

Mr. Lawrence T. Borgard  
Ms. Diane L. Ford  
January 7, 2011  
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The objective of the examinations is the expression of an opinion on whether the Forecast is based on or in conformity with applicable guidelines established by AICPA, in all material respects and whether the assertion is presented or fairly stated, in all material respects, based on the criteria. Our ability to express an opinion, and the wording thereof, will, of course, be dependent on the facts and circumstances at the date of each of our attest reports. If, for any reason, we are unable to complete any examination or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we are unable to complete any examination or if any attest report to be issued by D&T as a result of this engagement requires modification, the reasons therefor will be discussed with Mr. Borgard and Company management.

Our engagement to perform the services described herein does not include providing expert opinions, expert testimony, or any other services for the purpose of advocating the Company's position in the submissions to the Commission of proposed rates and information relating thereto, and any appeals or reviews thereof (the "Rate Proceedings"), as those would be prohibited services. However, consistent with the Securities and Exchange Commission's (SEC) rules and regulations regarding auditor independence, we could, in connection with the Rate Proceedings, provide a factual account describing the examination services we performed. The estimated fees outlined herein do not include any services other than identified above; fees for any such additional services would be subject to the mutual agreement of the Company and D&T at such time as D&T is requested and agrees to perform those services. Such services and related fees would be set forth in a separate engagement letter with you, or in an addendum to this letter.

### **Management's Responsibilities**

Appendix A describes management's responsibilities for (1) the examination of Financial Forecast, (2) providing us with a representation letter, (3) the process for obtaining preapproval of services, (4) independence matters relating to providing certain services, and (5) independence matters relating to hiring.

### **Responsibility of Mr. Borgard**

We acknowledge that Mr. Borgard is directly responsible for the appointment, compensation, and oversight of our work and except as otherwise specifically noted, we will report directly to Mr. Borgard. You have advised us that the services to be performed under this engagement letter, including, where applicable, the use by D&T of affiliates or related entities, as subcontractors in connection with this engagement, have been approved by the Audit Committee of Integrys Energy Group, Inc. (the "Audit Committee") in accordance with the Audit Committee's established preapproval policies and procedures.

### **Working Papers**

The working papers prepared by D&T during the course of this engagement and supporting our examination reports will remain the property of D&T. Upon receipt of reasonable notice and written authorization from the Company, we will consider making our working papers available to (and if requested, respond to inquiries related to our working papers from) the Commission or Commission Staff.

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The working papers will be prepared in connection with the examinations of the Forecast and to aid in the conduct and supervision of our examinations. The working papers are the primary records kept by the independent accountant of the procedures applied, the tests performed, the information obtained, and the pertinent conclusions reached in each examination. The working papers will not address all the questions the Commission or its Staff might have. The working papers also may contain sensitive and candid comments about the Company that may be subject to interpretation. You acknowledge that D&T has no responsibility to you if access by the Commission or its Staff results in any adverse finding or action by the Commission or its Staff.

### **Fees**

We estimate that our fees for these examinations will be in the range of \$200,000 to \$225,000, on a time and materials basis, plus expenses. Our fees for the examinations of the Forecast will be billed as the work progresses and payments are due upon receipt. Engagement-related expenses will be billed in addition to fees and will be separately stated on the invoices. Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms.

We will notify you promptly of any circumstances we encounter that could significantly affect our estimates and discuss with you any additional fees, as necessary. Additional services provided beyond the scope of service described herein will be billed separately.

### **Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites**

If the Company intends to publish or otherwise reproduce in any document any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the Forecast (e.g., in a periodic filing with the SEC or other regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Company agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The Company also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Company. Any request by the Company to reissue any report issued as a result of this engagement, to consent to any such report's inclusion or incorporation by reference in an offering or other document, or to agree to any such report's inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request; fees for such services (and their scope) would be subject to the mutual agreement of the Audit Committee, on behalf of the Company, and D&T at such time as D&T is engaged to perform the services.

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### **Restriction on Report Use**

Our reports on the Forecast for PGL and NSG are solely for the use of the Company in connection with the Company's Rate Proceedings by the Commission. The Company agrees that it will not make our reports available to any parties, other than in connection with the Rate Proceedings, and that such reports will not be included in any public filings with the SEC. If the Company is required by law or by legal process to disclose our reports (other than in connection with the Rate Proceedings), the Company will, to the extent not prohibited by law, prior to making or permitting any such disclosure, provide D&T with written notice of such requirement for disclosure and of the proposed disclosure so that D&T shall have reasonable opportunity to obtain a protective order or other appropriate remedy with respect to such disclosure. The Company will use its best efforts to minimize the extent of such disclosure. The Company also agrees that our reports will not be used by or circulated, quoted, disclosed, or distributed to, nor will reference to it be made to anyone who is not a member of management or the board of directors of the Company, the Commission or the Staff of the Commission, except in connection with the Rate Proceedings.

