11,492,000</u>	<u>\$ 4,876,000</u>	<u>\$ 16,368,000</u>	34

	Company Surrebuttal
a Original Cost Rate Base	Exhibit 40.1N \$ 192,562,000
b Operating Income at Present Rates	Exhibit 39.1N \$ 11,492,000
c Cost of Capital	Exhibit 35.0 8.50%
d Operating Income at Proposed Rates	line a x line c \$ 16,368,000
e Income Deficiency	line d - line b \$ 4,876,000
f Gross Revenue Conversion Factor	Exhibit 39.8N 1.71194100
g Revenue Increase Required	line e x line f \$ 8,347,000

North Shore Gas Company

Summary of Proposed Adjustments to Operating Income
For the Test Year Ending December 31, 2012

Line No.	I.C.C. Acc. No.	Description	Utility Plant in Service NS-PGL ex. 40.3N	Updated Inflation Rate ICC 12.8N		Current Rate Case Expense NS-PGL Ex. 39.4N	Rate Case Amortization NS-PGL Ex. 39.3N				Subtotal Operating Statement Adjustments
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
1	480-481, 489	Base Rate Revenues excludes Base Rate adjustments		-	-	-	-	-	-	-	-
2	480-481, 489	Uncollectible Expense Adjustment Revenues									-
3	480-481, 489	Volume Balancing Adjustment Revenues									-
4	480-481, 489	Franchise Cost Adjustment Revenues									-
5		Base Rate Revenues	-	-	-	-	-	-	-	-	-
6	480-481, 489	PGA Revenues									-
7	480-481, 489	Coaltar Revenues									-
8	480-481, 489	Enhanced Energy Program Revenues									-
9		Pass Through Service Revenues	-	-	-	-	-	-	-	-	-
10	487, 488, 495	Other Revenues		-	-	-	-	-	-	-	-
11	400	Operating Revenues	-	-	-	-	-	-	-	-	-
12		Operating Expenses									-
13	401	Cost of Gas									-
14	401 & 402	Other Operation and Maintenance									-
15	401 & 402	Other Production									-
16	401 & 402	Storage									-
17	401 & 402	Transmission									-
18	401 & 402	Distribution									-
19	401	Customer Accounts -Uncollectible Expense									-
20	401	Customer Accounts -Other				-					-
21	401	Customer Service and Informational Services				-					-
22	401	Sales									-
23	401 & 402	Administrative and General	-	(8,000)	-	(71,000)	-	-	-	-	(79,000)
24		Total Other Operations and Maintenance	-	(8,000)	-	(71,000)	-	-	-	-	(79,000)
25	403	Depreciation	(71,000)	-	-	-	-	-	-	-	(71,000)
26	404	Amortization									-
27	408.1	Taxes Other than Income		-	-						-
28		Income Taxes									-
29	409.1	Federal Income Taxes - Current	22,000	-	-	-	-	-	-	-	22,000
30	409.1	State Income Taxes - Current	7,000	1,000	-	-	-	-	-	-	8,000
31	410.1 & 411.1	Deferred Income Taxes	-	-	-	29,000	-	-	-	-	29,000
32	411.4	Investment Tax Credit	-	-	-	-	-	-	-	-	-
33		Total Operating Expenses	(42,000)	(7,000)	-	(42,000)	-	-	-	-	(91,000)
34		Net Operating Income	\$ 42,000	\$ 7,000	\$ -	\$ 42,000	\$ -	\$ -	\$ -	\$ -	\$ 91,000

North Shore Gas Company

Summary of Proposed Adjustments to Operating Income
For the Test Year Ending December 31, 2012

