

**North Shore Gas Company**  
**Statement of Operating Income with Adjustments**  
**For the Test Year Ending December 31, 2012**  
(In Thousands)

| Line No. | Description                                       | Company Present<br>(App. A, p. 2 Col. d) | Ordered Adjustments<br>(App. A, p. 4) | Pro Forma Present<br>(Cols. b+c) | Company Proposed Increase<br>(NS-PGL Ex. 39.1 N, Col. G) | Gross Revenue Conversion Factor | Rates With Ordered Adjustments<br>(Cols. d+e+f) | Adjustment To Proposed Increase | Operating Statement Per Order<br>(Cols. g+h) | Tax Effect to ADIT | Operating Statement Per Order w Effect of NOL |
|----------|---|--|---------------------------------------|----------------------------------|--|---------------------------------|---|---------------------------------|--|--------------------|---|
|          | (a)   | (b)                                      | (c)                                   | (d)                              | (e)  | (f)                             | (g)   | (h)                             | (i)  | (j)                | (k)   |
| 1        | Base Rate Revenues                                | \$ 75,170                                | \$ -                                  | \$ 75,170                        | \$ 8,214   | \$ (9)                          | \$ 83,375                                       | \$ (6,807)                      | \$ 76,568                                    | \$ -               | \$ 76,568                                     |
| 2        | PGA Revenues                                      | -  | -                                     | -                                | -  | -                               | -   | -                               | -  | -                  | -   |
| 3        | Coal Tar Revenues                                 | -  | -                                     | -                                | -  | -                               | -   | -                               | -  | -                  | -   |
| 4        | Other Revenues                                    | 1,557                                    | 1                                     | 1,558                            | 133  | -                               | 1,691   | -                               | 1,691  | -                  | 1,691   |
| 5        | Total Operating Revenue                           | 76,727                                   | 1                                     | 76,728                           | 8,347  | \$ (9)                          | 85,066  | (6,807)                         | 78,259                                       | -                  | 78,259  |
| 6        | Uncollectibles Expense                            | 1,675                                    | (421)                                 | 1,254                            | 58   | (9)                             | 1,303   | (40)                            | 1,263  | -                  | 1,263   |
| 7        | Cost of Gas                                       | -  | -                                     | -                                | -  | -                               | -   | -                               | -  | -                  | -   |
| 8        | Other Production                                  | 273                                      | -                                     | 273                              | -  | -                               | 273   | -                               | 273  | -                  | 273   |
| 9        | Distribution                                      | 11,886                                   | 271                                   | 12,157                           | -  | -                               | 12,157  | -                               | 12,157                                       | -                  | 12,157  |
| 10       | Customer Accounts                                 | 5,678                                    | (4)                                   | 5,674                            | -  | -                               | 5,674   | -                               | 5,674  | -                  | 5,674   |
| 11       | Customer Service and Informational Services       | 502                                      | 29                                    | 531                              | -  | -                               | 531   | -                               | 531  | -                  | 531   |
| 12       | Sales   | -  | -                                     | -                                | -  | -                               | -   | -                               | -  | -                  | -   |
| 13       | Administrative and General                        | 26,535                                   | (1,729)                               | 24,806                           | -  | -                               | 24,806  | -                               | 24,806                                       | -                  | 24,806  |
| 14       | Depreciation                                      | 10,246                                   | (10)                                  | 10,236                           | -  | -                               | 10,236  | -                               | 10,236                                       | -                  | 10,236  |
| 15       | Storage   | -  | 46                                    | 46                               | -  | -                               | 46  | -                               | 46   | -                  | 46  |
| 16       | Transmission                                      | 180                                      | -                                     | 180                              | -  | -                               | 180   | -                               | 180  | -                  | 180   |
| 17       | Taxes Other than Income                           | 3,347                                    | (258)                                 | 3,089                            | -  | -                               | 3,089   | -                               | 3,089  | -                  | 3,089   |
| 18       | Total Operating Expense                           |  |                                       |                                  |  |                                 |   |                                 |  |                    |   |
| 19       | Before Income Taxes                               | 60,322                                   | (2,076)                               | 58,246                           | 58   | (9)                             | 58,295  | (40)                            | 58,255                                       | -                  | 58,255  |
| 20       | State Income Tax                                  | 322                                      | 141                                   | 463                              | 787  | -                               | 1,250   | (643)                           | 607  | (588)              | 19  |
| 21       | Federal Income Tax                                | -  | 473                                   | 473                              | 2,626  | -                               | 3,099   | (2,143)                         | 956  | (887)              | 69  |
| 22       | Deferred Taxes and ITCs Net                       | 4,591                                    | -                                     | 4,591                            | -  | -                               | 4,591   | -                               | 4,591  | 1,475              | 6,066   |
| 23       | Total Current and Deferred Income Tax Exp         | 4,913                                    | 614                                   | 5,527                            | 3,413  | -                               | 8,940   | (2,786)                         | 6,154  | -                  | 6,154   |
| 24       | Total Operating Expenses                          | 65,235                                   | (1,462)                               | 63,773                           | 3,471  | (9)                             | 67,235  | (2,826)                         | 64,409                                       |                    | 64,409  |
| 25       | NET OPERATING INCOME                              | \$ 11,492                                | \$ 1,463                              | \$ 12,955                        | \$ 4,876   | \$ -                            | \$ 17,831                                       | \$ (3,981)                      | \$ 13,850                                    |                    | \$ 13,850                                     |
| 26       | Rate Base (Appendix A, p. 5, column (d), line 23) |  |                                       |                                  |  |                                 |   |                                 | \$ 194,260                                   |                    |   |
| 27       | Overall Rate of Return Per Order                  |  |                                       |                                  |  |                                 |   |                                 | 7.13%  |                    |   |
| 28       | Base Rate Revenues Change                         |  |                                       |                                  |  |                                 |   | 1.86 %                          | \$ 1,398                                     |                    |   |
| 29       | Other Revenues Change                             |  |                                       |                                  |  |                                 |   | 8.61 %                          | \$ 134                                       |                    |   |
| 30       | Total Operating Revenue Change                    |  |                                       |                                  |  |                                 |   | 2.00 %                          | \$ 1,532                                     |                    |   |

