North Shore Gas Company

Comparison of Prior Forecasts to Actual Data
Income Statement

Historical Year Ended December 31, 2009

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

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

North Shore Gas Company

Comparison of Prior Forecasts to Actual Data
Income Statement

Historical Year Ended December 31, 2010

Line No.	Description	Actual	Budget	Actual vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 211,260,000	$ 247,809,000	$ (36,549,000)	(14.7%)	1
2	Operating Expenses:					2
3	Cost of Gas	126,414,000	160,895,000	(34,481,000)	(21.4%)	3
4	Other Operation and Maintenance	55,351,000	56,015,000	(664,000)	(1.2%)	4
5	Depreciation Expense	9,037,000	9,287,000	(250,000)	(2.7%)	5
6	Amortization of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	3,105,000	2,759,000	346,000	12.5%	7
8	Federal Income Taxes-Current	(3,107,000)	3,554,000	(6,661,000)	(187.4%)	8
9	State Income Taxes-Current	(426,000)	425,000	(851,000)	(200.2%)	9
10	Deferred Income Taxes	9,308,000	1,495,000	7,813,000	522.6%	10
11	Investment Tax Credit	(48,000)	13,000	(61,000)	(469.2%)	11
12	Total Operating Expenses	199,634,000	234,443,000	(34,809,000)	(14.8%)	12
13	Operating Income	11,626,000	13,366,000	(1,740,000)	(13.0%)	13
14	Income from Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	11,626,000	13,366,000	(1,740,000)	(13.0%)	15
16	Other Income, Net of Income Deductions	497,000	224,000	273,000	121.9%	16
17	Income Before Interest Charges	12,123,000	13,590,000	(1,467,000)	(10.8%)	17
18	Interest Charges	4,196,000	4,330,000	(134,000)	(3.1%)	18
19	Net Income	$ 7,927,000	$ 9,260,000	$ (1,333,000)	(14.4%)	19

North Shore Gas Company

Comparison of Prior Forecasts to Actual Data
Income Statement

Historical Year Ended December 31, 2011

Line No.	Description	Actual	Budget	Actual vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 201,423,000	$ 232,921,000	$ (31,498,000)	(13.5%)	1
2	Operating Expenses:					2
3	Cost of Gas	117,426,000	142,247,000	(24,821,000)	(17.4%)	3
4	Other Operation and Maintenance	51,780,000	58,384,000	(6,604,000)	(11.3%)	4
5	Depreciation Expense	9,508,000	9,550,000	(42,000)	(0.4%)	5
6	Amortization of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	2,940,000	2,948,000	(8,000)	(0.3%)	7
8	Federal Income Taxes-Current	2,672,000	4,459,000	(1,787,000)	(40.1%)	8
9	State Income Taxes-Current	1,559,000	510,000	1,049,000	205.7%	9
10	Deferred Income Taxes	1,552,000	1,088,000	464,000	42.6%	10
11	Investment Tax Credit	(41,000)	(37,000)	(4,000)	10.8%	11
12	Total Operating Expenses	187,396,000	219,149,000	(31,753,000)	(14.5%)	12
13	Operating Income	14,027,000	13,772,000	255,000	1.9%	13
14	Income from Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	14,027,000	13,772,000	255,000	1.9%	15
16	Other Income, Net of Income Deductions	(85,000)	406,000	(491,000)	(120.9%)	16
17	Income Before Interest Charges	13,942,000	14,178,000	(236,000)	(1.7%)	17
18	Interest Charges	4,213,000	4,342,000	(129,000)	(3.0%)	18
19	Net Income	$ 9,729,000	$ 9,836,000	$ (107,000)	(1.1%)	19

North Shore Gas Company

Statement from the Independent Certified Public Accountant

Deloitte & Touche LLP
111 S. Wacker Dr.
24th Floor
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
www.deloitte.com

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
North Shore Gas Company

We have examined the accompanying forecasted balance sheet, statements of income, retained earnings, and cash flows of North Shore Gas Company (the "Company") as of December 31, 2013, and for the year then ending. The Company's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

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

Deloitte & Touche LLP

July 30, 2012

NORTH SHORE GAS COMPANY

FORECASTED STATEMENT OF INCOME (Millions)	Year Ended December 31, 2013
Natural gas operating revenues	**$195.2**
Operating expenses	
Natural gas purchased for resale	**109.5**
Operating and maintenance expense	**57.0**
Depreciation and amortization expense	**10.8**
Taxes other than income taxes	**2.7**
Operating income	**15.2**
Miscellaneous income	**0.3**
Interest expense	**(4.4)**
Other expense	**(4.1)**
Income before taxes	**11.1**
Provision for income taxes	**4.5**
Net income	**$6.6**

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

NORTH SHORE GAS COMPANY

FORECASTED BALANCE SHEET (Millions)	December 31, 2013
Assets	
Cash and cash equivalents	**$0.3**
Accounts receivable and accrued unbilled revenues, net of reserves of $1.5	**32.8**
Natural gas in storage, primarily at LIFO	**11.2**
Regulatory assets	**1.1**
Other current assets	**2.0**
Current assets	**47.4**
Property, plant, and equipment, net of accumulated depreciation of $182.8	**296.2**
Regulatory assets	**112.5**
Other long-term assets	**0.9**
Total assets	**$457.0**
Liabilities and Shareholder's Equity	
Notes payable to related parties	**$37.1**
Accounts payable	**14.6**
Payables to related parties	**3.7**
Accrued taxes	**6.6**
Customer credit balances	**5.8**
Regulatory liabilities	**1.6**
Other current liabilities	**4.8**
Current liabilities	**74.2**
Long-term debt	**83.0**
Deferred income taxes	**68.7**
Environmental remediation liabilities	**76.7**
Pension and other postretirement benefit obligations	**22.4**
Asset retirement obligations	**21.0**
Other long-term liabilities	**12.7**
Long-term liabilities	**284.5**
Commitments and contingencies	
Common stock	**24.8**
Retained earnings	**73.5**
Total liabilities and shareholder's equity	**$457.0**

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

NORTH SHORE GAS COMPANY

FORECASTED STATEMENT OF CASH FLOWS (Millions)	Year Ended December 31, 2013
Operating Activities:	
Net Income	**$6.6**
Adjustments to reconcile net income to cash provided by (used in) operations:	
Depreciation and amortization expense	**10.8**
Bad debt expense	**1.5**
Deferred income taxes and investment tax credits- net	**0.8**
Pension and postretirement expense	**4.2**
Pension and postretirement funding	**(4.8)**
Recoveries and refunds of other regulatory assets and liabilities	**3.1**
Other, net	**(2.8)**
Net changes in working capital	**1.1**
Net cash provided by operating activities	**20.5**
Investing Activities:	
Capital expenditures	**(25.0)**
Net cash used for investing activities	**(25.0)**
Financing Activities:	
Issuance of long-term debt	**55.0**
Redemption of long-term debt	**(46.5)**
Intercompany loan payable	**(3.0)**
Dividends paid to parent	**(1.0)**
Net cash provided by financing activities	**4.5**
Net increase in cash and cash equivalents	**-**
Cash and cash equivalents at beginning of year	**0.3**
Cash and cash equivalents at end of year	**0.3**

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

NORTH SHORE GAS COMPANY

FORECASTED STATEMENT OF RETAINED EARNINGS (Millions)	December 31, 2013
Account 21600 Unappropriated Retained Earnings	
Balance at beginning of year	**$67.9**
Add:	
Net income	**6.6**
Less:	
Common stock dividends declared	**1.0**
Balance at end of year	**$73.5**

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

North Shore Gas Company

Summary of Significant Accounting Policies and Assumptions

Used in the Forecast For the Year Ending December 31, 2013

PRESENTATION BASIS

The financial forecast has been prepared by North Shore Gas Company ("the Company" or "NSG") and presented in accordance with the guidelines established in the March 1, 2009 AICPA Guide for Prospective Financial Information. This financial forecast presents, to the best of management's knowledge and belief, the Company's expected financial position, results of operations, retained earnings and cash flows for the forecast period. Accordingly, the forecast reflects its judgment as of December 15, 2011, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the forecast are below and are the same as in the Company's audited financial statements.

I. Nature of Operations

NSG is a regulated natural gas utility company that purchases, stores, distributes, sells, and transports natural gas to customers in the northern suburbs of Chicago. NSG is subject to the jurisdiction of, and regulation by, the Illinois Commerce Commission ("ICC"), which has general supervisory and regulatory powers over public utilities in Illinois, and the FERC, which regulates the interstate services NSG provides. The term "utility" refers to NSG's regulated activities.

As used in these notes, the term "financial statements" includes the statement of income, balance sheet, and statement of cash flows, unless otherwise noted.

II. Use of Estimates

NSG prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. NSG makes estimates and assumptions that affect assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

III. Cash and Cash Equivalents

Short-term investments with an original maturity of three months or less are reported as cash equivalents.

IV. Revenues and Customer Receivables

Revenues related to the sale of natural gas are recognized when service is provided or natural gas is delivered to customers and include estimated amounts for services provided but not billed. NSG presents revenues net of pass-through taxes on the income statements.

NSG has various rate-adjustment mechanisms in place that currently provide for the recovery of prudently incurred natural gas costs, which allow subsequent adjustments to rates for changes in commodity costs. Other mechanisms also allow recovery for environmental costs, bad debts, and energy conservation and management programs. A summary of significant rate-adjustment mechanisms follows:

- NSG rates include a one-for-one recovery mechanism for natural gas commodity costs.
- NSG rates include riders for cost recovery for both environmental cleanup and energy conservation and management program costs.
- NSG rates include a rider for cost recovery or refund of bad debts based on the difference between actual bad debt costs and the amount recovered in rates.
- NSG rates include a decoupling mechanism, which allows NSG to adjust its rates going forward to recover or refund the differences between the actual and authorized margin. However, the Illinois Attorney General has appealed the ICC's approval of decoupling and filed a motion to stay the implementation of the permanent decoupling mechanism or make collections subject to refund. On May 16, 2012, the ICC issued a revised amendatory order granting the Illinois Attorney General's motion to make revenues collected under the permanent decoupling mechanism subject to refund. Refunds would be required if the Illinois Appellate Court finds that the ICC did not have the authority to approve decoupling and the Court orders a refund. NSG still intends to file for rate recovery with the ICC for amounts recorded related to decoupling.

V. Inventories

Inventories consist of natural gas in storage and liquid propane. NSG accounts for liquid propane inventory using the average cost method. NSG prices natural gas storage injections at the calendar year average of the costs of natural gas supply purchased. Withdrawals from storage are priced on the LIFO cost method.

VI. Risk Management Activities

As part of NSG's regular operations, NSG enters into contracts, including options, forwards, and swaps, to manage changes in commodity prices.

All derivatives are recognized on the balance sheets at their fair value unless they are designated as and qualify for the normal purchases and sales exception. NSG continually assesses its contracts designated as normal and will discontinue the treatment of these contracts as normal if the required criteria are no longer met.

NSG's tariffs allow for full recovery from its customers of prudently incurred natural gas supply costs, including gains or losses on these derivative instruments. These derivatives are marked to fair value; the resulting risk management assets are offset with regulatory liabilities or decreases to regulatory assets, and risk management liabilities are offset with regulatory assets or decreases to regulatory liabilities. Management believes any gains or losses resulting from the eventual settlement of these derivative instruments will be refunded to or collected from customers in rates.

NSG has risk management contracts with various counterparties. NSG monitors credit exposure levels and the financial condition of its counterparties on a continuous basis to minimize credit risk.

VII. Property, Plant, and Equipment

Utility plant is stated at cost, including any associated allowance for funds used during construction and asset retirement costs. The costs of renewals and betterments of units of property (as distinguished from minor items of property) are capitalized as additions to the utility plant accounts. Except for land, no gains or losses are recognized in connection with ordinary retirements of utility property units. NSG charges the cost of units of property retired, sold, or otherwise disposed of, less salvage value, to accumulated depreciation. In addition, NSG records a regulatory liability for cost of removal accruals, which are included in rates. Actual removal costs are charged against the regulatory liability as incurred. Maintenance, repair, replacement, and renewal costs associated with items not qualifying as units of property are considered operating expenses.

NSG records straight-line depreciation expense over the estimated useful life of utility property, using depreciation rates as approved by the Illinois Commerce Commission. The provision for depreciation, expressed as an annual percentage of the original cost of depreciable property, is 2.5% for calendar year 2013.

VIII. Regulatory Assets and Liabilities

Regulatory assets represent probable future revenue associated with certain costs or liabilities that have been deferred and are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts collected in rates for future costs. If at any reporting date a previously recorded regulatory asset is no longer probable of recovery, the regulatory asset is reduced to the amount considered probable of recovery with the reduction charged to expense in the year the determination is made.

IX. Retirement of Debt

Any call premiums or unamortized expenses associated with refinancing utility debt obligations are amortized consistent with regulatory treatment of those items. Any gains or losses resulting from the retirement of utility debt that is not refinanced are amortized over the remaining life of the original debt consistent with regulatory treatment.

X. Asset Retirement Obligations

NSG recognizes at fair value legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction or development, and/or normal operation of the assets. A liability is recorded for these obligations as long as the fair value can be reasonably estimated, even if the timing or method of settling the obligation is unknown. The asset retirement obligations are accreted using a credit-adjusted risk-free interest rate commensurate with the expected settlement dates of the asset retirement obligations; this rate is determined at the date the obligation is incurred. The associated retirement costs are capitalized as part of the related long-lived assets and are depreciated over the useful lives of the assets. Subsequent changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability and the associated retirement cost.

