

Docket No. 12-0511/12-0512
(Consolidated)
ICC Staff Exhibit 11.0

REBUTTAL TESTIMONY

of

DIANNA HATHHORN
ACCOUNTANT

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Proposed General Increase in Rates For Delivery Service

North Shore Gas Company and The Peoples Gas Light and Coke Company

Docket Nos. 12-0511 and 12-0512
(Consolidated)

January 16, 2013

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- Schedules 11.07 N and P Gross Revenue Conversion Factor

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Dianna Hathhorn. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am an Accountant in the Accounting Department of the Financial
8 Analysis Division of the Illinois Commerce Commission (“Commission”).

9

10 **Q. Have you previously testified in this proceeding?**

11 A. Yes, my direct testimony is ICC Staff Exhibit 1.0.

12

13 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

14 A. I have reviewed and analyzed North Shore Gas Company’s (“North
15 Shore”) and The Peoples Gas Light and Coke Company’s (“Peoples Gas”)
16 (individually, the “Company” and collectively, the “Companies”) filings, and
17 the underlying data. The purpose of my testimony is to present Staff’s
18 adjusted Statements of Operating Income and Rate Base for the
19 Company’s utility operations in support of the Staff proposed revenue
20 requirement. Just as in my direct testimony, I have no proposed
21 adjustments of my own.

22

23 **Q. Are you sponsoring any schedules as part of your rebuttal**
24 **testimony?**

25 A. Yes. I prepared (or supervised the preparation of) the following schedules
26 for the Companies, which show data for 2013:

27

28 Revenue Requirement Schedules

29 Schedules 11.01 N and P Statement of Operating Income with Adjustments

30 Schedules 11.02 N and P Adjustments to Operating Income

31 Schedules 11.03 N and P Rate Base

32 Schedules 11.04 N and P Adjustments to Rate Base

33 Schedules 11.05 N and P Revenue Effect of Adjustments

34 Schedules 11.06 N and P Interest Synchronization Adjustment

35 Schedules 11.07 N and P Gross Revenue Conversion Factor

36

37 Attachments

38 **Q. Have you included any attachments as part of your rebuttal**
39 **testimony?**

40 A. No.

41

42 **Q. Please explain the N and P suffixes that appear with your schedule**
43 **numbers.**

44 A. These suffixes indicate to which of the Companies a particular schedule
45 applies. The N suffix identifies a schedule that applies to North Shore,
46 and the P suffix identifies a schedule that applies to Peoples Gas.

47

48 **Revenue Requirement Schedules**

49 **Q. Please describe ICC Staff Exhibit 11.0, Schedules 11.01 N and P,**
50 **Statement of Operating Income with Adjustments.**

51 A. The description of Schedules 11.01 N and P is the same as for
52 Schedules 1.01 N and P, which is described in my direct testimony,
53 except that Schedules 11.01 N and P incorporate the Companies rebuttal
54 positions described in NS-PGL Exhibits 26 and 27 N and P, supporting
55 Part 285 workpapers, and Staff's rebuttal positions.

56

57 **Q. Please describe Schedules 11.02 N and P, Adjustments to Operating**
58 **Income.**

59 A. The description of Schedules 11.02 N and P is the same as for Schedules
60 1.02 N and P, which is described in my direct testimony.

61

62 **Q. Please describe Schedules 11.03 N and P, Rate Base.**

63 A. The description of Schedules 11.03 N and P is the same as for Schedules
64 1.03 N and P which is described in my direct testimony, except that
65 Schedules 11.03 N and P incorporate the Companies' and Staff's rebuttal
66 positions.

67

68 **Q. Please describe Schedules 11.04 N and P, Adjustments to Rate Base.**

69 A. The description of Schedule 11.04 N and P is the same as for Schedule
70 1.04 N and P, which is described in my direct testimony.

71

72 **Revenue Effect of Adjustments**

73 **Q. Please describe Schedules 11.05 N and P, Revenue Effect of**
74 **Adjustments.**

75 A. The description of Schedules 11.05 N and P is the same as for Schedules
76 1.05 N and P, which is described in my direct testimony.