**North Shore Gas Company**  
**Statement of Operating Income with Adjustments**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No. | Description                                 | Company<br>Rebuttal Case<br>Pro Forma<br>Present<br>(NS-PGL Ex.<br>22.1 N, Col. F) | Company<br>Surrebuttal<br>Adjustments<br>(NS-PGL Ex.<br>39.1 N, Cols. D+E) | Company<br>Present<br>(Cols. b+c) |
|----------|---|--|--|-----------------------------------|
|          | (a)   | (b)  | (c)  | (d)                               |
| 1        | Base Rates Revenues                         | \$ 75,170  | \$ -   | \$ 75,170                         |
| 2        | PGA Revenues                                | -  | -  | -                                 |
| 3        | ECR Revenues (Coal Tar)                     | -  | -  | -                                 |
| 4        | Other Revenues                              | 1,550  | 7  | 1,557                             |
| 5        | Total Operating Revenue                     | <u>76,720</u>  | <u>7</u>   | <u>76,727</u>                     |
| 6        | Uncollectibles Expense                      | 1,675  | -  | 1,675                             |
| 7        | Cost of Gas                                 | -  | -  | -                                 |
| 8        | Other Production                            | 273  | -  | 273                               |
| 9        | Distribution                                | 11,886   | -  | 11,886                            |
| 10       | Customer Accounts                           | 5,678  | -  | 5,678                             |
| 11       | Customer Service and Informational Services | 502  | -  | 502                               |
| 12       | Sales                                       | -  | -  | -                                 |
| 13       | Administrative and General                  | 26,614   | (79)   | 26,535                            |
| 14       | Depreciation                                | 10,317   | (71)   | 10,246                            |
| 15       | Storage                                     | -  | -  | -                                 |
| 16       | Transmission                                | 180  | -  | 180                               |
| 17       | Taxes Other than Income                     | 3,348  | (1)  | 3,347                             |
| 18       | Total Operating Expense                     |  |  |                                   |
| 19       | Before Income Taxes                         | 60,473   | (151)  | 60,322                            |
| 20       | State Income Tax                            | 313  | 9  | 322                               |
| 21       | Federal Income Tax                          | -  | -  | -                                 |
| 22       | Deferred Taxes and ITCs Net                 | 4,537  | 54   | 4,591                             |
| 23       | Total Current and Deferred Income Tax Exp   | <u>4,850</u>   | <u>63</u>  | <u>4,913</u>                      |
| 24       | Total Operating Expenses                    | <u>65,323</u>  | <u>(88)</u>  | <u>65,235</u>                     |
| 25       | NET OPERATING INCOME                        | <u>\$ 11,397</u>   | <u>\$ 95</u>   | <u>\$ 11,492</u>                  |