XI. Income Taxes

NSG is included in the consolidated United States income tax return filed by Integrys Energy Group. NSG is party to a federal and state tax allocation arrangement with Integrys Energy Group and its subsidiaries under which each entity determines its provision for income taxes on a stand-alone basis. NSG settles the intercompany liabilities at the time that payments are made to the applicable taxing authority.

Deferred income taxes have been recorded to recognize the expected future tax consequences of events that have been included in the financial statements by using currently enacted tax rates for the differences between the income tax basis of assets and liabilities and the basis reported in the financial statements. NSG records valuation allowances for deferred income tax assets when it is uncertain if the benefit will be realized in the future. NSG defers certain adjustments made to income taxes that will impact future rates and records regulatory assets or liabilities related to these adjustments.

NSG uses the deferral method of accounting for investment tax credits (ITCs). Under this method, NSG records the ITCs as deferred credits and amortize such credits as a reduction to the provision for income taxes over the life of the asset that generated the ITCs. Investment tax credits that do not reduce income taxes payable for the current year are eligible for carryover and recognized as a deferred income tax asset. A valuation allowance is established unless it is more likely than not that the credits will be realized during the carryforward period.

NSG reports interest and penalties accrued related to income taxes as a component of provision for income taxes in the income statements.

XII. Employee Benefits

The costs of pension and other postretirement benefits are expensed over the period during which employees render service. Effective with new rates implemented in 2010, NSG reflected pension and other postretirement benefit costs in rates using Integrys Energy Group's basis in the related plan assets and obligations and method of determining these costs, which Integrys Energy Group established at the time of the February 2007 Peoples Energy, LLC (PELLC) merger. In addition, the cumulative difference between NSG's accounting basis and the accounting basis of Integrys Energy Group in NSG's pension and postretirement benefit obligations is amortized as a component of NSG's rates over the average remaining service lives of the participating employees. In computing the expected return on pension plan assets, a market-related value of plan assets is used that recognizes differences between actual investment returns and the expected return on plan assets over the subsequent five years. NSG's regulators allow recovery in rates for the net periodic benefit cost calculated under GAAP.

NSG recognizes the funded status of defined benefit postretirement plans on the balance sheet, and recognizes changes in the plans' funded status in the year in which the changes occur. NSG records changes in the funded status to regulatory asset or liability accounts, pursuant to the Regulated Operations Topic of the FASB ASC.

NSG accounts for its participation in benefit plans sponsored by Integrys Business Support, LLC (IBS) and PELLC as multiple employer plans. Under affiliate agreements, NSG are responsible for its share of plan costs and obligations and is entitled to its share of plan assets; accordingly, NSG accounts for its pro rata share of the IBS and PELLC plans as its own plans.

XIII. Fair Value

A fair value measurement is required to reflect the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. Transaction costs should not be considered in the determination of fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). NSG uses a mid-market pricing convention (the mid-point price between bid and ask prices) as a practical measure for valuing the majority of its derivative assets and liabilities.

Fair value accounting rules provide a hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs within models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

NSG determines fair value using a market-based approach that uses observable market inputs where available, and internally developed inputs where observable market data is not readily available. For the unobservable inputs, consideration is given to the assumptions that market participants would use in valuing the asset or liability. These factors include not only the credit standing of the counterparties involved, but also the impact of NSG's nonperformance risk on its liabilities.

SUMMARY OF SIGNIFICANT ASSUMPTIONS/ITEMS

I. Operating Revenues

1. Forecasted revenues were primarily determined by applying the Company's current rates and rate structure to forecasted deliveries of gas to customers, plus the forecasted cost of gas delivered, environmental recovery charges, Energy Efficiency and On-Bill Financing Adjustment charges, the Volume Balancing Adjustment and other miscellaneous charges.

2. Forecasted deliveries, including changes due to customer growth and conservation, were determined using internally developed models that consider various factors, including historical, trend and regression analysis. The models also consider economic and market variables.

3. Forecasted deliveries assumed 6,093 normal heating degree-days. This represents the average of actual weather at O'Hare International Airport for the 12-year period from 1999 through 2010 adjusted for the leap year.

4. Based on the above volume assumptions, forecasted deliveries to customers are 35.0 Bcf, including 21.4 Bcf delivered to sales customers and 13.6 Bcf delivered to transportation customers.

5. Revenues not associated with delivery volumes were determined primarily from historical factors or the number of customers. Revenues for large customers with special contracts were based on a combination of historical and projected data.

6. Late payment charges were forecasted to be $0.6 million. This estimate reflects ninety percent of the 2011 actual late payment charges due to the decrease in gas costs in the test year.

7. Revenue attributable to the recovery of environmental clean-up costs (Rider 11 revenue) is forecast at $2.7 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.

8. Revenue attributable to the Energy Efficiency and On-Bill Financing Adjustment (Rider EOA) is forecast at $3.8 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.

9. There are no refunds for revenue attributable to the Volume Balancing Adjustment (Rider VBA) based on forecasted distribution charge revenue derived from S. C. No. 1 and S. C. No. 2 compared to the Rider VBA Rate Case Revenue ordered in Docket No. 11-0280.

10. There are no significant changes to the customer base.

II. Cost of Gas

1. The cost of gas purchased for sales to customers is passed on directly to customers without mark-up. Therefore, while a change in the forecast of gas costs may have a significant effect on revenue and the cost of gas, it would not have a significant impact on the Company's forecast of income. Indirectly, changes in the cost of gas impacts customer delivered volumes and the forecast of other costs.

2. The forecasted cost of gas purchased for sales to customers includes natural gas commodity costs and non-commodity costs, along with changes in inventory and adjustments for prior and forecasted over/under collections of gas costs from customers. At the end of 2013, the forecasted over collection

from customers is $1.0 million. This is based on forecasted monthly differences between actual gas costs and billed gas costs due in part to timing differences amortized over a 12 month period.

3. Non-commodity costs, primarily pipeline transportation and storage demand charges, were generally based on contractual volumes and rates in place at December 15, 2011. No material changes are expected in these contracts for the forecast period.

4. Forecasted commodity costs were based on the product of forecasted purchase volumes and forecasted gas purchase costs.

5. Forecasted purchase volumes include lost and unaccounted-for gas. The Company forecasted an unaccounted-for loss rate of 0.1% of forecasted retail deliveries, which is consistent with the actual loss rate experienced in recent years.

6. Forecasted gas purchase costs were determined by applying the forward NYMEX gas price as of December 15, 2011 ($4.01 per MMBtu, unweighted), adjusted for applicable basis differentials and existing hedge positions in place.

III. Operations and Maintenance Costs

A. Labor

1. The number of employees is projected to remain constant at 171 in calendar year 2013 compared to the forecast for the end of calendar year 2012. Actual headcount at December 31, 2011 was 166.

2. Union employee wage increases were based on existing union contracts. The contract stipulates a 3.25% increase in July 2012. The Company assumed a similar increase would occur in July, 2013. An increase of 0.55% was also included for progressions in both years.

3. Non-union wages were forecast to increase 3.85% in fiscal 2012 and 2013.

B. Bad Debt

The provision for bad debt was forecast at 0.7% of revenue. This rate is consistent with prior experience. . In 2013, NSG will switch to the net-write-off method which was approved as part of the final Order in ICC Docket Nos. 11-0280/11-0281 Cons. Under this method, the difference between what is calculated for Account 904 and write-offs will be deferred as a regulatory asset and/or liability. Amounts deferred will be recovered from or refunded to customers through the bad debt tracker mechanism (Rider UEA).

C. Pension and Post Retirement Expense

Pension and post retirement expense was developed with the assistance of the Company's actuaries. The census data used was as of January 1, 2011. The discount rate assumption for pension expense was forecast at 5.10%, which was the discount rate at December 31, 2011. The discount rate assumption for post retirement expense was forecast at 4.80%, which was the discount rate at December 31, 2011. The forecast used the market-related value of plan assets at December 31, 2011, and assumes NSG will contribute $10.9 million to its other postretirement benefit plan in 2012. The forecast assumes NSG will contribute $3.7 million to its pension plan and $1.2 million to its other postretirement plan during 2013.

D. Environmental Costs

Costs related to the investigation and removal of manufactured gas residues are initially recorded in a regulatory asset account. Expenditures related to the remediation of environmental obligations reflected in the forecasted statements are $2.6 million and $1.5 million for 2012 and 2013. NSG has a recovery mechanism in place (Rider 11) that provides for dollar for dollar recovery of the expenditures. Revenue attributable to the recovery of environmental clean-up costs (Rider 11 revenue) is forecast at $2.7 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income. Liabilities were developed based on engineering costs estimates and probable outcomes, and were based on a review and judgment by the Company's management and outside consultants. The forecast assumes no changes in the liability estimate in 2012 or 2013 except of the reduction in the liability driven by expenditures for remediation.

E. Energy Efficiency and On-Bill Financing Costs

Costs related to the Energy Efficiency and On-Bill Financing are expensed as incurred. The difference between the budgeted monthly expenditure billed to customers and the actual expenses is recorded as a regulatory asset or liability with a corresponding adjustment to expense. The amount forecasted to be billed to customers, with an offsetting expense in operating and maintenance expenses is $3.8 million in calendar 2013, and therefore will not directly impact forecasted income.

F. Inter-company Billing Charges

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

G. Other Costs

The Company forecasted operating and maintenance costs through a detailed bottoms-up budgeting process. Unless specifically determined otherwise, this process assumed, as a default, a 2.1% and 2.2% annual rate of inflation for 2012 and 2013 respectively. The cost of natural gas purchased for the Company's internal use was forecasted in a similar manner as natural gas purchased for sales to customers.

IV. Depreciation

The provision for depreciation, expressed as an annual percentage of the original cost of depreciable property, is 2.5% for calendar year 2013.
Depreciation expense in calendar year 2013 is based on the average estimated life of depreciable property. Estimated lives were based on the depreciation study approved by the Illinois Commerce Commission in 2010, which includes recovery of cost of removal.

V. Income Taxes

1. Income taxes were forecast by applying the current federal and state statutory income tax rates of 35% and 9.5%, respectively, to forecasted pre-tax income, after adjusting for forecasted permanent items. See 2 below for deferred tax component.

2. The deferred tax provision for originating temporary differences is based on current federal and state statutory rates from 1 above. The deferred tax provision for reversing temporary differences is based on the average rate assumption method.

3. There is currently no forecasted net operating loss ("NOL") deferred income tax asset. This results from the assumption that while NSG may be generating taxable losses, the consolidated group is assumed to be able to use those losses. Under the Companies tax sharing agreement, NSG will be paid cash for the tax benefit of its loss, if any, generated on a standalone basis, and used to reduce consolidated tax obligations. NSG will therefore not have a deferred income tax asset for the NOL. This assumption will be monitored / updated at each step in the case.

VI. Long-Term Debt

The forecast includes the issuance of $55 million in long-term debt on May 1, 2013 at an annual interest rate of 4.75%. The new issuance includes debt issuance costs of 65 basis points plus $400,000 amortized over 10 years. The forecasted rates were estimated using the 10-Year Treasury rate forecasted for the quarter of issuance, rounded to the nearest 5 basis points plus a basis point spread of 110. The Treasury forecasted rates were per Moody's Analytics DataBuffet.com March 13, 2012 forecast.

VII. Interest Income and Expense

1. Interest expense includes a) interest on long-term debt, b) amortization of debt issuance costs and losses on reacquired debt, c) interest and fees associated with short-term borrowings and lines of credit, and d) interest expense related to customer deposits, budget plan customers, employee deferred compensation balances, and over-collected gas costs.

2. For fixed rate long-term debt, interest expense was forecast by applying the stated interest rate to the principal amount of each series of currently outstanding first-mortgage bonds. For the forecasted issuance in 2013, the forecasted interest rate was applied to the forecasted principal amount of the issuance. Debt amortizations are initially calculated over the life of the debt issue. If debt is reacquired and not refinanced debt expense amortization continues over the original life. For refinanced debt issues any unamortized amounts are subsequently amortized over the life of the new debt issue.

3. For variable rate short-term debt, interest expense was forecasted at an average of 2.33% for 2013. Short-term debt interest rates range from 0.71% in January to 0.96% in December and average 0.85% based on the Moody's Analytics DataBuffet.com forecast for 1 month non-financial commercial paper as of March 13, 2012. Short-term debt expense also includes bank fees associated with lines of credit. These fees add an additional 1.48% to the cost of short-term debt in 2013.

VIII. Dividends

Dividend declarations are forecasted at approximately 15% of calendar 2013 net income.

IX. Capital Expenditures

Capital expenditures were forecasted as follows for calendar 2012 and 2013 ($ in millions):

	2012	2013
Distribution system	$27.4	$20.3
Other	7.7	4.7
Total	$35.1	$25.0

North Shore Gas Company

Statement on Assumptions Used in the Forecast

a) The forecast for the test year contains the same assumptions and methodologies used in forecasts that are prepared for management or other entities such as the Securities and Exchange Commission, security rating companies and agencies, underwriters, and investors, except as described in c) below.

b) There are no differences in assumptions or methodologies used in the forecast of the test year and in forecasts prepared for management or other entities, except as described in c) below.

c) The test year forecast reflects our judgment, as of December 15, 2011 based on present circumstances of the expected conditions and our expected course of action assuming : (a) current tariffed rates remain in effect through December 31, 2013 and (b) forecasted natural gas commodity prices reflect the average of the New York Mercantile Exchange (“NYMEX”) futures prices for 2013 for the thirty day period ended December 15, 2011; and (c) updated non-labor inflation rates.