Line No.	I.C.C. Acc. No.	Description	p 1, col. C Subtotal Operating Statement Adjustments	-	Letter & Bill	Repair	-	Net Operating	Incremental	Incremental	-	Total
					Revenues	Revenues		Loss-tax normalization	Invested Capital Tax Adjustment	Interest Synchronization Adjustment		Operating Statement Adjustments
	[A]	[B]	[C]	[D]	NS-PGL Ex. 38.4N	NS-PGL Ex. 38.3N	[G]	NS-PGL Ex. 39.5N	NS-PGL Ex. 39.6N	NS-PGL Ex. 39.7N	[J]	[K]
1	480-481, 489	Base Rate Revenues excludes Base Rate adjustments	-	-								-
2	480-481, 489	Uncollectible Expense Adjustment Revenues	-	-								-
3	480-481, 489	Volume Balancing Adjustment Revenues	-	-								-
4	480-481, 489	Franchise Cost Adjustment Revenues	-	-								-
5		Base Rate Revenues	-	-								-
6	480-481, 489	PGA Revenues	-	-								-
7	480-481, 489	Coaltar Revenues	-	-								-
8	480-481, 489	Enhanced Energy Program Revenues	-	-								-
9		Pass Through Service Revenues	-	-								-
10	487, 488, 495	Other Revenues	-	-	6,000	1,000	-	-	-	-	-	7,000
11	400	Operating Revenues	-	-	6,000	1,000	-	-	-	-	-	7,000
12		Operating Expenses										-
13	401	Cost of Gas	-	-								-
14	401 & 402	Other Operation and Maintenance	-	-								-
15	401 & 402	Other Production	-	-								-
16	401 & 402	Storage	-	-								-
17	401 & 402	Transmission	-	-								-
18	401 & 402	Distribution	-	-								-
19	401	Customer Accounts-Uncollectible Accounts	-	-								-
20	401	Customer Accounts-Other	-	-								-
21	401	Customer Service and Informational Services	-	-								-
22	401	Sales	-	-								-
23	401 & 402	Administrative and General	(79,000)	-	-	-	-	-	-	-	-	(79,000)
24		Total Other Operations and Maintenance	(79,000)	-	-	-	-	-	-	-	-	(79,000)
25	403	Depreciation	(71,000)	-								(71,000)
26	404	Amortization	-	-								-
27	408.1	Taxes Other than Income	-	-					(1,000)			(1,000)
28		Income Taxes	-	-								-
29	409.1	Federal Income Taxes - Current	22,000	-	2,000	-	-	(25,000)	-	1,000		-
30	409.1	State Income Taxes - Current	8,000	-	1,000	-	-	-	-	-		9,000
31	410.1 & 411.1	Deferred Income Taxes	29,000	-	-			25,000	-	-		54,000
32	411.4	Investment Tax Credit	-	-								-
33		Total Operating Expenses	(91,000)	-	3,000	-	-	-	(1,000)	1,000		(88,000)
34		Net Operating Income	\$ 91,000	\$ -	\$ 3,000	\$ 1,000	\$ -	\$ -	\$ 1,000	\$ (1,000)	\$	\$ 95,000

North Shore Gas Company
Amortization of Regulatory Asset Adjustment - Docket No. 09-0166
For the Test Year Ending December 31, 2012

Line		Actual through 7/31/2011 JMO 10.01	Actual through 6/30/2010 WPC-2.8.2	Proposed Adjustment
No.	Description	(c)	(d)	(c) - (d)
(a)	(b)	(c)	(d)	(e)
1	Amount to Recover for Docket No. 09-0166	\$ 2,023,000	\$ 1,928,000	\$ 95,000
2	Years to Recover	3	3	
3	Annual Amortization (Line 1 / Line 2)	<u>\$ 674,000</u>	<u>\$ 643,000</u>	<u>\$ 31,000</u>
	Amortization (Rates went into effect February 2010):			
4	Year 1 - 2010 (11 months)	\$ 618,000	\$ 573,000	\$ 45,000
5	Year 2 - 2011	674,000	623,000	\$ 51,000
6	Year 3 - 2012 (0.5 months)	<u>28,000</u>	<u>29,000</u>	<u>\$ (1,000)</u>
7	Total Amortization (Line 4 + Line 5 + Line 6)	<u>\$ 1,320,000</u>	<u>\$ 1,225,000</u>	<u>\$ 95,000</u>
8	Unamortized Balance January 2012 (Line 1 - Line 7)	\$ 703,000	\$ 704,000	\$ (1,000)
9	Years to Recover (Rates to go into effect January 2012)	<u>2</u> (A)	<u>2</u> (A)	
10	Adjusted Annual Amortization (Line 8 / Line 9)	<u>\$ 352,000</u>	<u>\$ 352,000</u>	<u>\$ -</u>
11	Year 1 - 2012 (11.5 months)	\$ 337,000	\$ 336,000	\$ 1,000
12	Year 2 - 2013	352,000	352,000	\$ -
13	Year 2 - 2014 (0.5 months)	<u>15,000</u>	<u>16,000</u>	<u>\$ (1,000)</u>
14	Total Amortization (Line 11 + Line 12 + Line 13)	<u>\$ 704,000</u>	<u>\$ 704,000</u>	<u>\$ -</u>
15	Unamortized Balance January 2014 (Line 8 - Line 14)	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ (1,000)</u>
16	Total 2012 Test Year Amortization (Line 6 + Line 11)	<u>\$ 365,000</u>	<u>\$ 365,000</u>	<u>\$ -</u>