**North Shore Gas Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No. | Description                                 | Interest Synchronization<br>( App. A, p. 9) | Uncollectibles Expense<br>( App. A, p. 15) | Invested Capital Taxes<br>( App. A, p. 14) | Rate Case Expense<br>(Staff IB) | Rate Case Expense Amortization<br>(Staff IB) | Incentive Compensation<br>(Per Order) | Non-Union Wages<br>(Sch. 12.3 N) | Subtotal Operating Statement Adjustments |
|----------|---|---|--|--|---------------------------------|--|---------------------------------------|----------------------------------|--|
|          | (a)   | (b)   | (c)  | (d)  | (e)                             | (f)  | (g)                                   | (h)                              | (i)                                      |
| 1        | Base Rate Revenues                          | \$ -  | \$ -                                       | \$ -                                       | \$ -                            | \$ -   | \$ -                                  | \$ -                             | \$ -                                     |
| 2        | PGA Revenues                                | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 3        | Coal Tar Revenues                           | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 4        | Other Revenues                              | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 5        | Total Operating Revenue                     | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 6        | Uncollectibles Expense                      | -   | (421)                                      | -  | -                               | -  | -                                     | -                                | (421)                                    |
| 7        | Cost of Gas                                 | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 8        | Other Production                            | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 9        | Distribution                                | -   | -  | -  | -                               | -  | (82)                                  | 353                              | 271                                      |
| 10       | Customer Accounts                           | -   | -  | -  | -                               | -  | (75)                                  | 71                               | (4)                                      |
| 11       | Customer Service and Informational Services | -   | -  | -  | -                               | -  | (12)                                  | 41                               | 29                                       |
| 12       | Sales                                       | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 13       | Administrative and General                  | -   | -  | -  | (21)                            | (23)   | (986)                                 | (527)                            | (1,557)                                  |
| 14       | Depreciation                                | -   | -  | -  | -                               | -  | (5)                                   | (5)                              | (10)                                     |
| 15       | Storage                                     | -   | -  | -  | -                               | -  | (6)                                   | 52                               | 46                                       |
| 16       | Transmission                                | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 17       | Taxes Other than Income                     | -   | -  | (35)                                       | -                               | -  | (208)                                 | (15)                             | (258)                                    |
| 18       | Total Operating Expense                     | -   | (421)                                      | (35)                                       | (21)                            | (23)   | (1,374)                               | (30)                             | (1,904)                                  |
| 19       | Before Income Taxes                         | -   | (421)                                      | (35)                                       | (21)                            | (23)   | (1,374)                               | (30)                             | (1,904)                                  |
| 20       | State Income Tax                            | (56)  | 40   | 3  | 2                               | 2  | 131                                   | 3                                | 125                                      |
| 21       | Federal Income Tax                          | (185)                                       | 133  | 11   | 7                               | 7  | 435                                   | 10                               | 418                                      |
| 22       | Deferred Taxes and ITCs Net                 | -   | -  | -  | -                               | -  | -                                     | -                                | -  |
| 24       | Total Current and Deferred Income Tax Exp   | (241)                                       | 173  | 14   | 9                               | 9  | 566                                   | 13                               | 543                                      |
| 25       | Total Operating Expenses                    | (241)                                       | (248)                                      | (21)                                       | (12)                            | (14)   | (808)                                 | (17)                             | (1,361)                                  |
| 26       | NET OPERATING INCOME                        | \$ 241                                      | \$ 248                                     | \$ 21                                      | \$ 12                           | \$ 14  | \$ 808                                | \$ 17                            | \$ 1,361                                 |

**North Shore Gas Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No. | Description                                 | Subtotal Operating Statement Adjustments | Solicitation Services (Staff IB) | Repairs Revenue (Staff IB) | Gas Transportation Admin. Costs (Sch. 12.9 N) | (Source) | (Source) | (Source) | Total Operating Statement Adjustments |
|----------|---|--|----------------------------------|----------------------------|---|----------|----------|----------|---------------------------------------|
|          | (a)   | (j)                                      | (u)                              | (aa)                       | (ad)  | (n)      | (o)      | (p)      | (q)                                   |
| 1        | Base Rate Revenues                          | \$ -                                     | \$ -                             | \$ -                       | \$ -  |          |          |          | \$ -                                  |
| 2        | PGA Revenues                                | -  | -                                | -                          | -   | -        | -        | -        | -                                     |
| 3        | Coal Tar Revenues                           | -  | -                                | -                          | -   | -        | -        | -        | -                                     |
| 4        | Other Revenues                              | -  | -                                | 1                          | -   | -        | -        | -        | 1                                     |
| 5        | Total Operating Revenue                     | -  | -                                | 1                          | -   | -        | -        | -        | 1                                     |
| 6        | Uncollectibles Expense                      | (421)                                    | -                                | -                          | -   | -        | -        | -        | (421)                                 |
| 7        | Cost of Gas                                 | -  | -                                | -                          | -   | -        | -        | -        | -                                     |
| 8        | Other Production                            | -  | -                                | -                          | -   | -        | -        | -        | -                                     |
| 9        | Distribution                                | 271                                      | -                                | -                          | -   | -        | -        | -        | 271                                   |
| 10       | Customer Accounts                           | (4)                                      | -                                | -                          | -   | -        | -        | -        | (4)                                   |
| 11       | Customer Service and Informational Services | 29                                       | -                                | -                          | -   | -        | -        | -        | 29                                    |
| 12       | Sales                                       | -  | -                                | -                          | -   | -        | -        | -        | -                                     |
| 13       | Administrative and General                  | (1,557)                                  | (116)                            | -                          | (56)  | -        | -        | -        | (1,729)                               |
| 14       | Depreciation                                | (10)                                     | -                                | -                          | -   | -        | -        | -        | (10)                                  |
| 15       | Storage                                     | 46                                       | -                                | -                          | -   | -        | -        | -        | 46                                    |
| 16       | Transmission                                | -  | -                                | -                          | -   | -        | -        | -        | -                                     |
| 17       | Taxes Other than Income                     | (258)                                    | -                                | -                          | -   | -        | -        | -        | (258)                                 |
| 18       | Total Operating Expense                     |  |                                  |                            |   |          |          |          |                                       |
| 19       | Before Income Taxes                         | (1,904)                                  | (116)                            | -                          | (56)  | -        | -        | -        | (2,076)                               |
| 20       | State Income Tax                            | 125                                      | 11                               | -                          | 5   | -        | -        | -        | 141                                   |
| 21       | Federal Income Tax                          | 418                                      | 37                               | -                          | 18  | -        | -        | -        | 473                                   |
| 22       | Deferred Taxes and ITCs Net                 | -  | -                                | -                          | -   | -        | -        | -        | -                                     |
| 23       | Total Current and Deferred Income Tax Exp   | 543                                      | 48                               | -                          | 23  | -        | -        | -        | 614                                   |
| 24       | Total Operating Expenses                    | (1,361)                                  | (68)                             | -                          | (33)  | -        | -        | -        | (1,462)                               |
| 25       | NET OPERATING INCOME                        | \$ 1,361                                 | \$ 68                            | \$ 1                       | \$ 33   | \$ -     | \$ -     | \$ -     | \$ 1,463                              |