North Shore Gas Company

Statement on Accounting Treatment

a) The accounting treatment applied to anticipated events and transactions in the forecast is the same as the accounting treatment to be applied in recording the events once they have occurred.

b) There are no differences between the accounting treatment applied to anticipated events and transactions in the forecast forming the basis of the test year and the accounting treatment to be applied in recording the event once it has occurred.

North Shore Gas Company

Summary of Significant Accounting Policies and Assumptions

Used in the Forecast For the Year Ending December 31, 2013

PRESENTATION BASIS

The financial forecast has been prepared by North Shore Gas Company ("the Company" or "NSG") and presented in accordance with the guidelines established in the March 1, 2009 AICPA Guide for Prospective Financial Information. This financial forecast presents, to the best of management's knowledge and belief, the Company's expected financial position, results of operations, retained earnings and cash flows for the forecast period. Accordingly, the forecast reflects its judgment as of December 15, 2011, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the forecast are below and are the same as in the Company's audited financial statements.

I. Nature of Operations

NSG is a regulated natural gas utility company that purchases, stores, distributes, sells, and transports natural gas to customers in the northern suburbs of Chicago. NSG is subject to the jurisdiction of, and regulation by, the Illinois Commerce Commission ("ICC"), which has general supervisory and regulatory powers over public utilities in Illinois, and the FERC, which regulates the interstate services NSG provides. The term "utility" refers to NSG's regulated activities.

As used in these notes, the term "financial statements" includes the statement of income, balance sheet, and statement of cash flows, unless otherwise noted.

II. Use of Estimates

NSG prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. NSG makes estimates and assumptions that affect assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

III. Cash and Cash Equivalents

Short-term investments with an original maturity of three months or less are reported as cash equivalents.

IV. Revenues and Customer Receivables

Revenues related to the sale of natural gas are recognized when service is provided or natural gas is delivered to customers and include estimated amounts for services provided but not billed. NSG presents revenues net of pass-through taxes on the income statements.

NSG has various rate-adjustment mechanisms in place that currently provide for the recovery of prudently incurred natural gas costs, which allow subsequent adjustments to rates for changes in commodity costs. Other mechanisms also allow recovery for environmental costs, bad debts, and energy conservation and management programs. A summary of significant rate-adjustment mechanisms follows:

- NSG rates include a one-for-one recovery mechanism for natural gas commodity costs.
- NSG rates include riders for cost recovery for both environmental cleanup and energy conservation and management program costs.
- NSG rates include a rider for cost recovery or refund of bad debts based on the difference between actual bad debt costs and the amount recovered in rates.
- NSG rates include a decoupling mechanism, which allows NSG to adjust its rates going forward to recover or refund the differences between the actual and authorized margin. However, the Illinois Attorney General has appealed the ICC's approval of decoupling and filed a motion to stay the implementation of the permanent decoupling mechanism or make collections subject to refund. On May 16, 2012, the ICC issued a revised amendatory order granting the Illinois Attorney General's motion to make revenues collected under the permanent decoupling mechanism subject to refund. Refunds would be required if the Illinois Appellate Court finds that the ICC did not have the authority to approve decoupling and the Court orders a refund. NSG still intends to file for rate recovery with the ICC for amounts recorded related to decoupling.

V. Inventories

Inventories consist of natural gas in storage and liquid propane. NSG accounts for liquid propane inventory using the average cost method. NSG prices natural gas storage injections at the calendar year average of the costs of natural gas supply purchased. Withdrawals from storage are priced on the LIFO cost method.

VI. Risk Management Activities

As part of NSG's regular operations, NSG enters into contracts, including options, forwards, and swaps, to manage changes in commodity prices.

All derivatives are recognized on the balance sheets at their fair value unless they are designated as and qualify for the normal purchases and sales exception. NSG continually assesses its contracts designated as normal and will discontinue the treatment of these contracts as normal if the required criteria are no longer met.

NSG's tariffs allow for full recovery from its customers of prudently incurred natural gas supply costs, including gains or losses on these derivative instruments. These derivatives are marked to fair value; the resulting risk management assets are offset with regulatory liabilities or decreases to regulatory assets, and risk management liabilities are offset with regulatory assets or decreases to regulatory liabilities. Management believes any gains or losses resulting from the eventual settlement of these derivative instruments will be refunded to or collected from customers in rates.

NSG has risk management contracts with various counterparties. NSG monitors credit exposure levels and the financial condition of its counterparties on a continuous basis to minimize credit risk.

VII. Property, Plant, and Equipment

Utility plant is stated at cost, including any associated allowance for funds used during construction and asset retirement costs. The costs of renewals and betterments of units of property (as distinguished from minor items of property) are capitalized as additions to the utility plant accounts. Except for land, no gains or losses are recognized in connection with ordinary retirements of utility property units. NSG charges the cost of units of property retired, sold, or otherwise disposed of, less salvage value, to accumulated depreciation. In addition, NSG records a regulatory liability for cost of removal accruals, which are included in rates. Actual removal costs are charged against the regulatory liability as incurred. Maintenance, repair, replacement, and renewal costs associated with items not qualifying as units of property are considered operating expenses.

NSG records straight-line depreciation expense over the estimated useful life of utility property, using depreciation rates as approved by the Illinois Commerce Commission. The provision for depreciation, expressed as an annual percentage of the original cost of depreciable property, is 2.5% for calendar year 2013.

VIII. Regulatory Assets and Liabilities

Regulatory assets represent probable future revenue associated with certain costs or liabilities that have been deferred and are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts collected in rates for future costs. If at any reporting date a previously recorded regulatory asset is no longer probable of recovery, the regulatory asset is reduced to the amount considered probable of recovery with the reduction charged to expense in the year the determination is made.

IX. Retirement of Debt

Any call premiums or unamortized expenses associated with refinancing utility debt obligations are amortized consistent with regulatory treatment of those items. Any gains or losses resulting from the retirement of utility debt that is not refinanced are amortized over the remaining life of the original debt consistent with regulatory treatment.

X. Asset Retirement Obligations

NSG recognizes at fair value legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction or development, and/or normal operation of the assets. A liability is recorded for these obligations as long as the fair value can be reasonably estimated, even if the timing or method of settling the obligation is unknown. The asset retirement obligations are accreted using a credit-adjusted risk-free interest rate commensurate with the expected settlement dates of the asset retirement obligations; this rate is determined at the date the obligation is incurred. The associated retirement costs are capitalized as part of the related long-lived assets and are depreciated over the useful lives of the assets. Subsequent changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability and the associated retirement cost.

XI. Income Taxes

NSG is included in the consolidated United States income tax return filed by Integrys Energy Group. NSG is party to a federal and state tax allocation arrangement with Integrys Energy Group and its subsidiaries under which each entity determines its provision for income taxes on a stand-alone basis. NSG settles the intercompany liabilities at the time that payments are made to the applicable taxing authority.

Deferred income taxes have been recorded to recognize the expected future tax consequences of events that have been included in the financial statements by using currently enacted tax rates for the differences between the income tax basis of assets and liabilities and the basis reported in the financial statements. NSG records valuation allowances for deferred income tax assets when it is uncertain if the benefit will be realized in the future. NSG defers certain adjustments made to income taxes that will impact future rates and records regulatory assets or liabilities related to these adjustments.

NSG uses the deferral method of accounting for investment tax credits (ITCs). Under this method, NSG records the ITCs as deferred credits and amortize such credits as a reduction to the provision for income taxes over the life of the asset that generated the ITCs. Investment tax credits that do not reduce income taxes payable for the current year are eligible for carryover and recognized as a deferred income tax asset. A valuation allowance is established unless it is more likely than not that the credits will be realized during the carryforward period.

NSG reports interest and penalties accrued related to income taxes as a component of provision for income taxes in the income statements.

XII. Employee Benefits

The costs of pension and other postretirement benefits are expensed over the period during which employees render service. Effective with new rates implemented in 2010, NSG reflected pension and other postretirement benefit costs in rates using Integrys Energy Group's basis in the related plan assets and obligations and method of determining these costs, which Integrys Energy Group established at the time of the February 2007 Peoples Energy, LLC (PELLC) merger. In addition, the cumulative difference between NSG's accounting basis and the accounting basis of Integrys Energy Group in NSG's pension and postretirement benefit obligations is amortized as a component of NSG's rates over the average remaining service lives of the participating employees. In computing the expected return on pension plan assets, a market-related value of plan assets is used that recognizes differences between actual investment returns and the expected return on plan assets over the subsequent five years. NSG's regulators allow recovery in rates for the net periodic benefit cost calculated under GAAP.

NSG recognizes the funded status of defined benefit postretirement plans on the balance sheet, and recognizes changes in the plans' funded status in the year in which the changes occur. NSG records changes in the funded status to regulatory asset or liability accounts, pursuant to the Regulated Operations Topic of the FASB ASC.

NSG accounts for its participation in benefit plans sponsored by Integrys Business Support, LLC (IBS) and PELLC as multiple employer plans. Under affiliate agreements, NSG are responsible for its share of plan costs and obligations and is entitled to its share of plan assets; accordingly, NSG accounts for its pro rata share of the IBS and PELLC plans as its own plans.

XIII. Fair Value

A fair value measurement is required to reflect the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. Transaction costs should not be considered in the determination of fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). NSG uses a mid-market pricing convention (the mid-point price between bid and ask prices) as a practical measure for valuing the majority of its derivative assets and liabilities.

Fair value accounting rules provide a hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs within models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

NSG determines fair value using a market-based approach that uses observable market inputs where available, and internally developed inputs where observable market data is not readily available. For the unobservable inputs, consideration is given to the assumptions that market participants would use in valuing the asset or liability. These factors include not only the credit standing of the counterparties involved, but also the impact of NSG's nonperformance risk on its liabilities.

SUMMARY OF SIGNIFICANT ASSUMPTIONS/ITEMS

I. Operating Revenues

1. Forecasted revenues were primarily determined by applying the Company's current rates and rate structure to forecasted deliveries of gas to customers, plus the forecasted cost of gas delivered, environmental recovery charges, Energy Efficiency and On-Bill Financing Adjustment charges, the Volume Balancing Adjustment and other miscellaneous charges.

2. Forecasted deliveries, including changes due to customer growth and conservation, were determined using internally developed models that consider various factors, including historical, trend and regression analysis. The models also consider economic and market variables.

3. Forecasted deliveries assumed 6,093 normal heating degree-days. This represents the average of actual weather at O'Hare International Airport for the 12-year period from 1999 through 2010 adjusted for the leap year.

4. Based on the above volume assumptions, forecasted deliveries to customers are 35.0 Bcf, including 21.4 Bcf delivered to sales customers and 13.6 Bcf delivered to transportation customers.

5. Revenues not associated with delivery volumes were determined primarily from historical factors or the number of customers. Revenues for large customers with special contracts were based on a combination of historical and projected data.

6. Late payment charges were forecasted to be $0.6 million. This estimate reflects ninety percent of the 2011 actual late payment charges due to the decrease in gas costs in the test year.

7. Revenue attributable to the recovery of environmental clean-up costs (Rider 11 revenue) is forecast at $2.7 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.

8. Revenue attributable to the Energy Efficiency and On-Bill Financing Adjustment (Rider EOA) is forecast at $3.8 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.

9. There are no refunds for revenue attributable to the Volume Balancing Adjustment (Rider VBA) based on forecasted distribution charge revenue derived from S. C. No. 1 and S. C. No. 2 compared to the Rider VBA Rate Case Revenue ordered in Docket No. 11-0280.

10. There are no significant changes to the customer base.

II. <u>Cost of Gas</u>

1. The cost of gas purchased for sales to customers is passed on directly to customers without mark-up. Therefore, while a change in the forecast of gas costs may have a significant effect on revenue and the cost of gas, it would not have a significant impact on the Company's forecast of income. Indirectly, changes in the cost of gas impacts customer delivered volumes and the forecast of other costs.

2. The forecasted cost of gas purchased for sales to customers includes natural gas commodity costs and non-commodity costs, along with changes in inventory and adjustments for prior and forecasted over/under collections of gas costs from customers. At the end of 2013, the forecasted over collection

from customers is $1.0 million. This is based on forecasted monthly differences between actual gas costs and billed gas costs due in part to timing differences amortized over a 12 month period.

3. Non-commodity costs, primarily pipeline transportation and storage demand charges, were generally based on contractual volumes and rates in place at December 15, 2011. No material changes are expected in these contracts for the forecast period.

4. Forecasted commodity costs were based on the product of forecasted purchase volumes and forecasted gas purchase costs.

5. Forecasted purchase volumes include lost and unaccounted-for gas. The Company forecasted an unaccounted-for loss rate of 0.1% of forecasted retail deliveries, which is consistent with the actual loss rate experienced in recent years.

6. Forecasted gas purchase costs were determined by applying the forward NYMEX gas price as of December 15, 2011 ($4.01 per MMBtu, unweighted), adjusted for applicable basis differentials and existing hedge positions in place.

III. <u>Operations and Maintenance Costs</u>

A. Labor

1. The number of employees is projected to remain constant at 171 in calendar year 2013 compared to the forecast for the end of calendar year 2012. Actual headcount at December 31, 2011 was 166.

2. Union employee wage increases were based on existing union contracts. The contract stipulates a 3.25% increase in July 2012. The Company assumed a similar increase would occur in July, 2013. An increase of 0.55% was also included for progressions in both years.