\* \* \* \* \*

This engagement letter, including the appendices attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes all other prior and contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

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If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

*Deloitte & Touche LLP*

Accepted and agreed to by the  
People Gas Light and Coke Company and  
North Shore Gas Company:

By: *Lawrence T. Borgard*

Title: President + COO, Utilities

Date: 2/8/11

By: *Diane Ford*

Title: VP - Corporate Controller

Date: 2/7/11

## APPENDIX A

### MANAGEMENT'S RESPONSIBILITIES The Peoples Gas Light and Coke Company and North Shore Gas Company Engagement Letter Dated January 7, 2011

#### Examination of Financial Forecast

The Forecast is the responsibility of the Company's management. In this regard, management has the responsibility for, among other things:

- Determining that the criteria selected are appropriate for its purposes
- Establishing and maintaining effective internal control over the Forecast
- Identifying and ensuring that the Company complies with the laws and regulations applicable to its activities and informing us of any known material violations of such laws or regulations
- Properly recording transactions in the Company's records
- Adjusting the Forecast to correct material misstatements
- Making determinations as to the relevancy of information to be included
- Making appropriate estimates and assumptions that affect reported information
- The overall accuracy of the Forecast and its conformity with AICPA Standards
- Making all records relevant to the subject matter and related information available to us

#### Representation Letter

We will make specific inquiries of the Company's management about the representations embodied in the Forecast. As part of our examination procedures, we will request that management provide us with a representation letter acknowledging management's responsibility for the Forecast, and for selecting the criteria, stating management's written assertion about the subject matter based on the criteria, and confirming certain representations made to us during our examinations. The responses to those inquiries and related written representations of management required by the AICPA standards are part of the evidential matter that D&T will rely on in forming an opinion on the Forecast.

#### Process for Obtaining Preapproval of Services

Management is responsible for the coordination of obtaining the preapproval of the Audit Committee, in accordance with the Audit Committee's preapproval process, for any services to be provided by D&T to the Company.

### **Independence Matters Relating to Providing Certain Services**

In connection with our engagement, D&T, management, and the Audit Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence and ensuring compliance with the securities laws and regulations. D&T will communicate to its partners, principals, and employees that the Company is an attest client. Management of the Company will ensure that the Company, together with its subsidiaries and other entities that comprise the Company for purposes of the consolidated financial statements, has policies and procedures in place for the purpose of ensuring that neither the Company nor any such subsidiary or other entity will act to engage D&T or accept from D&T any service that either has not been subjected to their preapproval process or that under the SEC or other applicable rules would impair D&T's independence. All potential services are to be discussed with Mr. Kilkenny.

### **Independence Matters Relating to Hiring**

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees for certain positions. Management of the Company will ensure that the Company, together with its subsidiaries and other entities that comprise the Company for purposes of the consolidated financial statements, also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in an accounting role or financial reporting oversight role that would cause a violation of securities laws and regulations. Any employment opportunities with the Company for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Kilkenny and approved by the Audit Committee before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee, if such opportunity relates to serving (1) as chief executive officer, controller, chief financial officer, chief accounting officer, or any equivalent position of the Company or in comparable position at a significant subsidiary of the Company; (2) on the Company's board of directors; (3) as a member of the Audit Committee; or (4) in any other position that would cause a violation of securities laws and regulations.

For purposes of the preceding three paragraphs, "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited, and its member firms; and, in all cases, any successor or assignee.

APPENDIX B

**GENERAL BUSINESS TERMS**

**The Peoples Gas Light and Coke Company and North Shore Gas Company  
Engagement Letter Dated January 7, 2011**

1. Limitation on Liability, Release, and Indemnification:

- a) The Company agrees that D&T (as defined below) and its personnel will not be liable to the Company for any claims, liabilities, or expenses relating to this engagement ("Claims") for an aggregate amount in excess of the fees paid by the Company to D&T pursuant to this engagement, except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of D&T. In no event will D&T or its personnel be liable for consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this engagement.
- b) The Company agrees to release and indemnify D&T and its personnel from all Claims attributable to any misrepresentation by the Company's management.
- c) The Company agrees to indemnify and hold harmless D&T and its personnel from all Claims, except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of D&T.
- d) The provisions of this Paragraph 1 will apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise. In circumstances where all or any portion of the provisions of this Paragraph 1 are finally judicially determined to be unavailable, D&T's aggregate liability for any Claim shall not exceed an amount that is proportional to the relative fault that D&T's conduct bears to all other conduct giving rise to such Claim.