**North Shore Gas Company**  
**Rate Base**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No. | Description                                | Company<br>Pro Forma<br>Jurisdictional<br>Rate Base<br>(App. A,<br>p. 6 Col. d) | Ordered<br>Adjustments<br>(App. A, p. 7) | Ordered<br>Rate Base<br>(Col. b+c) |
|----------|--|---|--|------------------------------------|
|          | (a)  | (b)   | (c)                                      | (d)                                |
| 1        | Gross Utility Plant                        | \$ 431,439  | \$ (392)                                 | \$ 431,047                         |
| 2        | Accumulated Provision for Depr. and Amort. | (178,748)   | 28                                       | (178,720)                          |
| 3        |  | -   | -  | -                                  |
| 4        | Net Plant                                  | \$ 252,691  | \$ (364)                                 | \$ 252,327                         |
| 5        | Additions to Rate Base:                    |   |  |                                    |
| 6        | Cash Working Capital                       | 2,198   | 1,559                                    | 3,757                              |
| 7        | Materials and Supplies                     | 1,785   | -  | 1,785                              |
| 8        | Gas in Storage                             | 6,629   | -  | 6,629                              |
| 9        | Retirement Benefits, Net                   | (2,804)   | (3,942)                                  | (6,746)                            |
| 10       | Budget Plan Balances                       | 2,085   | -  | 2,085                              |
| 11       |  | -   | -  | -                                  |
| 12       | Deductions From Rate Base:                 |   |  |                                    |
| 13       | Accumulated Deferred Income Taxes          | (64,560)  | 4,445                                    | (60,115)                           |
| 14       | Customer Deposits                          | (2,650)   | -  | (2,650)                            |
| 15       | Customer Advances for Construction         | (631)   | -  | (631)                              |
| 16       | Reserve for Injuries and Damages           | (2,181)   | -  | (2,181)                            |
| 17       |  | -   | -  | -                                  |
| 18       |  | -   | -  | -                                  |
| 19       |  | -   | -  | -                                  |
| 20       |  | -   | -  | -                                  |
| 21       |  | -   | -  | -                                  |
| 22       |  | -   | -  | -                                  |
| 23       | Rate Base                                  | <u>\$ 192,562</u>   | <u>\$ 1,698</u>                          | <u>\$ 194,260</u>                  |

**North Shore Gas Company**  
**Rate Base**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No. | Description                                | Company<br>Rebuttal<br>Pro Forma<br>Rate Base<br>(NS-PGL Ex.<br>23.1 N, Col. F) | Company<br>Surrebuttal<br>Adjustments<br>(NS-PGL Ex.<br>40.1 N, Col. E) | Company<br>Surrebuttal Case<br>Pro Forma<br>Rate Base<br>(Cols. b+c) |
|----------|--|---|---|--|
|          | (a)  | (b)   | (c)   | (d)  |
| 1        | Gross Utility Plant                        | \$ 433,550  | \$ (2,111)  | \$ 431,439   |
| 2        | Accumulated Provision for Depr. and Amort. | (178,804)   | 56  | (178,748)  |
| 3        |  | -   | -   | -  |
| 4        | Net Plant                                  | <u>254,746</u>  | <u>(2,055)</u>  | <u>252,691</u>   |
| 5        | Additions to Rate Base                     |   |   |  |
| 6        | Cash Working Capital                       | 2,150   | 48  | 2,198  |
| 7        | Materials and Supplies                     | 1,785   | -   | 1,785  |
| 8        | Gas in Storage                             | 6,629   | -   | 6,629  |
| 9        | Retirement Benefits, Net                   | (2,804)   | -   | (2,804)  |
| 10       | Budget Plan Balances                       | 2,085   | -   | 2,085  |
| 11       |  | -   | -   | -  |
| 12       | Deductions From Rate Base:                 |   |   |  |
| 13       | Accumulated Deferred Income Taxes          | (66,346)  | 1,786   | (64,560)   |
| 14       | Customer Deposits                          | (2,650)   | -   | (2,650)  |
| 15       | Customer Advances for Construction         | (631)   | -   | (631)  |
| 16       | Reserve for Injuries and Damages           | (2,181)   | -   | (2,181)  |
| 17       |  | -   | -   | -  |
| 18       |  | -   | -   | -  |
| 19       |  | -   | -   | -  |
| 20       |  | -   | -   | -  |
| 21       |  | -   | -   | -  |
| 22       |  | -   | -   | -  |
| 23       | Rate Base                                  | <u>\$ 192,783</u>   | <u>\$ (221)</u>   | <u>\$ 192,562</u>  |