3. Non-union wages were forecast to increase 3.85% in fiscal 2012 and 2013.

B. Bad Debt

The provision for bad debt was forecast at 0.7% of revenue. This rate is consistent with prior experience. . In 2013, NSG will switch to the net-write-off method which was approved as part of the final Order in ICC Docket Nos. 11-0280/11-0281 Cons. Under this method, the difference between what is calculated for Account 904 and write-offs will be deferred as a regulatory asset and/or liability. Amounts deferred will be recovered from or refunded to customers through the bad debt tracker mechanism (Rider UEA).

C. Pension and Post Retirement Expense

Pension and post retirement expense was developed with the assistance of the Company's actuaries. The census data used was as of January 1, 2011. The discount rate assumption for pension expense was forecast at 5.10%, which was the discount rate at December 31, 2011. The discount rate assumption for post retirement expense was forecast at 4.80%, which was the discount rate at December 31, 2011. The forecast used the market-related value of plan assets at December 31, 2011, and assumes NSG will contribute $10.9 million to its other postretirement benefit plan in 2012. The forecast assumes NSG will contribute $3.7 million to its pension plan and $1.2 million to its other postretirement plan during 2013.

D. Environmental Costs

Costs related to the investigation and removal of manufactured gas residues are initially recorded in a regulatory asset account. Expenditures related to the remediation of environmental obligations reflected in the forecasted statements are $2.6 million and $1.5 million for 2012 and 2013. NSG has a recovery mechanism in place (Rider 11) that provides for dollar for dollar recovery of the expenditures. Revenue attributable to the recovery of environmental clean-up costs (Rider 11 revenue) is forecast at $2.7 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income. Liabilities were developed based on engineering costs estimates and probable outcomes, and were based on a review and judgment by the Company's management and outside consultants. The forecast assumes no changes in the liability estimate in 2012 or 2013 except of the reduction in the liability driven by expenditures for remediation.

E. Energy Efficiency and On-Bill Financing Costs

Costs related to the Energy Efficiency and On-Bill Financing are expensed as incurred. The difference between the budgeted monthly expenditure billed to customers and the actual expenses is recorded as a regulatory asset or liability with a corresponding adjustment to expense. The amount forecasted to be billed to customers, with an offsetting expense in operating and maintenance expenses is $3.8 million in calendar 2013, and therefore will not directly impact forecasted income.

F. Inter-company Billing Charges

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

G. Other Costs

The Company forecasted operating and maintenance costs through a detailed bottoms-up budgeting process. Unless specifically determined otherwise, this process assumed, as a default, a 2.1% and 2.2% annual rate of inflation for 2012 and 2013 respectively. The cost of natural gas purchased for the Company's internal use was forecasted in a similar manner as natural gas purchased for sales to customers.

IV. Depreciation

The provision for depreciation, expressed as an annual percentage of the original cost of depreciable property, is 2.5% for calendar year 2013.
Depreciation expense in calendar year 2013 is based on the average estimated life of depreciable property. Estimated lives were based on the depreciation study approved by the Illinois Commerce Commission in 2010, which includes recovery of cost of removal.

V. Income Taxes

1. Income taxes were forecast by applying the current federal and state statutory income tax rates of 35% and 9.5%, respectively, to forecasted pre-tax income, after adjusting for forecasted permanent items. See 2 below for deferred tax component.

2. The deferred tax provision for originating temporary differences is based on current federal and state statutory rates from 1 above. The deferred tax provision for reversing temporary differences is based on the average rate assumption method.

3. There is currently no forecasted net operating loss ("NOL") deferred income tax asset. This results from the assumption that while NSG may be generating taxable losses, the consolidated group is assumed to be able to use those losses. Under the Companies tax sharing agreement, NSG will be paid cash for the tax benefit of its loss, if any, generated on a standalone basis, and used to reduce consolidated tax obligations. NSG will therefore not have a deferred income tax asset for the NOL. This assumption will be monitored / updated at each step in the case.

VI. Long-Term Debt

The forecast includes the issuance of $55 million in long-term debt on May 1, 2013 at an annual interest rate of 4.75%. The new issuance includes debt issuance costs of 65 basis points plus $400,000 amortized over 10 years. The forecasted rates were estimated using the 10-Year Treasury rate forecasted for the quarter of issuance, rounded to the nearest 5 basis points plus a basis point spread of 110. The Treasury forecasted rates were per Moody's Analytics DataBuffet.com March 13, 2012 forecast.

VII. Interest Income and Expense

1. Interest expense includes a) interest on long-term debt, b) amortization of debt issuance costs and losses on reacquired debt, c) interest and fees associated with short-term borrowings and lines of credit, and d) interest expense related to customer deposits, budget plan customers, employee deferred compensation balances, and over-collected gas costs.

2. For fixed rate long-term debt, interest expense was forecast by applying the stated interest rate to the principal amount of each series of currently outstanding first-mortgage bonds. For the forecasted issuance in 2013, the forecasted interest rate was applied to the forecasted principal amount of the issuance. Debt amortizations are initially calculated over the life of the debt issue. If debt is reacquired and not refinanced debt expense amortization continues over the original life. For refinanced debt issues any unamortized amounts are subsequently amortized over the life of the new debt issue.

3. For variable rate short-term debt, interest expense was forecasted at an average of 2.33% for 2013. Short-term debt interest rates range from 0.71% in January to 0.96% in December and average 0.85% based on the Moody's Analytics DataBuffet.com forecast for 1 month non-financial commercial paper as of March 13, 2012. Short-term debt expense also includes bank fees associated with lines of credit. These fees add an additional 1.48% to the cost of short-term debt in 2013.

VIII. Dividends

Dividend declarations are forecasted at approximately 15% of calendar 2013 net income.

IX. Capital Expenditures

Capital expenditures were forecasted as follows for calendar 2012 and 2013 ($ in millions):

	2012	2013
Distribution system	$27.4	$20.3
Other	7.7	4.7
Total	$35.1	$25.0

North Shore Gas Company

Inflation

Line No.	Description	Base Dollars	Inflation Factor	Inflation Amount	Line No.
	[A]	[B]	[C]	[D] = [B] x [C]	
1	**Invoices**				1
2	Distribution				2
3	B80 NSG Operations	288,000	2.20%	6,000	3
4	Administrative and General				4
5	P06 Executive Office - President/COO	147,000	2.20%	3,000	5
6	Distribution Tools and Equipment Costs				6
7	B80 NSG Operations	64,000	2.20%	1,000	7
8	Building Costs				8
9	A77 IBS Corporate Security	113,000	2.20%	2,000	9
10	**Materials and Supplies**				10
11	Distribution				11
12	B80 NSG Operations	478,000	2.20%	11,000	12
13	Distribution Tools and Equipment Costs				13
14	B80 NSG Operations	269,000	2.20%	6,000	14
15	**Expense Accounts**				15
16	Distribution				16
17	B80 NSG Operations	49,000	2.20%	1,000	17
18	Distribution Tools and Equipment Costs				18
19	B80 NSG Operations	40,000	2.20%	1,000	19
20	**Distribution Tools**				20
21	Capital				21
22	B44 NSG Distribution Tools Clearing	85,000	2.20%	2,000	22
23	Distribution				23
24	B44 NSG Distribution Tools Clearing	288,000	2.20%	6,000	24
25	**Cellular Phone Costs**				25
26	Distribution				26
27	A53 IBS IT Infrastructure	73,000	2.20%	2,000	27
28	**Paving**				28
29	Distribution				29
30	B80 NSG Operations	60,000	2.20%	1,000	30
31	**Piping**				31
32	Distribution				32
33	B80 NSG Operations	194,000	2.20%	4,000	33
34	Transmission				34
35	B80 NSG Operations	125,000	2.20%	3,000	35
36	**Landscaping**				36
37	Distribution				37
38	B80 NSG Operations	125,000	2.20%	3,000	38

North Shore Gas Company

Proration of Accumulated Deferred Income Taxes

Test Year Ending December 31, 2013

Line No.	Description	Days(1)	Ratio	Liberalized Depreciation Statutory Rate Per Books	Liberalized Depreciation Statutory Rate Prorated	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Balance 12/31/2012			$ (55,538,000)	$ (55,538,000)	1
2	January		100.0%	(31,000)	(31,000)	2
3	February		100.0%	(31,000)	(31,000)	3
4	March		100.0%	(31,000)	(31,000)	4
5	April		100.0%	(31,000)	(31,000)	5
6	May		100.0%	(31,000)	(31,000)	6
7	June		100.0%	(31,000)	(31,000)	7
8	July	154	83.2%	(31,000)	(26,000)	8
9	August	123	66.5%	(31,000)	(21,000)	9
10	September	93	50.3%	(31,000)	(16,000)	10
11	October	62	33.5%	(31,000)	(10,000)	11
12	November	32	17.3%	(31,000)	(5,000)	12
13	December	1	0.5%	(31,000)	0	13
14	Balance 12/31/2013			$ (55,910,000)	$ (55,802,000)	14
15	Impact of Proration (Col E, line 14 - Col D, line 14) - amount shown on Schedule B-9				108,000	15

Notes: (1)Total days in period: 185

Assumes rates become effective July 1, 2013.

North Shore Gas Company

Actual Gross Additions and Retirements
Compared to Original Budget

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

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

North Shore Gas Company

Actual Gross Additions and Retirements
Compared to Original Budget

		Historical Year Ended December 31, 2010						
		Gross Additions			Retirements			
Line No.	Plant Function	Actual	Budget	Difference	Actual	Budget	Difference	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	
1	Distribution	$ 9,531,000	$ 17,822,000	$ (8,291,000)	$ (1,053,000)	$ (2,152,000)	$ 1,099,000	1
2	Underground Storage	-	-	-	-	-	-	2
3	Transmission - Not Leased	186,000	-	186,000	-	-	-	3
4	General	543,000	1,197,000	(654,000)	(3,385,000)	(68,000)	(3,317,000)	4
5	Intangible	-	-	-	-	-	-	5
6	Production	(1,000)	-	(1,000)	-	-	-	6
7	Total Account 101	10,259,000	19,019,000	(8,760,000)	(4,438,000)	(2,220,000)	(2,218,000)	7
8	Recoverable Natural Gas (Account 117)	-	-	-	-	-	-	8
9	Total Plant In Service	$ 10,259,000	$ 19,019,000	$ (8,760,000)	$ (4,438,000)	$ (2,220,000)	$ (2,218,000)	9

North Shore Gas Company

Actual Gross Additions and Retirements
Compared to Original Budget

Line No.	Plant Function	Gross Additions Actual	Gross Additions Budget	Gross Additions Difference	Retirements Actual	Retirements Budget	Retirements Difference	Line No.
		Historical Year Ended December 31, 2011						
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	
1	Distribution	$ 9,488,000	$ 10,262,000	$ (774,000)	$ (2,227,000)	($1,912,000)	$ (315,000)	1
2	Underground Storage	-	-	-	-	-	-	2
3	Transmission - Not Leased	1,029,000	89,000	940,000	-	-	-	3
4	General	1,640,000	2,639,000	(999,000)	(1,280,000)	(51,000)	(1,229,000)	4
5	Intangible	-	-	-	-	-	-	5
6	Production	281,000	50,000	231,000	(1,000)	-	(1,000)	6
7	Total Account 101	12,438,000	13,040,000	(602,000)	(3,508,000)	(1,963,000)	(1,545,000)	7
8	Recoverable Natural Gas (Account 117)	-	-	-	-	-	-	8
9	Total Plant In Service	$ 12,438,000	$ 13,040,000	$ (602,000)	$ (3,508,000)	$ (1,963,000)	$ (1,545,000)	9

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

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

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

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

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

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

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

Line No.	Account Number and Description		Historical Year Ended December 31, 2010				Line No.
			Actual	Budget	Variance	% Variance	
	[A]		[B]	[C]	[D]	[E]	
1	**Production**						1
2	Operation						2
3	710.00	Operation Supervision and Engineering	$ 11,000	$ -	$ 11,000	-	3
4	717.00	Liquefied Petroleum Gas Expenses	7,000	14,000	(7,000)	-50.00%	4
5	735.00	Miscellaneous Production Expenses	23,000	8,000	15,000	187.50%	5
6	813.00	Other Gas Supply Expenses	-	205,000	(205,000)	-100.00%	6
7		Total Operation	41,000	227,000	(186,000)	-81.94%	7
8	Maintenance						8
9	740.00	Maintenance Supervision and Engineering	20,000	-	20,000	-	9
10	741.00	Maintenance of Structures and Improvements	11,000	16,000	(5,000)	-31.25%	10
11	742.00	Maintenance of Production Equipment	25,000	3,000	22,000	733.33%	11
12		Total Maintenance	56,000	19,000	37,000	194.74%	12
13		**Total Production**	**97,000**	**246,000**	**(149,000)**	-60.57%	13
14	**Underground Storage**						14
15	Operation						15
16	814.00	Underground Storage	-	4,000	(4,000)	-100.00%	16
17		**Total Underground Storage**	**-**	**4,000**	**(4,000)**	-100.00%	17
18	**Transmission**						18
19	Operation						19
20	850.00	Operation Supervision and Engineering	20,000	-	20,000	-	20
21	856.00	Mains Expenses	45,000	585,000	(540,000)	-92.31%	21
22		**Total Transmission**	**65,000**	**585,000**	**(520,000)**	-88.89%	22
23	**Distribution**						23
24	Operation						24
25	870.00	Operation Supervision and Engineering	531,000	536,000	(5,000)	-0.93%	25
26	871.00	Distribution Load Dispatching	28,000	238,000	(210,000)	-88.24%	26
27	874.00	Mains and Services Expenses	611,000	529,000	82,000	15.50%	27
28	878.00	Meter and House Regulator Expenses	979,000	413,000	566,000	137.05%	28
29	879.00	Customer Installations Expenses	325,000	135,000	190,000	140.74%	29
30	880.00	Other Expenses	1,337,000	1,605,000	(268,000)	-16.70%	30
31	881.00	Rents	24,000	6,000	18,000	300.00%	31
32		Total Operation	3,835,000	3,462,000	373,000	10.77%	32
33	Maintenance						33
34	885.00	Maintenance Supervision and Engineering	167,000	192,000	(25,000)	-13.02%	34
35	886.00	Maintenance of Structures and Improvements	16,000	7,000	9,000	128.57%	35
36	887.00	Maintenance of Mains	428,000	368,000	60,000	16.30%	36
37	889.00	Maintenance of Measuring and Regulating Station - General	23,000	4,000	19,000	475.00%	37
38	891.00	Maintenance of Measuring and Regulating Station - City Gate	88,000	58,000	30,000	51.72%	38
39	892.00	Maintenance of Services	563,000	480,000	83,000	17.29%	39
40	893.00	Maintenance of Meters and House Regulators	52,000	6,000	46,000	766.67%	40
41	894.00	Maintenance of Other Equipment	1,000	-	1,000	-	41
42		Total Maintenance	1,338,000	1,115,000	223,000	20.00%	42
43		**Total Distribution**	**5,173,000**	**4,577,000**	**596,000**	13.02%	43