2. Independent Contractor. It is understood and agreed that D&T is an independent contractor and that D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Company.
3. Survival and Interpretation. The agreements and undertakings of the Company contained in the engagement letter to which these terms are attached (the "engagement letter"), together with the appendices to the engagement letter including these terms, will survive the completion or termination of this engagement. For purposes of these terms, "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; to the extent providing services under the engagement letter, the member firms of Deloitte Touche Tohmatsu Limited, and the affiliates of Deloitte & Touche LLP and such member firms; and, in all cases, any successor or assignee.
4. Assignment and Subcontracting. Except as provided below, no party may assign, transfer, or delegate any of its rights or obligations relating to this engagement (including, without limitation, interests or Claims) without the prior written consent of the other parties. The Company hereby consents to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
5. Severability. If any term of the engagement letter, including its appendices, is determined to be invalid or unenforceable, such term shall not affect the other terms hereof or thereof, but such invalid or unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein and therein.

6. **Force Majeure.** No party shall be deemed to be in breach of this engagement letter (including its appendices) as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
7. **Dispute Resolution.** Any controversy or claim between the parties arising out of or relating to the engagement letter, including its appendices, or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix C and made a part hereof.

## APPENDIX C

### DISPUTE RESOLUTION PROVISION The Peoples Gas Light and Coke Company and North Shore Gas Company Engagement Letter Dated January 7, 2011

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

**Mediation:** All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution (CPR), at the written request of a party, shall designate a mediator.

**Arbitration Procedures:** If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in New York, New York or such other location as agreed to in writing by the parties. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules") or by written agreement of the parties.

The arbitration shall be conducted before a panel of three arbitrators. Each of the Company and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of New York (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award damages inconsistent with the terms of the engagement letter or its appendices, including, without limitation, the limitation on liability, release and indemnification provisions contained therein. The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

**Costs:** Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.



IntegrYS Energy Group, Inc.

700 North Adams Street  
P.O. Box 19001  
Green Bay, WI 54307-9001  
www.integrYSgroup.com

June 18, 2010

Paul Moul  
P. Moul & Associates  
251 Hopkins Road  
Haddonfield, NJ 08033

Via E-Mail  
pmoul@verizon.net

Re: Engagement Agreement

Dear Paul:

This Engagement Agreement ("Agreement") will confirm that IntegrYS Energy Group, Inc. ("IntegrYS") is retaining you to provide testimony as an expert witness on Cost of Equity for rate filings with the Illinois Commerce Commission beginning in 2010, with a planned filing in early 2011. In the course of performing this work, you may be asked to work with IntegrYS' professional staff as well as inside counsel and, law firms retained by IntegrYS.

It is therefore agreed among IntegrYS and P. Moul & Associates that:

1. The primary term of this Agreement shall commence on the date of the acceptance of this Agreement and extend through the conclusion of the 2011 general rate cases to be filed by IntegrYS, including any proceedings on rehearing thereof.
2. This engagement will be conducted on a "time and materials" basis. The hourly rates are:
  - Paul Moul - \$270 per billable hour.
  - Clerical - \$ 68 per billable hour.

Out-of-pocket expenses will be reimbursed at cost.

3. You acknowledge that by virtue of rendering the professional services described above, on behalf of IntegrYS, you may obtain access to confidential information. P. Moul & Associates agrees to hold all such information furnished by IntegrYS in confidence and not disclose it in whole or in part to any third party without the prior written consent of IntegrYS. In addition, you may be required to review confidential data received from other parties, and if this is the case, you agree to be bound by any confidentiality agreement governing such data.

Please sign, date and return a pdf copy of this letter to indicate your acceptance of this engagement as described above.

We look forward to working with you. Please call me if you have any questions.

Very truly yours,

INTEGRYS ENERGY GROUP, INC.