**North Shore Gas Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No. | Description                                | Cash Working Capital<br>(Sch. 10.8 N) | Pension Asset<br>(Sch. 12.1 N) | Incentive Compensation<br>(Sch. 12.2 N) | Non-Union Wages<br>(Sch. 12.3 N) | Materials & Supplies<br>(Sch. 12.4 N) | Gas in Storage<br>(Sch. 12.5 N) | NOL<br>(Per Order) | Total Rate Base Adjustments |
|----------|--|---------------------------------------|--------------------------------|---|----------------------------------|---------------------------------------|---------------------------------|--------------------|-----------------------------|
|          | (a)  | (b)                                   | (c)                            | (d)                                     | (e)                              | (f)                                   | (k)                             | (h)                | (i)                         |
| 1        | Gross Utility Plant                        | \$ -                                  |                                | \$ (208)                                | \$ (184)                         | \$ -                                  | \$ -                            | \$ -               | \$ (392)                    |
| 2        | Accumulated Provision for Depr. and Amort. | -                                     |                                | 23                                      | 5                                | -                                     | -                               | -                  | 28                          |
| 3        |  | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 4        | Net Plant                                  | \$ -                                  | \$ -                           | \$ (185)                                | \$ (179)                         | -                                     | -                               | -                  | \$ (364)                    |
| 5        | Additions to Rate Base:                    |                                       |                                |   |                                  |                                       |                                 |                    |                             |
| 6        | Cash Working Capital                       | 1,559                                 | -                              | -                                       | -                                | -                                     | -                               | -                  | 1,559                       |
| 7        | Materials and Supplies                     | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 8        | Gas in Storage                             | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 9        | Retirement Benefits, Net                   | -                                     | (3,942)                        | -                                       | -                                | -                                     | -                               | -                  | (3,942)                     |
| 10       | Budget Plan Balances                       | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 11       |  | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 12       | Deductions From Rate Base:                 |                                       |                                |   |                                  |                                       |                                 |                    |                             |
| 13       | Accumulated Deferred Income Taxes          | -                                     | 1,548                          | 8                                       | 5                                | -                                     | -                               | 2,884              | 4,445                       |
| 14       | Customer Deposits                          | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 15       | Customer Advances for Construction         | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 16       | Reserve for Injuries and Damages           | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 17       |  | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 18       |  | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 19       |  | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 20       |  | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 21       |  | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 22       |  | -                                     | -                              | -                                       | -                                | -                                     | -                               | -                  | -                           |
| 23       | Rate Base                                  | \$ 1,559                              | \$ (2,394)                     | \$ (177)                                | \$ (174)                         | \$ -                                  | \$ -                            | \$ 2,884           | \$ 1,698                    |

**North Shore Gas Company**  
**Revenue Effect of Ordered Adjustments**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No. | Description                                   | North Shore's Proposal | Ordered Adjustments | Order         |
|----------|---|------------------------|---------------------|---------------|
|          | (a)   | (b)                    | (c)                 | (d)           |
| 1        | <b>Summary</b>                                |                        |                     |               |
| 2        | Current Revenues                              | \$ 76,727              |                     | \$ 76,727     |
| 3        | <b>Ordered Increase</b>                       | <b>8,347</b>           | <b>(6,815)</b>      | <b>1,532</b>  |
| 4        | Proposed Revenue Requirement                  | \$ 85,074              | \$ (6,815)          | \$ 78,259     |
| 5        | <b>Percentage Increase</b>                    | <b>10.88 %</b>         | <b>(8.88)%</b>      | <b>2.00 %</b> |
| 6        | <b>Effect of Each Adjustment</b>              |                        |                     |               |
| 7        | Rate of Return                                |                        | \$ (4,511)          |               |
| 8        | Incentive Compensation (Sch. 12.2 N)          |                        | (1,400)             |               |
| 9        | Gas in Storage (Sch. 12.5 N)                  |                        | -                   |               |
| 10       | Uncollectibles Expense                        |                        | (424)               |               |
| 11       | Interest Synchronization ( App. A, p. 9)      |                        | (380)               |               |
| 12       | Pension Asset (Sch. 12.1 N)                   |                        | (246)               |               |
| 13       | Solicitation Services (Staff IB)              |                        | (116)               |               |
| 14       | Gas Transportation Admin. Costs (Sch. 12.9 N) |                        | (56)                |               |
| 15       | Cash Working Capital (Sch. 10.8 N)            |                        | 160                 |               |
| 16       | Non-Union Wages (Sch. 12.3 N)                 |                        | (47)                |               |
| 17       | Invested Capital Taxes ( App. A, p. 14)       |                        | (36)                |               |
| 18       | Rate Case Expense Amortization (Staff IB)     |                        | (24)                |               |
| 19       | Rate Case Expense (Staff IB)                  |                        | (21)                |               |
| 20       | Materials & Supplies (Sch. 12.4 N)            |                        | -                   |               |
| 21       | Gross Revenue Conversion Factor               |                        | (9)                 |               |
| 22       | Repairs Revenue (Staff IB)                    |                        | -                   |               |
| 23       |   |                        |                     |               |
| 24       |   |                        |                     |               |
| 25       |   |                        |                     |               |
| 26       |   |                        |                     |               |
| 27       |   |                        |                     |               |
| 28       |   |                        |                     |               |
| 29       |   |                        |                     |               |
| 30       |   |                        |                     |               |
| 31       |   |                        |                     |               |
| 32       |   |                        |                     |               |
| 33       |   |                        |                     |               |
| 34       |   |                        |                     |               |
| 35       |   |                        |                     |               |
| 36       |   |                        |                     |               |
| 37       | Rounding                                      |                        | (2)                 |               |
| 38       | Effect of Ordered Adjustments                 |                        | <b>\$ (7,112)</b>   |               |
| 39       | <b>Reconciliation to Schedule 10.01</b>       |                        |                     |               |
| 40       | Column (c), line 5.                           |                        | 1                   |               |
| 41       | Column (f), line 5.                           |                        | (9)                 |               |
| 42       | Column (h), line 5.                           |                        | (6,807)             |               |
| 43       | Total Effect of Ordered Adjustments           |                        | <b>\$ (6,815)</b>   |               |