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

Line No.	Account Number and Description		Historical Year Ended December 31, 2010 Actual	Budget	Variance	% Variance	Line No.
	[A]		[B]	[C]	[D]	[E]	
1	**Customer Accounts**						1
2	901.00	Customer Accounts Supervision	$ 536,000	$ 287,000	$ 249,000	86.76%	2
3	902.00	Meter Reading Expenses	43,000	43,000	-	0.00%	3
4	903.00	Customer Records and Collection Expenses	3,775,000	4,765,000	(990,000)	-20.78%	4
5	904.00	Uncollectible Accounts	1,344,000	1,731,000	(387,000)	-22.36%	5
6	905.00	Miscellaneous Customer Accounts Expenses	1,702,000	1,760,000	(58,000)	-3.30%	6
7		**Total Customer Accounts**	**7,400,000**	**8,586,000**	**(1,186,000)**	-13.81%	7
8	**Customer Service and Informational Expenses**						8
9	907.00	Customer Service Supervision	113,000	88,000	25,000	28.41%	9
10	908.00	Customer Assistance Expenses	247,000	170,000	77,000	45.29%	10
11	909.00	Information and Instructional Advertising Expense	81,000	327,000	(246,000)	-75.23%	11
12	910.00	Miscellaneous Customer Service and Informational Expense	65,000	-	65,000	-	12
13		**Total Customer Service and Informational Expenses**	**506,000**	**585,000**	**(79,000)**	-13.50%	13
14	**Administrative and General**						14
15	Operation						15
16	920.00	Administrative and General Salaries	5,580,000	4,705,000	875,000	18.60%	16
17	921.00	Office Supplies and Expense	915,000	1,813,000	(898,000)	-49.53%	17
18	922.00	Administrative Expenses Transferred - Credit	-	(400,000)	400,000	-100.00%	18
19	923.00	Outside Services Employed	1,470,000	1,245,000	225,000	18.07%	19
20	924.00	Property Insurance	36,000	35,000	1,000	2.86%	20
21	925.00	Injuries and Damages	911,000	1,274,000	(363,000)	-28.49%	21
22	926.00	Employee Pensions and Benefits	8,403,000	7,297,000	1,106,000	15.16%	22
23	927.00	Franchise Requirements	1,137,000	1,166,000	(29,000)	-2.49%	23
24	928.00	Regulatory Commission Expenses	1,026,000	699,000	327,000	46.78%	24
25	929.00	Duplicate Charges - Credit	(380,000)	-	(380,000)	-	25
26	930.10	General Advertising Expenses	11,000	40,000	(29,000)	-72.50%	26
27	930.20	Miscellaneous General Expenses	14,318,000	15,487,000	(1,169,000)	-7.55%	27
28	931.00	Rents	921,000	1,178,000	(257,000)	-21.82%	28
29		Total Operation	34,348,000	34,539,000	(191,000)	-0.55%	29
30	Maintenance						30
31	932.00	Maintenance of General Plant	1,000	-	1,000	-	31
32		Total Maintenance	1,000	-	1,000	-	32
33		**Total Administrative and General**	**34,349,000**	**34,539,000**	**(190,000)**	-0.55%	33
34		**Total Operation and Maintenance Non-Payroll**	**$ 47,590,000**	**$ 49,122,000**	**$ (1,532,000)**	-3.12%	34

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

			Historical Year Ended December 31, 2011				
Line No.		Account Number and Description	Actual	Budget	Variance	% Variance	Line No.
		[A]	[B]	[C]	[D]	[E]	
1	**Production**						1
2	Operation						2
3	717.00	Liquefied Petroleum Gas Expenses	$ 6,000	$ 8,000	$ (2,000)	-25.00%	3
4	735.00	Miscellaneous Production Expenses	15,000	30,000	(15,000)	-50.00%	4
5		Total Operation	21,000	38,000	(17,000)	-44.74%	5
6	Maintenance						6
7	740.00	Maintenance Supervision and Engineering	13,000	-	13,000	-	7
8	741.00	Maintenance of Structures and Improvements	9,000	17,000	(8,000)	-47.06%	8
9	742.00	Maintenance of Production Equipment	30,000	3,000	27,000	900.00%	9
10		Total Maintenance	52,000	20,000	32,000	160.00%	10
11		**Total Production**	**73,000**	**58,000**	**15,000**	25.86%	11
12	**Underground Storage**						12
13	Operation						13
14	814.00	Underground Storage	-	4,000	(4,000)	-100.00%	14
15		**Total Underground Storage**	**-**	**4,000**	**(4,000)**	-100.00%	15
16	**Transmission**						16
17	Operation						17
18	850.00	Operation Supervision and Engineering	(19,000)	-	(19,000)	-	18
19	856.00	Mains Expenses	236,000	590,000	(354,000)	-60.00%	19
20		Total Operation	217,000	590,000	(373,000)	-63.22%	20
21	Maintenance						21
22	863.00	Maintenance of Mains	116,000	-	116,000	-	22
23		Total Maintenance	116,000	-	116,000	-	23
24		**Total Transmission**	**333,000**	**590,000**	**(257,000)**	-43.56%	24
25	**Distribution**						25
26	Operation						26
27	870.00	Operation Supervision and Engineering	390,000	1,048,000	(658,000)	-62.79%	27
28	871.00	Distribution Load Dispatching	23,000	6,000	17,000	283.33%	28
29	874.00	Mains and Services Expenses	915,000	547,000	368,000	67.28%	29
30	878.00	Meter and House Regulator Expenses	1,233,000	427,000	806,000	188.76%	30
31	879.00	Customer Installations Expenses	465,000	88,000	377,000	428.41%	31
32	880.00	Other Expenses	1,539,000	1,709,000	(170,000)	-9.95%	32
33	881.00	Rents	14,000	6,000	8,000	133.33%	33
34		Total Operation	4,579,000	3,831,000	748,000	19.52%	34
35	Maintenance						35
36	885.00	Maintenance Supervision and Engineering	58,000	183,000	(125,000)	-68.31%	36
37	886.00	Maintenance of Structures and Improvements	17,000	177,000	(160,000)	-90.40%	37
38	887.00	Maintenance of Mains	593,000	539,000	54,000	10.02%	38
39	889.00	Maintenance of Measuring and Regulating Station - General	21,000	4,000	17,000	425.00%	39
40	891.00	Maintenance of Measuring and Regulating Station - City Gate	113,000	14,000	99,000	707.14%	40
41	892.00	Maintenance of Services	592,000	675,000	(83,000)	-12.30%	41
42	893.00	Maintenance of Meters and House Regulators	65,000	4,000	61,000	1525.00%	42
43		Total Maintenance	1,459,000	1,596,000	(137,000)	-8.58%	43
44		**Total Distribution**	**6,038,000**	**5,427,000**	**611,000**	11.26%	44

North Shore Gas Company

Comparison of Budgeted Non-Payroll Expense to Actual

Line No.		Account Number and Description	Historical Year Ended December 31, 2011 Actual	Budget	Variance	% Variance	Line No.
		[A]	[B]	[C]	[D]	[E]	
1	**Customer Accounts**						1
2	901.00	Customer Accounts Supervision	$ 491,000	$ 237,000	$ 254,000	107.17%	2
3	902.00	Meter Reading Expenses	46,000	35,000	11,000	31.43%	3
4	903.00	Customer Records and Collection Expenses	4,193,000	3,906,000	287,000	7.35%	4
5	904.00	Uncollectible Accounts	1,090,000	1,617,000	(527,000)	-32.59%	5
6	905.00	Miscellaneous Customer Accounts Expenses	1,200,000	623,000	577,000	92.62%	6
7		**Total Customer Accounts**	**7,020,000**	**6,418,000**	**602,000**	9.38%	7
8	**Customer Service and Informational Expenses**						8
9	907.00	Customer Service Supervision	93,000	10,000	83,000	830.00%	9
10	908.00	Customer Assistance Expenses	371,000	214,000	157,000	73.36%	10
11	909.00	Information and Instructional Advertising Expense	10,000	297,000	(287,000)	-96.63%	11
12	910.00	Miscellaneous Customer Service and Informational Expense	153,000	-	153,000	-	12
13		**Total Customer Service and Informational Expenses**	**627,000**	**521,000**	**106,000**	20.35%	13
14	**Administrative and General**						14
15	Operation						15
16	920.00	Administrative and General Salaries	5,149,000	5,275,000	(126,000)	-2.39%	16
17	921.00	Office Supplies and Expense	1,393,000	1,621,000	(228,000)	-14.07%	17
18	922.00	Administrative Expenses Transferred - Credit	-	(100,000)	100,000	-100.00%	18
19	923.00	Outside Services Employed	801,000	999,000	(198,000)	-19.82%	19
20	924.00	Property Insurance	33,000	33,000	-	0.00%	20
21	925.00	Injuries and Damages	853,000	1,489,000	(636,000)	-42.71%	21
22	926.00	Employee Pensions and Benefits	7,411,000	7,649,000	(238,000)	-3.11%	22
23	927.00	Franchise Requirements	1,081,000	1,061,000	20,000	1.89%	23
24	928.00	Regulatory Commission Expenses	1,128,000	1,057,000	71,000	6.72%	24
25	929.00	Duplicate Charges - Credit	(375,000)	-	(375,000)	-	25
26	930.10	General Advertising Expenses	10,000	51,000	(41,000)	-80.39%	26
27	930.20	Miscellaneous General Expenses	11,470,000	18,345,000	(6,875,000)	-37.48%	27
28	931.00	Rents	884,000	1,076,000	(192,000)	-17.84%	28
29		**Total Administrative and General**	**29,838,000**	**38,556,000**	**(8,718,000)**	-22.61%	29
30		**Total Operation and Maintenance Non-Payroll**	**$ 43,929,000**	**$ 51,574,000**	**$ (7,645,000)**	-14.82%	30

North Shore Gas Company

Budgeted Payroll Expense

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

North Shore Gas Company

Budgeted Payroll Expense

Line No.	Account Number and Description [A]		Historical Year Ended December 31, 2010 Actual [B]	Budget [C]	Variance [D]	% Variance [E]	Line No.
1	**Production**						1
2	Operation						2
3	710.00	Operation Supervision and Engineering	$ -	$ 36,000	$ (36,000)	-100.00%	3
4	735.00	Miscellaneous Production Expenses	73,000	50,000	23,000	46.00%	4
5		Total Operation	73,000	86,000	(13,000)	-15.12%	5
6	Maintenance						6
7	740.00	Maintenance Supervision and Engineering	83,000	76,000	7,000	9.21%	7
8	741.00	Maintenance of Structures and Improvements	-	15,000	(15,000)	-100.00%	8
9	742.00	Maintenance of Production Equipment	32,000	31,000	1,000	3.23%	9
10		Total Maintenance	115,000	122,000	(7,000)	-5.74%	10
11		**Total Production**	**188,000**	**208,000**	**(20,000)**	-9.62%	11
12	**Distribution**						12
13	Operation						13
14	870.00	Operation Supervision and Engineering	56,000	180,000	(124,000)	-68.89%	14
15	871.00	Distribution Load Dispatching	52,000	37,000	15,000	40.54%	15
16	874.00	Mains and Services Expenses	1,266,000	862,000	404,000	46.87%	16
17	878.00	Meter and House Regulator Expenses	927,000	817,000	110,000	13.46%	17
18	879.00	Customer Installations Expenses	303,000	302,000	1,000	0.33%	18
19	880.00	Other Expenses	2,051,000	2,515,000	(464,000)	-18.45%	19
20		Total Operation	4,655,000	4,713,000	(58,000)	-1.23%	20
21	Maintenance						21
22	885.00	Maintenance Supervision and Engineering	850,000	957,000	(107,000)	-11.18%	22
23	886.00	Maintenance of Structures and Improvements	19,000	11,000	8,000	72.73%	23
24	887.00	Maintenance of Mains	694,000	509,000	185,000	36.35%	24
25	889.00	Maintenance of Measuring and Regulating Station - General	26,000	-	26,000	-	25
26	891.00	Maintenance of Measuring and Regulating Station - City Gate	15,000	9,000	6,000	66.67%	26
27	892.00	Maintenance of Services	642,000	570,000	72,000	12.63%	27
28		Total Maintenance	2,246,000	2,056,000	190,000	9.24%	28
29		**Total Distribution**	**6,901,000**	**6,769,000**	**132,000**	1.95%	29
30	**Customer Accounts**						30
31	902.00	Meter Reading Expenses	533,000	523,000	10,000	1.91%	31
32	903.00	Customer Records and Collection Expenses	214,000	108,000	106,000	98.15%	32
33		**Total Customer Accounts**	**747,000**	**631,000**	**116,000**	18.38%	33
34	**Administrative and General**						34
35	Operation						35
36	920.00	Administrative and General Salaries	61,000	-	61,000	-	36
37	922.00	Administrative Expenses Transferred - Credit	-	(599,000)	599,000	-100.00%	37
38	926.00	Employee Pensions and Benefits	(136,000)	(116,000)	(20,000)	17.24%	38
39		**Total Administrative and General**	**(75,000)**	**(715,000)**	**640,000**	-89.51%	39
40		**Total Operation and Maintenance Payroll**	**$ 7,761,000**	**$ 6,893,000**	**$ 868,000**	12.59%	40