Sources:

(A) North Shore Schedule WPC-2.6

NORTH SHORE GAS COMPANY
NET OPERATING LOSS - TAX NORMALIZATION

2012

Docket Nos. 11-0280/11-0281 consol.
NS-PGL Exhibit 39.5N

			Account 409.10 Federal-Current	Account 409.10 State-Current	Account 410.1 Deferred
TOTAL INCOME TAXES -2012 OPERATING INCOME	Company proforma present rebuttal	NS-PGL Ex. 39.1N col. C	\$ -	\$ 313,000	\$ 4,531,000
TOTAL INCOME TAXES -2012 OPERATING INCOME	Ratemaking adjustments excluding NOL	NS-PGL Ex. 39.1N, p2, col. K minus p2 col.H	\$ 25,000	\$ 9,000	\$ 29,000
			\$ 25,000	\$ 322,000	\$ 4,560,000
Ratemaking adjustment -Current Income Taxes -NOL to Deferred Tax Asset	Adjusted Company proforma present		\$ (25,000)	\$ (322,000)	\$ 347,000
Ratemaking adjustment -Current Income Taxes -NOL to Deferred Tax Asset	NS-PGL Ex. 39.2NP, p2 col.H		\$ (25,000)	\$ -	\$ 25,000
	NET		\$ -	\$ (322,000)	\$ 322,000

NORTH SHORE GAS COMPANY
 Adjust to reflect increase in invested capital tax
 Future Test Year ended December 31, 2012

Docket Nos. 11-0280/11-0281 consol.
 NS-PGL Ex. 39.6N

Ratemaking adjustment				Company Direct	Company Rebuttal	Company Rebuttal
RATE BASE	Average Test Year	2012	Schedule B-1	186,897,000	192,783,000	192,562,000
RATE OF RETURN				8.72%	8.50%	8.50%
NET OPERATING INCOME REQUIREMENT				\$16,297,000	\$16,387,000	\$16,368,000
PRO FORMA OPERATING INCOME AT PRESENT RATES				11,075,000	11,397,000	11,492,000
ADJUST: OPERATING INCOME ADJUSTMENT- INVESTED CAPITAL TAX				(42,000)	(2,000)	(1,000)
				11,033,000	11,395,000	11,491,000
ADDITIONAL OPERATING INCOME ALLOWED				\$5,264,000	\$4,992,000	\$4,877,000

OPERATING EXPENSES	Old Illinois Rate	New Illinois Rate	Company Direct	Company Rebuttal Reverse Co Direct	Company Rebuttal Update	Co Surrebut Reverse Co Rebuttal	Co Surrebut Incremental	Adjusted Company Total
Invested Capital Tax	(0.8%)	(0.8%)	\$42,000	(42,000)	40,000	(40,000)	39,000	\$39,000
Income Taxes - State	(7.3%)	(9.5%)	(3,000)	3,000	(4,000)	4,000	(4,000)	(\$4,000)
- Federal	(35.0%)	(35.0%)	(14,000)	14,000	(13,000)	13,000	(12,000)	(12,000)
Total Operating Expenses			25,000	(25,000)	23,000	(23,000)	23,000	23,000
EFFECT ON OPERATING INCOME		Schedule C-2 rate making adjustment	(\$25,000)	\$25,000	(23,000)	23,000	(\$23,000)	(\$23,000)
				total rebuttal adjustment	2,000	surrebuttal adjustment	\$0	