**North Shore Gas Company**  
**Interest Synchronization Adjustment**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No. | Description                                       | Amount                      |
|----------|---|-----------------------------|
|          | (a)   | (b)                         |
| 1        | Rate Base   | \$ 194,260 <sup>(1)</sup>   |
| 2        | Weighted Cost of Debt                             | <u>2.70%</u> <sup>(2)</sup> |
| 3        | Synchronized Interest Per Order (Line 1 x Line 2) | \$ 5,245                    |
| 4        | Company Interest Expense                          | <u>4,660</u> <sup>(3)</sup> |
| 5        | Increase (Decrease) in Interest Expense           | <u>\$ 585</u>               |
| 6        | Increase (Decrease) in State Income Tax Expense   |                             |
| 7        | at 9.500%   | <u>\$ (56)</u>              |
| 8        | Increase (Decrease) in Federal Income Tax Expense |                             |
| 9        | at 35.000%  | <u>\$ (185)</u>             |
| 10       | Total Income Tax Expense                          | <u>\$ (241)</u>             |

(1) Source: Appendix A, p. 5, column (d), line 23

(2) Source: Per Order

(3) Source: Company NS-PGL Ex. 39.7 N

**North Shore Gas Company**  
**Gross Revenue Conversion Factor**  
 For the Test Year Ending December 31, 2012  
 (In Thousands)

| Line No. | Description   | Rate     | Per Order With Bad Debts | Per Order Without Bad Debts |
|----------|---|----------|--------------------------|-----------------------------|
|          | (a)   | (b)      | (c)                      | (d)                         |
| 1        | Revenues  |          | 1.000000                 | 1.000000                    |
| 2        | Uncollectibles expense percentage per Order                 | 0.5936%  | <u>0.005936</u>          |                             |
| 3        | State Taxable Income  |          | 0.994064                 |                             |
| 4        | State Income Tax  | 9.5000%  | <u>0.094436</u>          | <u>0.095000</u>             |
| 5        | Federal Taxable Income                                      |          | 0.899628                 | 0.905000                    |
| 6        | Federal Income Tax  | 35.0000% | <u>0.314870</u>          | <u>0.316750</u>             |
| 7        | Operating Income  |          | <u>0.584758</u>          | <u>0.588250</u>             |
| 8        | Gross Revenue Conversion Factor Per Order (Line 1 / Line 7) |          | <u>1.710109</u>          | <u>1.699958</u>             |