By: Lisa Gast  
Lisa Gast  
Manager, Financial Planning & Analysis

AGREED AND ACCEPTED:

P. Moul & Associates

By: Paul M. Moul  
Paul Moul  
Managing Consultant

06-21-10  
Date



**ATTORNEYS AT LAW**  
321 NORTH CLARK STREET, SUITE 2800  
CHICAGO, IL 60610 4764  
312.832.4500  
312.832.4700  
WWW.FOLEY.COM

## MEMORANDUM

**TO:** Jodi Caro  
Mary Klyasheff  
James Schott

**FROM:** Foley & Lardner LLP

**DATE:** November 16, 2010

**RE:** Estimated Fees for The Peoples Gas Light and Coke Company and North Shore Gas Company Rate Cases **REVISED**

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In connection with the preparation of rate cases filed with the Illinois Commerce Commission (“ICC”) by The Peoples Gas Light and Coke Company (“PGL”) and North Shore Gas Company (“NSG”, and together with PGL, “the Utilities”), you asked our firm, Foley & Lardner LLP (“Foley”) to prepare an estimate reflecting the anticipated legal work by Foley on the cases through the ICC’s final decision.

Foley estimates a total of \$1,287,000 in legal fees, not including disbursements.<sup>1</sup> Foley estimates that its work on these cases will occur over the following four phases:

Phase I	Preparation Phase:	\$140,000
Phase II	Discovery through Surrebuttal Phase:	\$492,000
Phase III	Evidentiary Hearing:	\$265,000
Phase IV	Briefing, Oral Argument through Final Order:	\$390,000

This estimate reflects that Foley is one of two outside law firm counsel in the rate cases, the other outside law firm counsel being the firm Rooney Rippie & Ratnaswamy LLP. Foley expects that the Utilities will use a figure combining Foley’s estimated amount of legal fees with the estimated amount of legal fees from Rooney Rippie & Ratnaswamy LLP for the rate case expense for purposes of Schedule C-10.

As you know Foley necessarily also has engaged in numerous other confidential and privileged oral and written communications with the Utilities regarding the planning for and prosecution of the rate cases, but it is our understanding that those communications are not a basis for the figures to be used in Schedule C-10.

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<sup>1</sup> Foley’s original estimate of \$1,307,000 has been revised downward to reflect further refinement and development of the Utilities’ rate case strategy since Foley provided its original estimate.



## **MEMORANDUM**

**TO:** Jodi Caro  
Mary Klyasheff  
Thomas Aridas

**FROM:** John Ratnaswamy

**DATE:** November 9, 2010

**RE:** Draft Budget Target for Potential 2011  
Peoples Gas and North Shore Gas Rate Cases

**CONFIDENTIAL**

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### **SUMMARY**

In connection with potential natural gas rate cases that may be filed by The Peoples Gas Light and Coke Company and North Shore Gas Company with the Illinois Commerce Commission (the "ICC") in mid-February 2011, you have asked Rooney Rippie & Ratnaswamy LLP ("R3") to prepare a draft budget target for our fees as outside counsel, assuming that we are the lead outside counsel in the potential cases but with certain significant outside legal work assigned to the firm of Foley & Lardner LLP ("Foley") and certain significant legal work to be performed by inside counsel Mary Klyasheff as discussed further below. This Memorandum presents the requested draft budget target, which is \$1,314,000 (not including disbursements), and discusses the development of the draft budget target. The draft budget target is exclusively for the fees of R3, and thus it does not include any amounts for the work to be performed by Foley or inside counsel.

### **DISCUSSION**

We developed the draft budget target for R3's work on the potential 2011 rate cases primarily taking into account the scope of the work that has been assigned to us, our significantly discounted hourly fees that have been negotiated for our work on the cases, the aspects of the 2009 Peoples Gas and North Shore rate cases that were performed by us and our colleagues while we were at Foley and the associated recorded hours and fees, and developments in recent and ongoing rate cases of other utilities before the ICC.