North Shore Gas Company

Budgeted Payroll Expense

Line No.	Account Number and Description		Historical Year Ended December 31, 2011 Actual	Budget	Variance	% Variance	Test Year Ending December 31, 2013	Line No.
	[A]		[B]	[C]	[D]	[E]	[F]	
1	**Production**							1
2	Operation							2
3	710.00	Operation Supervision and Engineering	$ -	$ 40,000	$ (40,000)	-100.00%	$ -	3
4	735.00	Miscellaneous Production Expenses	48,000	45,000	3,000	6.67%	44,000	4
5		Total Operation	48,000	85,000	(37,000)	-43.53%	44,000	5
6	Maintenance							6
7	740.00	Maintenance Supervision and Engineering	96,000	80,000	16,000	20.00%	132,000	7
8	741.00	Maintenance of Structures and Improvements	-	11,000	(11,000)	-100.00%	-	8
9	742.00	Maintenance of Production Equipment	22,000	37,000	(15,000)	-40.54%	46,000	9
10		Total Maintenance	118,000	128,000	(10,000)	-7.81%	178,000	10
11		**Total Production**	**166,000**	**213,000**	**(47,000)**	-22.07%	**222,000**	11
12	**Transmission**							12
13	Maintenance							13
14	863.00	Maintenance Supervision and Engineering	23,000	-	23,000	-	-	14
15		**Total Transmission**	**23,000**	**-**	**23,000**	-	**-**	15
16	**Distribution**							16
17	Operation							17
18	870.00	Operation Supervision and Engineering	-	66,000	(66,000)	-100.00%	273,000	18
19	871.00	Distribution Load Dispatching	28,000	39,000	(11,000)	-28.21%	42,000	19
20	874.00	Mains and Services Expenses	1,367,000	910,000	457,000	50.22%	963,000	20
21	878.00	Meter and House Regulator Expenses	891,000	869,000	22,000	2.53%	918,000	21
22	879.00	Customer Installations Expenses	395,000	283,000	112,000	39.58%	298,000	22
23	880.00	Other Expenses	2,933,000	2,623,000	310,000	11.82%	2,692,000	23
24		Total Operation	5,614,000	4,790,000	824,000	17.20%	5,186,000	24
25	Maintenance							25
26	885.00	Maintenance Supervision and Engineering	39,000	201,000	(162,000)	-80.60%	228,000	26
27	886.00	Maintenance of Structures and Improvements	23,000	19,000	4,000	21.05%	70,000	27
28	887.00	Maintenance of Mains	723,000	565,000	158,000	27.96%	639,000	28
29	889.00	Maintenance of Measuring and Regulating Station - General	39,000	-	39,000	-	-	29
30	891.00	Maintenance of Measuring and Regulating Station - City Gate	12,000	13,000	(1,000)	-7.69%	15,000	30
31	892.00	Maintenance of Services	619,000	576,000	43,000	7.47%	613,000	31
32		Total Maintenance	1,455,000	1,374,000	81,000	5.90%	1,565,000	32
33		**Total Distribution**	**7,069,000**	**6,164,000**	**905,000**	14.68%	**6,751,000**	33
34	**Customer Accounts**							34
35	902.00	Meter Reading Expenses	559,000	455,000	104,000	22.86%	487,000	35
36	903.00	Customer Records and Collection Expenses	73,000	103,000	(30,000)	-29.13%	114,000	36
37		**Total Customer Accounts**	**632,000**	**558,000**	**74,000**	13.26%	**601,000**	37
38	**Administrative and General**							38
39	Operation							39
40	922.00	Administrative Expenses Transferred - Credit	-	(125,000)	125,000	-100.00%	-	40
41	926.00	Employee Pensions and Benefits	(39,000)	-	(39,000)	-	-	41
42		**Total Administrative and General**	**(39,000)**	**(125,000)**	**86,000**	-68.80%	**-**	42
43		**Total Operation and Maintenance Payroll**	**$ 7,851,000**	**$ 6,810,000**	**$ 1,041,000**	15.29%	**$ 7,574,000**	43

North Shore Gas Company

Budgeted Number of Employees

Test Year Ending December 31, 2013

Line No.	Department	January Budget	February Budget	March Budget	April Budget	May Budget	June Budget	July Budget	August Budget	September Budget	October Budget	November Budget	December Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	
1	**Operations**													1
2	B25 Meter Reading													2
3	Full Time Employees (a)	8	8	8	8	8	8	8	8	8	8	8	8	3
4	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	4
5	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5
6	Total Full Time Equivalents (a)+(b)	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	6
7	B45 Distribution Design													7
8	Full Time Employees (a)	4	4	4	4	4	4	4	4	4	4	4	4	8
9	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	9
10	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10
11	Total Full Time Equivalents (a)+(b)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	11
12	B53 Production Department													12
13	Full Time Employees (a)	3	3	3	3	3	3	3	3	3	3	3	3	13
14	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	14
15	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15
16	Total Full Time Equivalents (a)+(b)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	16
17	B80 North Shore Operations													17
18	Full Time Employees (a)	146	146	146	146	146	146	146	146	146	146	146	146	18
19	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	19
20	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	20
21	Total Full Time Equivalents (a)+(b)	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	21
22	Total Operations													22
23	Full Time Employees (a)	161	161	161	161	161	161	161	161	161	161	161	161	23
24	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	24
25	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	25
26	Total Full Time Equivalents (a)+(b)	161.68	161.68	161.68	161.68	161.68	161.68	161.68	161.68	161.68	161.68	161.68	161.68	26
27	**Fleet and Supply Chain**													27
28	B02 Fleet													28
29	Full Time Employees (a)	6	6	6	6	6	6	6	6	6	6	6	6	29
30	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	30
31	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31
32	Total Full Time Equivalents (a)+(b)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	32
33	B03 Supply Chain													33
34	Full Time Employees (a)	3	3	3	3	3	3	3	3	3	3	3	3	34
35	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	35
36	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36
37	Total Full Time Equivalents (a)+(b)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	37
38	Total Fleet and Supply Chain													38
39	Full Time Employees (a)	9	9	9	9	9	9	9	9	9	9	9	9	39
40	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	40
41	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41
42	Total Full Time Equivalents (a)+(b)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	42
43	**Total North Shore Gas Company**													43
44	Full Time Employees (a)	170	170	170	170	170	170	170	170	170	170	170	170	44
45	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	45
46	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	46
47	Total Full Time Equivalents (a)+(b)	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	47

North Shore Gas Company

Budgeted Number of Employees

Historical Year Ended December 31, 2011

Line No.	Department	January Budget	February Budget	March Budget	April Budget	May Budget	June Budget	July Budget	August Budget	September Budget	October Budget	November Budget	December Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	
1	**Operations**													1
2	B25 Meter Reading													2
3	Full Time Employees (a)	8	8	8	8	8	8	8	8	8	8	8	8	3
4	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	4
5	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5
6	Total Full Time Equivalents (a)+(b)	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	6
7	B53 Production Department													7
8	Full Time Employees (a)	3	3	3	3	3	3	3	3	3	3	3	3	8
9	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	9
10	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10
11	Total Full Time Equivalents (a)+(b)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	11
12	B80 North Shore Operations													12
13	Full Time Employees (a)	146	146	146	146	146	146	146	146	146	146	146	146	13
14	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	14
15	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	15
16	Total Full Time Equivalents (a)+(b)	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	146.68	16
17	Total Operations													17
18	Full Time Employees (a)	157	157	157	157	157	157	157	157	157	157	157	157	18
19	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	19
20	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	20
21	Total Full Time Equivalents (a)+(b)	157.68	157.68	157.68	157.68	157.68	157.68	157.68	157.68	157.68	157.68	157.68	157.68	21
22	**Fleet and Supply Chain**													22
23	B02 Fleet													23
24	Full Time Employees (a)	6	6	6	6	6	6	6	6	6	6	6	6	24
25	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	25
26	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26
27	Total Full Time Equivalents (a)+(b)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	27
28	B03 Supply Chain													28
29	Full Time Employees (a)	3	3	3	3	3	3	3	3	3	3	3	3	29
30	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	30
31	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31
32	Total Full Time Equivalents (a)+(b)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	32
33	Total Fleet and Supply Chain													33
34	Full Time Employees (a)	9	9	9	9	9	9	9	9	9	9	9	9	34
35	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	35
36	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36
37	Total Full Time Equivalents (a)+(b)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	37
38	**Total North Shore Gas Company**													38
39	Full Time Employees (a)	166	166	166	166	166	166	166	166	166	166	166	166	39
40	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	40
41	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	41
42	Total Full Time Equivalents (a)+(b)	166.68	166.68	166.68	166.68	166.68	166.68	166.68	166.68	166.68	166.68	166.68	166.68	42

North Shore Gas Company

Budgeted Number of Employees

Historical Year Ended December 31, 2010

Line No.	Department	January Budget	February Budget	March Budget	April Budget	May Budget	June Budget	July Budget	August Budget	September Budget	October Budget	November Budget	December Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	
1	**Operations**													1
2	B25 Meter Reading													2
3	Full Time Employees (a)	8	8	8	8	8	8	8	8	8	8	8	8	3
4	Part Time Employees	2	2	2	2	2	2	2	2	2	2	2	2	4
5	Full Time Equivalents for PT Employees (b)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	5
6	Total Full Time Equivalents (a)+(b)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	6
7	B53 Production Department													7
8	Full Time Employees (a)	3	3	3	3	3	3	3	3	3	3	3	3	8
9	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	9
10	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10
11	Total Full Time Equivalents (a)+(b)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	11
12	B80 North Shore Operations													12
13	Full Time Employees (a)	149	149	149	149	149	149	149	149	149	149	149	149	13
14	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	14
15	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15
16	Total Full Time Equivalents (a)+(b)	149.00	149.00	149.00	149.00	149.00	149.00	149.00	149.00	149.00	149.00	149.00	149.00	16
17	Total Operations													17
18	Full Time Employees (a)	160	160	160	160	160	160	160	160	160	160	160	160	18
19	Part Time Employees	2	2	2	2	2	2	2	2	2	2	2	2	19
20	Full Time Equivalents for PT Employees (b)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	20
21	Total Full Time Equivalents (a)+(b)	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	21
22	**Fleet and Supply Chain**													22
23	B02 Fleet													23
24	Full Time Employees (a)	6	6	6	6	6	6	6	6	6	6	6	6	24
25	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	25
26	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26
27	Total Full Time Equivalents (a)+(b)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	27
28	B03 Supply Chain													28
29	Full Time Employees (a)	3	3	3	3	3	3	3	3	3	3	3	3	29
30	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	30
31	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31
32	Total Full Time Equivalents (a)+(b)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	32
33	Total Fleet and Supply Chain													33
34	Full Time Employees (a)	9	9	9	9	9	9	9	9	9	9	9	9	34
35	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	35
36	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36
37	Total Full Time Equivalents (a)+(b)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	37
38	**Total North Shore Gas Company**													38
39	Full Time Employees (a)	169	169	169	169	169	169	169	169	169	169	169	169	39
40	Part Time Employees	2	2	2	2	2	2	2	2	2	2	2	2	40
41	Full Time Equivalents for PT Employees (b)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	41
42	Total Full Time Equivalents (a)+(b)	170.00	170.00	170.00	170.00	170.00	170.00	170.00	170.00	170.00	170.00	170.00	170.00	42

North Shore Gas Company

Budgeted Number of Employees

Historical Year Ended December 31, 2009 (1)