**North Shore Gas Company**  
**Adjustment to Cash Working Capital**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No.<br>(A) | Item<br>(B)                            | Amount<br>(C) | Lag (Lead)<br>(D) | CWC Factor<br>(D) / 365<br>(E)<br>(D/365) | CWC Requirement<br>(C) x (E)<br>(F) | Column (C)<br>Source<br>(G)                              |
|-----------------|--|---------------|-------------------|---|-------------------------------------|--|
| 1               | Revenues                               | \$ 207,023    | 44.77             | 0.12266                                   | \$ 25,393                           | Appendix A, p. 12, Column C, Line 6                      |
| 2               | Pass Through Taxes                     | 16,900        | 44.77             | 0.12266                                   | 2,073                               |  |
| 3               | Payroll and Withholdings               | 6,622         | (14.14)           | (0.03874)                                 | (257)                               | Appendix A, p. 13, Column C, Line 4                      |
| 4               | Inter Company Billings                 | 32,937        | (38.23)           | (0.10474)                                 | (3,450)                             | North Shore Schedule B-8, Page 1 of 3, Column B, Line 5  |
| 5               | Natural Gas                            | 148,869       | (40.53)           | (0.11104)                                 | (16,531)                            | North Shore Schedule C-1, line 6, column C               |
| 6               | Other Operations and Maintenance       | (448)         | (42.44)           | (0.11627)                                 | 52                                  | Appendix A, p. 12, Column C, Line 18                     |
| 7               | Federal Insurance Contributions (FICA) | 483           | (16.14)           | (0.04422)                                 | (21)                                | Appendix A, p. 13, Column C, Line 11                     |
| 8               | Federal Unemployment Tax               | 4             | (76.38)           | (0.20926)                                 | (1)                                 | North Shore Schedule C-18, line 3 column B               |
| 9               | State Unemployment Tax                 | 21            | (79.70)           | (0.21836)                                 | (5)                                 | North Shore Schedule C-18, line 10 column B              |
| 10              | Property/Real Estate Taxes             | 236           | (374.82)          | (1.02690)                                 | (242)                               | North Shore Schedule B-8, Page 1 of 3, Column B, Line 12 |
| 11              | Invested Capital Tax                   | 1,610         | (30.38)           | (0.08323)                                 | (134)                               | Appendix A, p. 13, Column C, Line 7                      |
| 12              | Corporation Franchise Tax              | 25            | (184.82)          | (0.50636)                                 | (13)                                | North Shore Schedule C-18, line 9 column B               |
| 13              | Sales and Use Tax                      | 5             | (38.74)           | (0.10614)                                 | (1)                                 | North Shore Schedule C-18, line 11 column B              |
| 14              | Federal Excise Tax                     | 2             | (75.12)           | (0.20581)                                 | -                                   | North Shore Schedule C-18, line 4 column B               |
| 15              | Unauthorized Insurance Tax             | 14            | 136.91            | 0.37510                                   | 5                                   | North Shore Schedule C-18, line 14 column B              |
| 16              | ICC Gas Revenue Tax                    | 239           | 32.31             | 0.08852                                   | 21                                  | North Shore Schedule B-8, Page 1 of 3, Column B, Line 19 |
| 17              | Gross Receipts/Municipal Utility Tax   | 6,727         | (46.50)           | (0.12740)                                 | (857)                               | North Shore Schedule B-8, Page 1 of 3, Column B, Line 20 |
| 18              | Energy Assistance Charges              | 1,787         | (35.50)           | (0.09726)                                 | (174)                               | North Shore Schedule B-8, Page 1 of 3, Column B, Line 21 |
| 19              | IDOR Gas Revenue/Public Utility tax    | 8,147         | (28.15)           | (0.07712)                                 | (628)                               | North Shore Schedule B-8, Page 1 of 3, Column B, Line 22 |
| 20              | Interest Expense                       | 5,245         | (91.25)           | (0.25000)                                 | (1,311)                             | Appendix A, p. 9, Column b, Line 3                       |
| 21              | Federal Income Tax                     | 956           | (37.88)           | (0.10378)                                 | (99)                                | Appendix A, p. 1, Column I, Line 21                      |
| 22              | State Income Tax                       | 607           | (37.88)           | (0.10378)                                 | (63)                                | Appendix A, p. 1, Column I, Line 20                      |
| 23              | Cash Working Capital per Order         |               |                   |   | \$ 3,757                            | Sum of Lines 1 through 22                                |
| 24              | Cash Working Capital per Company       |               |                   |   | <u>2,198</u>                        | NS-PGL Ex. 40.4N   |
| 25              | Difference --Ordered Adjustment        |               |                   |   | <u>\$ 1,559</u>                     | Line 23 - Line 24  |

Note: Lag (Lead) is from North Shore Schedule B-8, Page 1 of 2, Column B

**North Shore Gas Company**  
**Adjustment to Cash Working Capital**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line No.<br>(A) | Description<br>(B)                      | Amount<br>(C)     | Source<br>(D)   |
|-----------------|---|-------------------|---|
| 1               | Total Operating Revenues                | \$ 78,259         | Appendix A, p. 1, Column I, Line 5                      |
| 2               | PGA Revenue                             | 148,869           | North Shore Schedule C-1, line 6, column C              |
| 3               | Uncollectible Accounts                  | (1,263)           | Appendix A, p. 1, Column I, Line 6                      |
| 4               | Depreciation & Amortization             | (10,236)          | Appendix A, p. 1, Column I, Line 14                     |
| 5               | Return on Equity                        | (8,606)           | Line 9 below  |
| 6               | Total Revenues for CWC calculation      | <u>\$ 207,023</u> | Sum of Lines 1 through 5                                |
| 7               | Total Rate Base                         | \$ 194,260        | Appendix A, p. 5, Column d, Line 23                     |
| 8               | Weighted Cost of Capital                | 4.43%             | Per Order   |
| 9               | Return on equity deduction from revenue | <u>\$ 8,606</u>   | Line 7 x Line 8   |
| 10              | O & M Expenses                          | \$ 58,255         | Appendix A, p. 1, Column I, Line 19                     |
| 11              | Payroll and Withholdings                | (6,622)           | Appendix A, p. 13, Column C, Line 4                     |
| 12              | Inter Company Billings                  | (32,937)          | North Shore Schedule B-8, Page 1 of 3, Column B, Line 5 |
| 13              | FICA                                    | (483)             | Appendix A, p. 13, Column C, Line 11                    |
| 14              | Taxes Other Than Income excluding FICA  | (1,917)           | Appendix A, p. 11, Column C, Sum of Lines 8 through 15  |
| 15              | Interest Expense                        | (5,245)           | Appendix A, p. 11, Column C, Line 20                    |
| 16              | Uncollectible Accounts                  | (1,263)           | Appendix A, p. 1, Column I, Line 6                      |
| 17              | Depreciation & Amortization             | (10,236)          | Appendix A, p. 1, Column I, Line 14                     |
| 18              | Other Operations & Maintenance          | <u>\$ (448)</u>   | Sum of Lines 10 through 14                              |