Scope. The scope of R3's retention as counsel on the potential 2011 cases is as follows. John Ratnaswamy will serve as lead outside counsel in the preparation and prosecution of the cases. As to the preparation phase, R3's work will include legal advice as to overall strategy, themes, witness selection, work planning, the preparation of the required filings, including tariffs, supplemental statements, cover letters, testimony, attachments, witness work papers, Schedules, Schedule work papers; materials required to be made available for inspection; motions relating to confidentiality designations and protective orders; and CD-ROMs or DVDs with public and confidential versions of the filings. As to the prosecution phase, R3's work will include advice and representation as to discovery (both defensive and affirmative) including overall review of data request responses, discovery disputes if any, discovery processing, the schedule, ordinary procedural motion practice if any, analysis of Staff and intervenor direct testimony, rebuttal testimony, analysis of Staff and intervenor rebuttal testimony, surrebuttal testimony, evidentiary hearing preparation and participation in the hearing, post-hearing Initial and Reply Briefs, analysis of the Administrative Law Judges' Proposed Order, Briefs and Reply Briefs on Exceptions, settlement discussions if any, oral argument if any, analysis of the final Order, the compliance filing, preparation of an Application for Rehearing if any, and analysis of intervenors' Applications for Rehearing. We expect consolidation of the cases. If the cases were not consolidated, we believe that would tend to increase our fees by a small but possibly material amount, on the order of 5% although that figure is a very rough estimate. The draft budget target assumes consolidation. The engagement of R3 does not include securities law advice, tax advice, lobbying, or public affairs work. The draft budget target does not include the services of Foley, nor the services of outside counsel at any other firm if any, nor the services of inside counsel. The draft budget target does not include any proceedings on rehearing if a rehearing occurs; preparation, prosecution, or defense of any appeals; or any collateral litigation if any occurs.

With regard to subject matter, R3 will handle as legal counsel the issues typically expected in the Utilities' rate cases, based on their 2007 and 2009 rate cases and other recent ICC gas rate cases, except: (1) Foley will have the lead responsibility as to the subjects of capital structure, the rate of return, incentive compensation, billing determinants, new Riders if any, Rider ICR issues, and Rider VBA issues, including any issues relating to movement from Rider VBA toward a "straight fixed variable" rate design; and (2) inside counsel Mary Klaysheff will have the lead responsibility as to the subjects of cost of service analysis, rate design, transportation customer service terms and conditions, and retail gas supplier issues. You also have reserved the assignment of any unexpected emergent issues. The draft budget target does not assume any unexpected emergent issues.

The draft budget target assumes that inside business personnel, due to having recently completed 2007 and 2009 rate cases, are well-positioned again to perform a high level of work on the potential 2011 cases in an efficient manner.

Discounted Fees. The draft budget target assumes the significantly discounted hourly fees to which we have agreed after negotiation for purposes of the potential 2011 cases. On average, for lawyers and staff who are expected to perform the vast majority of the work on the cases, the fees are approximately 20% below our undiscounted rates, and, with regard to the task of reviewing draft data request responses where another counsel has the lead, the fees are approximately 40% below our undiscounted rates.

2009 Cases. Given the scope of our work on the potential 2011 cases and our significantly discounted fees, then, based on the aspects of the 2009 Peoples Gas and North Shore rate cases that were performed by us and our colleagues while we were at Foley and the associated recorded hours and fees, we would estimate, all else being equal, that our fees on the 2011 cases would be approximately \$1,300,000 to \$1,325,000. We would expect some increases in efficiency due to our work on the 2009 cases and our work for other clients, but the 2009 cases recorded hours reflected large increased efficiencies over the 2007 cases, and further improvements of similar magnitude would not be expected. See further below.

Developments in Other Rate Cases. The recent Ameren Illinois utilities rate cases that resulted in an Order on Rehearing dated November 4, 2010, and the pending Commonwealth Edison Company rate case have involved heightened numbers of contested issues, including some issues that previously had been resolved in favor of utilities. In addition, the extent of discovery in the pending ComEd case is significantly increased from the level in ComEd's 2007 rate case, in particular, while the nominal number of data requests is roughly the same thus far, the breadth and depth of the subjects of data requests and the numbers of subparts of data requests are significantly increased.

Final Figure. If recent trends were to continue with the potential 2011 cases, we would expect the number of contested issues and the level of discovery work to increase significantly from the 2009 cases, more than offsetting natural increases in efficiency due to experience. As the same time, however, as in past cases, we are committed to striving to work against the draft budget target. Accordingly, we believe that it is reasonable to present a draft budget target of \$1,314,000. That figure is approximately \$250,000 below what it would be using the hourly rates that prevailed at Foley during the 2009 cases.

Four Stages. We have divided up the draft budget target into four phases, consisting of (1) preparation through filing; (2) prosecution through the end of written discovery, the beginning of preparation for the evidentiary hearing, and the beginning of planning for post-hearing briefs; (3) the evidentiary hearing and the preliminary work on post-hearing briefs; and (4) post-hearing briefs and reply briefs, review of the ALJ's Proposed Order, briefs and reply briefs on exceptions, oral argument, review of the Order, and preparation of an application for rehearing.