Co Direct Original filing	\$ (25,000)
Company Rebuttal -Reverse Co Direct -old IL state income tax rate	\$ 25,000
Company Rebuttal -Update -new IL state income tax rate	\$ (23,000)
Company Surrebuttal Incremental adjustment	\$ (23,000)
Total Adjust Income Taxes to Reflect Effect of Interest Synchronization	\$ (46,000)

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NORTH SHORE GAS COMPANY
 Adjust Income Taxes to Reflect Effect of Interest Synchronization
 Future Test Year ended December 31, 2012

Docket Nos. 11-0280/11-0281 consol.
 NS-PGL Ex. 39.7N

Rate making adjustment			Company Direct	Company Rebut Incremental	Adjusted Company Rebuttal	Co Surrebut Incremental	Adjusted Company Total	
RATE BASE	Schedule B-1		\$ 186,897,000	\$ 5,886,000	\$ 192,783,000	\$ (221,000)	192,562,000	
WEIGHTED COST OF LONG-TERM DEBT	Schedule D-1		2.42%		2.42%		2.42%	
SYNCHRONIZED INTEREST	Schedule C-5.4		4,523,000	0	4,665,000	0	4,660,000	
LESS: PER BOOK INTEREST AS ADJUSTED			4,001,000	0	4,001,000	0	4,001,000	
INCREASE IN INTEREST EXPENSE			\$522,000	\$0	\$664,000	\$0	\$659,000	
OPERATING EXPENSES	Old Illinois Rate	New Illinois Rate	Company Direct	Company Rebuttal Reverse Co Direct	Company Rebut Incremental	Co Surrebut Reverse Co Rebuttal	Co Surrebut Incremental	Adjusted Company Total
Income Taxes - State	(7.3%)	(9.5%)	(38,000)	38,000	(63,000)	63,000	(63,000)	(63,000)
- Federal	(35.0%)	(35.0%)	(169,000)	169,000	(210,000)	210,000	(209,000)	(209,000)
Total Operating Expenses			(207,000)	207,000	(273,000)	273,000	(272,000)	(272,000)
EFFECT ON OPERATING INCOME	Schedule C-2 rate making adjustment		\$207,000	(\$207,000)	\$273,000	(\$273,000)	\$272,000	\$272,000
			total rebuttal adjustment		66,000	surrebuttal adjustment		(\$1,000)
Co Direct Original filing			\$207,000					
Company Rebuttal -Reverse Co Direct -old IL state income tax rate			(\$207,000)					
Company Rebuttal -Update -new IL state income tax rate			\$273,000					
Company Surrebuttal -Reverse Company Rebuttal			(\$273,000)					
Company Surrebuttal Incremental adjustment			\$272,000					
Total Adjust Income Taxes to Reflect Effect of Interest Synchronization			\$272,000					

() Denotes red figure.

North Shore Gas Company

Computation of Jurisdictional Gross Revenue
Conversion Factor
for Test Year Ended December 31, 2012

with new IL state tax rate of 9.5%

Line No.	Description [A]	with Uncollectibles Calculation [B]	without Uncollectibles Calculation [B]	Line No.
1	Total Operating Revenues Before Add-on Revenue Taxes	1.000000	1.000000	1
2	Less: Provision for Uncollectible Accounts	<u>0.007000</u>	<u>0.000000</u>	2
3	Taxable Income for State Income Tax Purposes	0.993000	1.000000	3
4	Less: State Income Taxes @ 9.50%	<u>0.094335</u>	<u>0.095000</u>	4
5	Taxable Income for Federal Income Tax Purposes	0.898665	0.905000	5
6	Less: Federal Income Tax @ 35.00%	<u>0.314533</u>	<u>0.316750</u>	6
7	Operating Income	<u><u>0.584132</u></u>	<u><u>0.588250</u></u>	7
8	Gross Revenue Conversion Factor - Revenues Subject to The			8
9	Provision for Uncollectible Accounts (Line 1 / Line 7)	<u><u>1.711941</u></u>	<u><u>1.699958</u></u>	9
10	Effective tax rate (Line 1 minus Line 7)		<u><u>0.411750</u></u>	