**North Shore Gas Company**  
**Adjustment to Cash Working Capital**  
For the Test Year Ending December 31, 2012  
(In Thousands)

| Line<br>No.<br>(A) | Description<br>(B)                          | Amount<br>(C)   | Source<br>(D)   |
|--------------------|---|-----------------|---|
| 1                  | Payroll and Withholdings per Company Filing | \$ 8,135        | North Shore Schedule B-8, Page 1 of 2, Column B, Line 4 |
| 2                  | Incentive Compensation Adjustment           | (986)           | Appendix A, p. 3, Column g, Line 13                     |
| 3                  | Non-Union Wages Adjustment                  | <u>(527)</u>    | Appendix A, p. 3, Column h, Line 13                     |
| 4                  | Payroll and Withholdings per Order          | <u>\$ 6,622</u> | Sum of Lines 1 through 4                                |
| 5                  | Invested Capital Tax per Company Filing     | \$ 1,645        | North Shore Schedule C-18, line 8 column B              |
| 6                  | Invested Capital Tax Adjustment             | <u>(35)</u>     | Appendix A, p. 3, Column d, Line 17                     |
| 7                  | Invested Capital Tax per Order              | <u>\$ 1,610</u> | Sum of Lines 17 through 19                              |
| 8                  | FICA per Company                            | 706             | Peoples Gas Schedule B-8, Page 1 of 3, Column B, Line 9 |
| 9                  | Incentive Compensation Adjustment           | (208)           | Appendix A, p. 3, Column g, Line 17                     |
| 10                 | Non-Union Wages Adjustment                  | <u>(15)</u>     | Appendix A, p. 3, Column h, Line 17                     |
| 11                 | FICA per Order                              | <u>\$ 483</u>   | Sum of Lines 8 through 10                               |

**North Shore Gas**  
**Invested Capital Tax Adjustment**  
 For the Test Year Ending December 31, 2012  
 (In Thousands)

| Line<br>(A) | Description<br>(B)   | Amount<br>(C)         | Source<br>(D)  |
|-------------|--|-----------------------|--|
| 1           | Rate Base  | \$ 194,260            | Appendix A, p. 1, col. i, line 26                                      |
| 2           | Rate of Return   | <u>7.13%</u>          | Appendix A, p. 1, col. i, line 27                                      |
| 3           | Operating Income Required  | \$ 13,851             | Line 1 x Line 2  |
| 4           | Pro forma operating income at present rates adjusted before ICT adjustment | <u>12,990</u>         | Appendix A, p. 1, col. d line 25 -<br>Appendix A, p. 3, col. d line 17 |
| 5           | Operating Income Additional Allowed  | \$ 861                | Line 3 - line 4  |
| 6           | Invested Capital Tax Rate  | <u>0.80%</u>          | NS-PGL Ex. WPC-2.14  |
| 7           | Incremental Invested Capital Tax Impact per Order                          | \$ 7                  | Line 5 x line 6  |
| 8           | Incremental Invested Capital Tax Impact per Company                        | <u>42</u>             | NS-PGL Ex. WPC-2.14  |
| 9           | Ordered Adjustment   | <u><u>\$ (35)</u></u> | Line 7 - line 8  |

**North Shore Gas**  
**Uncollectibles Expense Adjustment**  
 For the Test Year Ending December 31, 2012  
 (In Thousands)

| Line<br>(A) | Description<br>(B)               | Amount<br>(C)          | Source<br>(D)           |
|-------------|----------------------------------|------------------------|-------------------------|
| 1           | 2010 Write-offs                  | \$ 1,850               | Data Request NS AG 1.31 |
| 2           | 2010 Recoveries                  | <u>596</u>             | Data Request NS AG 1.31 |
| 3           | 2010 Net Write-offs              | \$ 1,254               | Line 1 - Line 2         |
| 4           | Companies Uncollectibles Expense | <u>1,675</u>           | Schedule B-1            |
| 5           | Ordered Adjustment               | <u><u>\$ (421)</u></u> | Line 3 - line 4         |

North Shore Gas Company  
 NOL Adjustment  
 For the Test Year Ending December 31, 2012

| Line No. | Description  | Federal   | State      | Deferred | ADIT        | Source                     |
|----------|--|-----------|------------|----------|-------------|----------------------------|
| 1        | NOL Available at 12/31/11                          | \$ 70,000 | \$ 184,000 |          | \$ -        | NS_PGL WP Ex. 39.65P       |
|          | <u>Co. Surrebuttal at Current</u>                  |           |            |          |             |                            |
| 2        | Utility Operations                                 | 2,394,000 | (184,000)  |          |             |                            |
| 3        | Non-Utility Operations                             | 303,000   | 53,000     |          |             |                            |
| 4        | Surrebuttal  | 2,697,000 | (131,000)  |          |             |                            |
| 5        | NOL Available after Company Surrebuttal at Current | 2,767,000 | 53,000     |          | 2,820,000   | NS-PGL Ex. 40.5P CORRECTED |
|          | <u>Effect of Order</u>                             |           |            |          |             |                            |
| 7        | Utility Operations                                 | 2,268,000 | 680,000    |          |             |                            |
| 8        | Non-Utility Operations                             | -         | -          |          |             |                            |
| 9        | Order  | 2,268,000 | 680,000    |          |             |                            |
| 10       | NOL Available after Order                          | 5,035,000 | 733,000    |          | (5,768,000) |                            |
|          | Average Rate Base                                  |           |            |          | (2,884,000) |                            |