Stage / Total	Fees
Stage 1 (Oct. 2010 to Mid-Feb. 2011)	\$168,000
Stage 2 (Mid-Feb. 2011 to Aug. 2011)	\$724,000
Stage 3 (Sept. 2011)	\$140,000
Stage 4 (Oct. 2011 to Jan. 2012)	\$282,000
Total	\$1,314,000

Disbursements Not Included. As indicated above, the draft budget target does not include any disbursements, whether for witnesses, consultants, vendors, or otherwise.

## Peoples Gas

## Peoples Gas JMO 10.01 April 2011 SUPP Attach 03

## Reconciliation between intercompany labor billing and Schedule C-10

## Costs through April 30, 2011

	Total Schedule C-10.1				Total Schedule C-10.1			REVISED
	interco direct labor \$	interco loadings & other \$	Interco Billing from Affiliates	Interco Billing from Affiliates	Interco Billing from Affiliates	interco loadings & other \$	Interco Billing from Affiliates	Total Schedule C-10.1
February 2010	\$ 515.04	\$ 105.62	\$ 620.66	\$ 620.66	\$ 239.79	\$ 860.45		
March 2010	\$ 499.55	\$ 102.55	\$ 602.10	\$ 602.10	\$ 224.17	\$ 826.27		
April 2010	\$ 921.98	\$ 189.40	\$ 1,111.38	\$ 1,111.38	\$ 400.04	\$ 1,511.42		
May 2010	\$ 2,747.21	\$ -	\$ 2,747.21	\$ 2,747.21	\$ 1,803.32	\$ 4,550.53		
June 2010	\$ 2,732.70	\$ 1,497.81	\$ 4,230.51	\$ 4,230.51	\$ 570.30	\$ 4,800.81	Note (2)	
July 2010	\$ 3,063.07	\$ 684.02	\$ 3,747.09	\$ 3,747.09	\$ 1,324.48	\$ 5,071.57		
August 2010	\$ 3,196.48	\$ 714.13	\$ 3,910.61	\$ 3,910.61	\$ 1,382.15	\$ 5,292.76		
September 2010	\$ 2,543.00	\$ 712.24	\$ 3,255.24	\$ 3,255.24	\$ 1,144.08	\$ 4,399.32		
October 2010	\$ 16,195.53	\$ 6,647.41	\$ 22,842.94	\$ 22,842.94	\$ 7,340.28	\$ 30,183.22		
November 2010	\$ 11,768.43	\$ 4,837.43	\$ 16,605.86	\$ 16,605.86	\$ 6,087.11	\$ 22,692.97		
December 2010	\$ 27,146.00	\$ 26,303.56	\$ 53,449.56	\$ 53,449.56	\$ 14,119.15	\$ 67,568.71		
January 2011	\$ 35,133.95	\$ 10,074.02	\$ 45,207.97	\$ 45,207.97	\$ 18,157.21	\$ 63,365.18		
February 2011	\$ 40,843.65	\$ 11,411.98	\$ 52,255.63	\$ 52,255.63	\$ 23,944.06	\$ 76,199.69		
March 2011	\$ 23,927.49	\$ 6,788.90	\$ 30,716.39	\$ 30,716.39	\$ 11,634.53	\$ 42,350.92		
April 2011	\$ 60,952.92	\$ 17,727.60	\$ 78,680.52	\$ 78,680.52	\$ 20,220.81	\$ 98,901.33		
<b>Total actuals to date</b>	<b>\$ 232,187.00</b>	<b>\$ 87,796.67</b>	<b>\$ 319,983.67</b>	<b>\$ 319,983.67</b>	<b>\$ 108,591.48</b>	<b>\$ 428,575.15</b>		
	Note (1)	Note (1)	JMO 10.01 Attach 01	JMO 10.01 Attach 01	JMO 10.01 Attach 01	JMO 10.01 Attach 01		
				APRIL 2011		APRIL 2011 SUPP		

Notes: (1) Detail reflects a) February 2010 - April 2010 activity in Account 182027 before Peoplesoft I9 upgrade and b) May 2010 through April 2011 activity in Account 182527 after Peoplesoft I9 upgrade.

(2) May 2010 loadings and other were reflected in May 2010 accounting records but not picked up on monthly report. Report reflects May 2010 loadings and other in June 2010.