Line No.	Department	January Budget	February Budget	March Budget	April Budget	May Budget	June Budget	July Budget	August Budget	September Budget	October Budget	November Budget	December Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	
1	**Operations**													1
2	B25 Meter Reading													2
3	Full Time Employees (a)	10	10	10	10	10	10	10	10	10	10	10	10	3
4	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	4
5	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5
6	Total Full Time Equivalents (a)+(b)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	6
7	B53 Production Department													7
8	Full Time Employees (a)	3	3	3	3	3	3	3	3	3	3	3	3	8
9	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	9
10	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10
11	Total Full Time Equivalents (a)+(b)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	11
12	B80 North Shore Operations													12
13	Full Time Employees (a)	147	147	147	147	147	147	147	147	147	147	147	147	13
14	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	14
15	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	15
16	Total Full Time Equivalents (a)+(b)	147.68	147.68	147.68	147.68	147.68	147.68	147.68	147.68	147.68	147.68	147.68	147.68	16
17	Total Operations													17
18	Full Time Employees (a)	160	160	160	160	160	160	160	160	160	160	160	160	18
19	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	19
20	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	20
21	Total Full Time Equivalents (a)+(b)	160.68	160.68	160.68	160.68	160.68	160.68	160.68	160.68	160.68	160.68	160.68	160.68	21
22	**Materials and Stores**													22
23	B02 Materials and Equipment													23
24	Full Time Employees (a)	7	7	7	7	7	7	7	7	7	7	7	7	24
25	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	25
26	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26
27	Total Full Time Equivalents (a)+(b)	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	27
28	B03 Stores													28
29	Full Time Employees (a)	3	3	3	3	3	3	3	3	3	3	3	3	29
30	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	30
31	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31
32	Total Full Time Equivalents (a)+(b)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	32
33	Total Material and Stores													33
34	Full Time Employees (a)	10	10	10	10	10	10	10	10	10	10	10	10	34
35	Part Time Employees	0	0	0	0	0	0	0	0	0	0	0	0	35
36	Full Time Equivalents for PT Employees (b)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36
37	Total Full Time Equivalents (a)+(b)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	37
38	**Total North Shore Gas Company**													38
39	Full Time Employees (a)	170	170	170	170	170	170	170	170	170	170	170	170	39
40	Part Time Employees	1	1	1	1	1	1	1	1	1	1	1	1	40
41	Full Time Equivalents for PT Employees (b)	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	41
42	Total Full Time Equivalents (a)+(b)	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	170.68	42

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

North Shore Gas Company

Forecasted Property Taxes

Line No.	County	Current Year Ended December 31, 2010 Equalized Assessed Value	Current Year Ended December 31, 2010 Effective Tax Rate	Forecasted Year Ending December 31, 2012 (1) Equalized Assessed Value	Forecasted Year Ending December 31, 2012 (1) Effective Tax Rate	Test Year Ending December 31, 2013 Equalized Assessed Value	Test Year Ending December 31, 2013 Effective Tax Rate	Basis for Escalation Rate Used in Test Year
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
1	Lake	$2,841,721	8.719%	$2,841,721	8.884%	$2,841,721	9.133%	The Company assumed an increase in the effective tax rate
2								of 1.9% for 2011 and 2012 and 2.8% for 2013.

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

4 The company used the last known liability paid (2010 in 2011) as the starting point, and estimated the taxes
5 based upon the taxes paid using the inflation assumptions of 1.9% in 2011 and 2012 and 2.8% in 2013.

6 Property tax recoveries obtained from any appeals process for 2011, 2010, 2009

Line No.		2011	2010	2009
		[A]	[B]	[C]
7	Amount Recovered	$0	$440	$925

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

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
		June, 2011				
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 8,726,000	$ 9,133,000	$ (407,000)	(4.5%)	1
2	Operating Expenses:					2
3	Cost Of Gas	3,637,000	3,728,000	(91,000)	(2.4%)	3
4	Other Operation and Maintenance	4,199,000	4,467,000	(268,000)	(6.0%)	4
5	Depreciation Expense	782,000	781,000	1,000	0.1%	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	268,000	234,000	34,000	14.5%	7
8	Federal Income Taxes - Current	(397,000)	(189,000)	(208,000)	110.1%	8
9	State Income Taxes - Current	(160,000)	(34,000)	(126,000)	370.6%	9
10	Deferred Income Taxes	225,000	45,000	180,000	400.0%	10
11	Investment Tax Credit	(3,000)	(3,000)	-	0.0%	11
12	Total Operating Expenses	8,551,000	9,029,000	(478,000)	(5.3%)	12
13	Operating Income	175,000	104,000	71,000	68.3%	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	175,000	104,000	71,000	68.3%	15
16	Other Income, Net of Income Deductions	(34,000)	36,000	(70,000)	(194.4%)	16
17	Income Before Interest Charges	141,000	140,000	1,000	0.7%	17
18	Interest Charges	344,000	360,000	(16,000)	(4.4%)	18
19	Net Income	$ (203,000)	$ (220,000)	$ 17,000	(7.7%)	19

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	July, 2011 Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 8,907,000	$ 9,057,000	$ (150,000)	(1.7%)	1
2	Operating Expenses:					2
3	Cost Of Gas	3,735,000	3,815,000	(80,000)	(2.1%)	3
4	Other Operation and Maintenance	3,350,000	3,887,000	(537,000)	(13.8%)	4
5	Depreciation Expense	793,000	794,000	(1,000)	(0.1%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	240,000	236,000	4,000	1.7%	7
8	Federal Income Taxes - Current	(38,000)	(82,000)	44,000	(53.7%)	8
9	State Income Taxes - Current	(4,000)	(19,000)	15,000	(78.9%)	9
10	Deferred Income Taxes	283,000	82,000	201,000	245.1%	10
11	Investment Tax Credit	(3,000)	(3,000)	-	0.0%	11
12	Total Operating Expenses	8,356,000	8,710,000	(354,000)	(4.1%)	12
13	Operating Income	551,000	347,000	204,000	58.8%	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	551,000	347,000	204,000	58.8%	15
16	Other Income, Net of Income Deductions	12,000	37,000	(25,000)	(67.6%)	16
17	Income Before Interest Charges	563,000	384,000	179,000	46.6%	17
18	Interest Charges	354,000	360,000	(6,000)	(1.7%)	18
19	Net Income	$ 209,000	$ 24,000	$ 185,000	770.8%	19

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	August, 2011 Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 7,983,000	$ 8,552,000	$ (569,000)	(6.7%)	1
2	Operating Expenses:					2
3	Cost Of Gas	2,918,000	3,169,000	(251,000)	(7.9%)	3
4	Other Operation and Maintenance	3,673,000	3,973,000	(300,000)	(7.6%)	4
5	Depreciation Expense	798,000	805,000	(7,000)	(0.9%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	203,000	244,000	(41,000)	(16.8%)	7
8	Federal Income Taxes - Current	(207,000)	(69,000)	(138,000)	200.0%	8
9	State Income Taxes - Current	(95,000)	(17,000)	(78,000)	458.8%	9
10	Deferred Income Taxes	320,000	81,000	239,000	295.1%	10
11	Investment Tax Credit	(3,000)	(3,000)	-	0.0%	11
12	Total Operating Expenses	7,607,000	8,183,000	(576,000)	(7.0%)	12
13	Operating Income	376,000	369,000	7,000	1.9%	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	376,000	369,000	7,000	1.9%	15
16	Other Income, Net of Income Deductions	(6,000)	38,000	(44,000)	(115.8%)	16
17	Income Before Interest Charges	370,000	407,000	(37,000)	(9.1%)	17
18	Interest Charges	354,000	361,000	(7,000)	(1.9%)	18
19	Net Income	$ 16,000	$ 46,000	$ (30,000)	(65.2%)	19

PUBLIC

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
		September, 2011				
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 8,677,000	$ 9,028,000	$ (351,000)	(3.9%)	1
2	Operating Expenses:					2
3	Cost Of Gas	3,429,000	3,539,000	(110,000)	(3.1%)	3
4	Other Operation and Maintenance	4,305,000	4,362,000	(57,000)	(1.3%)	4
5	Depreciation Expense	793,000	806,000	(13,000)	(1.6%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	300,000	231,000	69,000	29.9%	7
8	Federal Income Taxes - Current	(340,000)	(130,000)	(210,000)	161.5%	8
9	State Income Taxes - Current	(144,000)	(26,000)	(118,000)	453.8%	9
10	Deferred Income Taxes	252,000	43,000	209,000	486.0%	10
11	Investment Tax Credit	(3,000)	(3,000)	-	0.0%	11
12	Total Operating Expenses	8,592,000	8,822,000	(230,000)	(2.6%)	12
13	Operating Income	85,000	206,000	(121,000)	(58.7%)	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	85,000	206,000	(121,000)	(58.7%)	15
16	Other Income, Net of Income Deductions	(57,000)	38,000	(95,000)	(250.0%)	16
17	Income Before Interest Charges	28,000	244,000	(216,000)	(88.5%)	17
18	Interest Charges	325,000	363,000	(38,000)	(10.5%)	18
19	Net Income	$ (297,000)	$ (119,000)	$ (178,000)	149.6%	19

PUBLIC

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	October, 2011 Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 12,268,000	$ 15,094,000	$ (2,826,000)	(18.7%)	1
2	Operating Expenses:					2
3	Cost Of Gas	5,834,000	8,196,000	(2,362,000)	(28.8%)	3
4	Other Operation and Maintenance	3,746,000	4,528,000	(782,000)	(17.3%)	4
5	Depreciation Expense	805,000	817,000	(12,000)	(1.5%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	214,000	231,000	(17,000)	(7.4%)	7
8	Federal Income Taxes - Current	140,000	262,000	(122,000)	(46.6%)	8
9	State Income Taxes - Current	18,000	28,000	(10,000)	(35.7%)	9
10	Deferred Income Taxes	290,000	82,000	208,000	253.7%	10
11	Investment Tax Credit	(3,000)	(3,000)	-	0.0%	11
12	Total Operating Expenses	11,044,000	14,141,000	(3,097,000)	(21.9%)	12
13	Operating Income	1,224,000	953,000	271,000	28.4%	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	1,224,000	953,000	271,000	28.4%	15
16	Other Income, Net of Income Deductions	(28,000)	35,000	(63,000)	(180.0%)	16
17	Income Before Interest Charges	1,196,000	988,000	208,000	21.1%	17
18	Interest Charges	370,000	369,000	1,000	0.3%	18
19	Net Income	$ 826,000	$ 619,000	$ 207,000	33.4%	19

PUBLIC

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	November, 2011 Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 16,718,000	$ 22,155,000	$ (5,437,000)	(24.5%)	1
2	Operating Expenses:					2
3	Cost Of Gas	9,357,000	13,525,000	(4,168,000)	(30.8%)	3
4	Other Operation and Maintenance	3,805,000	4,899,000	(1,094,000)	(22.3%)	4
5	Depreciation Expense	807,000	819,000	(12,000)	(1.5%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	227,000	237,000	(10,000)	(4.2%)	7
8	Federal Income Taxes - Current	(2,830,000)	732,000	(3,562,000)	(486.6%)	8
9	State Income Taxes - Current	(653,000)	92,000	(745,000)	(809.8%)	9
10	Deferred Income Taxes	4,478,000	82,000	4,396,000	5361.0%	10
11	Investment Tax Credit	(2,000)	(3,000)	1,000	(33.3%)	11
12	Total Operating Expenses	15,189,000	20,383,000	(5,194,000)	(25.5%)	12
13	Operating Income	1,529,000	1,772,000	(243,000)	(13.7%)	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	1,529,000	1,772,000	(243,000)	(13.7%)	15
16	Other Income, Net of Income Deductions	(37,000)	41,000	(78,000)	(190.2%)	16
17	Income Before Interest Charges	1,492,000	1,813,000	(321,000)	(17.7%)	17
18	Interest Charges	357,000	372,000	(15,000)	(4.0%)	18
19	Net Income	$ 1,135,000	$ 1,441,000	$ (306,000)	(21.2%)	19

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
		December, 2011				
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 23,750,000	$ 33,698,000	$ (9,948,000)	(29.5%)	1
2	Operating Expenses:					2
3	Cost Of Gas	15,429,000	23,178,000	(7,749,000)	(33.4%)	3
4	Other Operation and Maintenance	4,126,000	6,170,000	(2,044,000)	(33.1%)	4
5	Depreciation Expense	800,000	811,000	(11,000)	(1.4%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	265,000	228,000	37,000	16.2%	7
8	Federal Income Taxes - Current	5,601,000	949,000	4,652,000	490.2%	8
9	State Income Taxes - Current	2,442,000	121,000	2,321,000	1918.2%	9
10	Deferred Income Taxes	(7,406,000)	92,000	(7,498,000)	(8150.0%)	10
11	Investment Tax Credit	(8,000)	(3,000)	(5,000)	166.7%	11
12	Total Operating Expenses	21,249,000	31,546,000	(10,297,000)	(32.6%)	12
13	Operating Income	2,501,000	2,152,000	349,000	16.2%	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	2,501,000	2,152,000	349,000	16.2%	15
16	Other Income, Net of Income Deductions	(25,000)	39,000	(64,000)	(164.1%)	16
17	Income Before Interest Charges	2,476,000	2,191,000	285,000	13.0%	17
18	Interest Charges	331,000	375,000	(44,000)	(11.7%)	18
19	Net Income	$ 2,145,000	$ 1,816,000	$ 329,000	18.1%	19

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	January, 2012 Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 26,403,000	$ 34,690,000	$ (8,287,000)	(23.9%)	1
2	Operating Expenses:					2
3	Cost Of Gas	17,807,000	24,298,000	(6,491,000)	(26.7%)	3
4	Other Operation and Maintenance	3,875,000	5,848,000	(1,973,000)	(33.7%)	4
5	Depreciation Expense	786,000	813,000	(27,000)	(3.3%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	291,000	274,000	17,000	6.2%	7
8	Federal Income Taxes - Current	270,000	559,000	(289,000)	(51.7%)	8
9	State Income Taxes - Current	174,000	160,000	14,000	8.8%	9
10	Deferred Income Taxes	875,000	540,000	335,000	62.0%	10
11	Investment Tax Credit	4,000	4,000	-	0.0%	11
12	Total Operating Expenses	24,082,000	32,496,000	(8,414,000)	(25.9%)	12
13	Operating Income	2,321,000	2,194,000	127,000	5.8%	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	2,321,000	2,194,000	127,000	5.8%	15
16	Other Income, Net of Income Deductions	(1,000)	29,000	(30,000)	(103.4%)	16
17	Income Before Interest Charges	2,320,000	2,223,000	97,000	4.4%	17
18	Interest Charges	355,000	363,000	(8,000)	(2.2%)	18
19	Net Income	$ 1,965,000	$ 1,860,000	$ 105,000	5.6%	19

PUBLIC

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	February, 2012 Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 21,142,000	$ 30,777,000	$ (9,635,000)	(31.3%)	1
2	Operating Expenses:					2
3	Cost Of Gas	13,175,000	20,912,000	(7,737,000)	(37.0%)	3
4	Other Operation and Maintenance	3,780,000	5,740,000	(1,960,000)	(34.1%)	4
5	Depreciation Expense	814,000	816,000	(2,000)	(0.2%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	302,000	269,000	33,000	12.3%	7
8	Federal Income Taxes - Current	65,000	415,000	(350,000)	(84.3%)	8
9	State Income Taxes - Current	113,000	134,000	(21,000)	(15.7%)	9
10	Deferred Income Taxes	911,000	540,000	371,000	68.7%	10
11	Investment Tax Credit	4,000	4,000	-	0.0%	11
12	Total Operating Expenses	19,164,000	28,830,000	(9,666,000)	(33.5%)	12
13	Operating Income	1,978,000	1,947,000	31,000	1.6%	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	1,978,000	1,947,000	31,000	1.6%	15
16	Other Income, Net of Income Deductions	(14,000)	25,000	(39,000)	(156.0%)	16
17	Income Before Interest Charges	1,964,000	1,972,000	(8,000)	(0.4%)	17
18	Interest Charges	351,000	361,000	(10,000)	(2.8%)	18
19	Net Income	$ 1,613,000	$ 1,611,000	$ 2,000	0.1%	19

PUBLIC

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

		March, 2012				
Line No.	Account	Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	$ 13,755,000	$ 25,271,000	$ (11,516,000)	(45.6%)	1
2	Operating Expenses:					2
3	Cost Of Gas	6,223,000	15,641,000	(9,418,000)	(60.2%)	3
4	Other Operation and Maintenance	4,202,000	5,849,000	(1,647,000)	(28.2%)	4
5	Depreciation Expense	817,000	819,000	(2,000)	(0.2%)	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	255,000	345,000	(90,000)	(26.1%)	7
8	Federal Income Taxes - Current	(406,000)	268,000	(674,000)	(251.5%)	8
9	State Income Taxes - Current	204,000	108,000	96,000	88.9%	9
10	Deferred Income Taxes	913,000	540,000	373,000	69.1%	10
11	Investment Tax Credit	4,000	4,000	-	0.0%	11
12	Total Operating Expenses	12,212,000	23,574,000	(11,362,000)	(48.2%)	12
13	Operating Income	1,543,000	1,697,000	(154,000)	(9.1%)	13
14	Income From Utility Plant Leased to Others	-	-	-	-	14
15	Utility Operating Income	1,543,000	1,697,000	(154,000)	(9.1%)	15
16	Other Income, Net of Income Deductions	(26,000)	11,000	(37,000)	(336.4%)	16
17	Income Before Interest Charges	1,517,000	1,708,000	(191,000)	(11.2%)	17
18	Interest Charges	324,000	359,000	(35,000)	(9.7%)	18
19	Net Income	$ 1,193,000	$ 1,349,000	$ (156,000)	(11.6%)	19

PUBLIC

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

Line No.	Account	April, 2012 Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	[redacted]				1
2	Operating Expenses:					2
3	Cost Of Gas					3
4	Other Operation and Maintenance					4
5	Depreciation Expense					5
6	Amortization Of Other Limited Term Gas Plant					6
7	Taxes Other Than Income					7
8	Federal Income Taxes - Current					8
9	State Income Taxes - Current					9
10	Deferred Income Taxes					10
11	Investment Tax Credit					11
12	Total Operating Expenses					12
13	Operating Income					13
14	Income From Utility Plant Leased to Others					14
15	Utility Operating Income					15
16	Other Income, Net of Income Deductions					16
17	Income Before Interest Charges					17
18	Interest Charges					18
19	Net Income					19

PUBLIC

North Shore Gas Company

Comparison of Actual Financial Results to
the Originally Approved Forecast

		May, 2012				
Line No.	Account	Actual	Budget	Actual Vs. Budget	Percentage Variation Actual vs. Budget	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Operating Revenues	[redacted]				1
2	Operating Expenses:					2
3	Cost Of Gas					3
4	Other Operation and Maintenance					4
5	Depreciation Expense					5
6	Amortization Of Other Limited Term Gas Plant					6
7	Taxes Other Than Income					7
8	Federal Income Taxes - Current					8
9	State Income Taxes - Current					9
10	Deferred Income Taxes					10
11	Investment Tax Credit					11
12	Total Operating Expenses					12
13	Operating Income					13
14	Income From Utility Plant Leased to Others					14
15	Utility Operating Income					15
16	Other Income, Net of Income Deductions					16
17	Income Before Interest Charges					17
18	Interest Charges					18
19	Net Income					19

North Shore Gas Company

Income Statement

Line No.	Description	Test Year Ending December 31, 2013	Forecasted Year Ending December 31, 2012 (1)	Historical Year Ended December 31, 2011	Historical Year Ended December 31, 2010	Line No.
	[A]	[B]	[C]	[D]	(E)	
1	OPERATING REVENUES	$ 195,169,000	$ 215,381,000	$ 201,423,000	$ 211,260,000	1
2	OPERATING EXPENSES					2
3	Cost Of Gas	109,497,000	125,538,000	117,426,000	126,414,000	3
4	Other Operation and Maintenance	56,271,000	58,522,000	51,780,000	55,351,000	4
5	Depreciation Expense	10,803,000	10,113,000	9,508,000	9,037,000	5
6	Amortization Of Other Limited Term Gas Plant	-	-	-	-	6
7	Taxes Other Than Income	3,305,000	3,142,000	2,940,000	3,105,000	7
8	Income Taxes					8
9	Federal Income Taxes-Current	3,091,000	(2,070,000)	2,672,000	(3,107,000)	9
10	State Income Taxes-Current	604,000	401,000	1,559,000	(426,000)	10
11	Deferred Income Taxes	781,000	7,246,000	1,552,000	9,308,000	11
12	Investment Tax Credit	4,000	44,000	(41,000)	(48,000)	12
13	Total Operating Expenses	184,356,000	202,936,000	187,396,000	199,634,000	13
14	OPERATING INCOME	10,813,000	12,445,000	14,027,000	11,626,000	14
15	INCOME FROM GAS PLANT LEASED TO OTHERS					15
16	Revenues From Gas Plant Leased To Others	-	-	-	-	16
17	Expenses From Gas Plant Leased To Others	-	-	-	-	17
18	Total Income from Gas Plant Leased to Others	-	-	-	-	18
19	UTILITY OPERATING INCOME	10,813,000	12,445,000	14,027,000	11,626,000	19
20	OTHER INCOME AND (INCOME DEDUCTIONS)					20
21	Other Income					21
22	Interest and Dividend Income	268,000	477,000	144,000	553,000	22
23	Gain on Disposition of Property	-	-	(7,000)	-	23
24	Equity Earnings of Subsidiary Companies	-	-	-	-	24
25	Other	47,000	41,000	39,000	8,000	25
26	Total Other Income	315,000	518,000	176,000	561,000	26
27	Other Income Deductions	(159,000)	(158,000)	(133,000)	(135,000)	27
28	Taxes Applicable to Other Income and Deductions	(55,000)	(137,000)	(128,000)	71,000	28
29	Net Other Income and Income Deductions	101,000	223,000	(85,000)	497,000	29
30	INCOME BEFORE INTEREST CHARGES	10,914,000	12,668,000	13,942,000	12,123,000	30
31	INTEREST CHARGES					31
32	Interest on Long Term Debt	3,698,000	3,377,000	3,721,000	3,728,000	32
33	Amortization of Debt Discount and Expense	123,000	141,000	160,000	160,000	33
34	Amortization of Loss on Reacquired Debt	167,000	153,000	113,000	113,000	34
35	Other Interest	375,000	313,000	219,000	195,000	35
36	Total Interest Charges	4,363,000	3,984,000	4,213,000	4,196,000	36
37	NET INCOME	$ 6,551,000	$ 8,684,000	$ 9,729,000	$ 7,927,000	37

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

North Shore Gas Company

Comparative Balance Sheets

Line No.	Description	Test Year Ending December 31, 2013	Forecasted Year Ending December 31, 2012 (1)	Historical Year Ended December 31, 2011	Historical Year Ended December 31, 2010	Line No.
	[A]	[B]	[C]	[D]	[E]	
	Assets					
1	Utility Plant, Net	$ 290,656,000	$ 276,186,000	$ 251,049,000	$ 251,270,000	1
2	Investment in Subsidiary Companies	-	-	-	-	2
3	Other Property and Investments	-	-	-	22,000	3
4	Current Assets	46,211,000	46,155,000	48,753,000	52,808,000	4
5	Other Assets	119,634,000	123,711,000	131,272,000	145,099,000	5
6	Total Assets	$ 456,501,000	$ 446,052,000	$ 431,074,000	$ 449,199,000	6
	Capitalization and Liabilities					
7	Proprietary Capital	$ 98,265,000	$ 92,676,000	$ 95,469,000	$ 95,081,000	7
8	Long Term Debt	83,000,000	74,499,000	74,646,000	74,828,000	8
9	Current Liabilities	73,681,000	76,551,000	54,826,000	63,169,000	9
10	Deferred Credits and Other Liabilities	201,555,000	202,326,000	206,133,000	216,121,000	10
11	Total Capitalization and Liabilities	$ 456,501,000	$ 446,052,000	$ 431,074,000	$ 449,199,000	11

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

North Shore Gas Company

Statement of Cash Flows

Line No.	Description	Test Year Ending December 31, 2013	Forecasted Year Ending December 31, 2012 (1)	Historical Year Ended December 31, 2011	Historical Year Ended December 31, 2010	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	**Net Income**	$ 6,551,000	$ 8,684,000	$ 9,729,000	$ 7,927,000	1
2	**Adjustments to Reconcile Net Income to Net Cash**					2
3	**Flow Provided from Operating Activities:**					3
4	Depreciation and Amortization	10,803,000	10,113,000	9,508,000	9,037,000	4
5	Deferred Income Taxes and Investment Tax Credits, net	785,000	7,285,000	1,495,000	9,238,000	5
6	Pension (income)/ Post Retirement Liability	4,242,000	4,400,000	2,891,000	3,726,000	6
7	Pension and Post Retirement Funding	(4,831,000)	(10,902,000)	(5,967,000)	(13,389,000)	7
8	Other Changes	1,855,000	(923,000)	10,648,000	6,224,000	8
9	Changes in Working Capital, net	1,087,000	(3,163,000)	(3,308,000)	(6,543,000)	9
10	Net Cash Flow (used for) provided from Operating Activities	20,492,000	15,494,000	24,996,000	16,220,000	10
11	**Investing Activities**					11
12	Capital Expenditures	(24,989,000)	(35,058,000)	(13,766,000)	(12,122,000)	12
13	Other Investing Activities, net	-	-	334,000	336,000	13
14	Net Cash Flow used for Investing Activities	(24,989,000)	(35,058,000)	(13,432,000)	(11,786,000)	14
15	**Financing Activities**					15
16	Issuance of Long-Term Debt	55,000,000	28,000,000	-	-	16
17	Redemption of Long-Term Debt	(46,500,000)	(28,150,000)	(185,000)	(135,000)	17
18	Intercompany Loan Payable	(3,033,000)	31,214,000	(1,675,000)	3,020,000	18
19	Equity Contribtion from Parent	-	-	-	-	19
20	Return of Capital Paid to Parent	-	-	-	-	20
21	Other Financing Activity, net	-	-	-	-	21
22	Dividends Paid to Parent	(970,000)	(11,500,000)	(9,400,000)	(7,900,000)	22
23	Net Cash Flow provided from (used for) Financing Activities	4,497,000	19,564,000	(11,260,000)	(5,015,000)	23
24	**Net Increase (Decrease) in Cash**	$ -	$ -	$ 304,000	$ (581,000)	24

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

North Shore Gas Company

Statement of Retained Earnings (1)

Line No.	Description	Historical Year Ended December 31, 2010	Historical Year Ended December 31, 2011	Forecasted Year Ending December 31, 2012 (2)	Test Year Ending December 31, 2013	Line No.
	[A]	[B]	[C]	[D]	(E)	
1	Balance at Beginning of Period	$ 70,351,000	$ 70,377,000	$ 70,697,000	$ 67,881,000	1
2	Add:					2
3	Net Income	7,927,000	9,729,000	8,684,000	6,551,000	3
4	Other	(1,000)	1,000	-	-	4
5	Less:					5
6	Common Stock Dividends Declared	7,900,000	9,410,000	11,500,000	970,000	6
7	Balance at End of Period	$ 70,377,000	$ 70,697,000	$ 67,881,000	$ 73,462,000	7

Note: (1) Excludes Accumulated Other Comprehensive (Income) Loss of $53,000 ($88,000 less tax impact of $35,000), $31,000 ($50,000 less tax impact of $19,000), $8,000 ($12,000 less tax impact of $4,000) and $0 ($1,000 less tax impact of $1,000) at 12/31/2010, 12/31/2011, 12/31/2012 and 12/31/2013 respectively.

Total Comprehensive Income (Loss) is $7,950,000, $9,751,000, $9,044,000 and $6,978,000 for Calendar Years 2010, 2011, 2012 and 2013 respectively.

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