77

78 **Interest Synchronization**

79 **Q. Please describe Schedules 11.06 N and P, Interest Synchronization**
80 **Adjustment.**

81 A. The description of Schedules 11.06 N and P is the same as for Schedules
82 1.06 N and P, which is described in my direct testimony.

83

84 **Gross Revenue Conversion Factor**

85 **Q. Please describe Schedules 1.07 N and P, Gross Revenue Conversion**
86 **Factor.**

87 A. The description of Schedules 11.07 N and P is the same as for Schedules
88 1.07 N and P, which is described in my direct testimony.

89

90 **Conclusion**

91 **Q. Does this question end your prepared rebuttal testimony?**

92 **A. Yes.**

The Peoples Gas Light and Coke Company
 Adjustments to Operating Income
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Interest Synchronization (Sch. 11.06 P)	Not Used	Not Used	Interest on Customer Deposits (Staff Ex. 12.0, Sch. 12.04 P)	Interest on Budget Plan Balances (Staff Ex. 12.0, Sch. 12.05 P)	Staff Witness Seagle Adjmts (Staff Ex. 12.0, Sch. 12.07 P)	Rate Case Expense (Staff Ex. 13.0, Sch. 13.01 P)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectible Accounts	-	-	-	-	-	-	-	-
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	-	-	-	-	-	-	-	-
9	Storage	-	-	-	-	-	-	-	-
10	Transmission	-	-	-	-	-	-	-	-
11	Distribution	-	-	-	-	-	-	-	-
12	Customer Accounts	-	-	-	-	-	-	-	-
13	Customer Service and Informational Services	-	-	-	-	-	-	-	-
14	Administrative and General	-	-	-	(140)	(64)	-	(247)	(451)
15	Depreciation and Amortization	-	-	-	-	-	(3,084)	-	(3,084)
16	Taxes Other Than Income	-	-	-	-	-	-	-	-
17	Total Operating Expense Before Income Taxes	-	-	-	(140)	(64)	(3,084)	(247)	(3,535)
19	State Income Tax	750	-	-	13	6	293	23	1,085
20	Federal Income Tax	2,500	-	-	44	20	977	78	3,619
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	3,250	-	-	(83)	(38)	(1,814)	(146)	1,169
23	NET OPERATING INCOME	\$ (3,250)	\$ -	\$ -	\$ 83	\$ 38	\$ 1,814	\$ 146	\$ (1,169)

The Peoples Gas Light and Coke Company
 Adjustments to Operating Income
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	(Sch. 11.02 P, p. 1)	Not Used	Non-Union Wages (Staff Ex. 13.0, Sch. 13.02 P)	Not Used	Not Used	Advertising Expense (Staff Ex. 13.0, Sch. 13.03 P)	Promotional & Goodwill (Staff Ex. 13.0, Sch. 13.04 P)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectible Accounts	-	-	-	-	-	-	-	-
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	-	-	(342)	-	-	-	-	(342)
9	Storage	-	-	(20)	-	-	-	-	(20)
10	Transmission	-	-	(602)	-	-	-	-	(602)
11	Distribution	-	-	287	-	-	-	-	287
12	Customer Accounts	-	-	(1,819)	-	-	-	-	(1,819)
13	Customer Service and Informational Se	-	-	(10)	-	-	-	-	(10)
14	Administrative and General	(451)	-	(2,632)	-	-	(116)	(142)	(3,341)
15	Depreciation and Amortization	(3,084)	-	(19)	-	-	-	-	(3,103)
16	Taxes Other Than Income	-	-	(480)	-	-	-	-	(480)
17	Total Operating Expense	-	-	-	-	-	-	-	-
18	Before Income Taxes	(3,535)	-	(5,637)	-	-	(116)	(142)	(9,430)
19	State Income Tax	1,085	-	536	-	-	11	13	1,645
20	Federal Income Tax	3,619	-	1,786	-	-	37	45	5,487
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	1,169	-	(3,315)	-	-	(68)	(84)	(2,298)
23	NET OPERATING INCOME	\$ (1,169)	\$ -	\$ 3,315	\$ -	\$ -	\$ 68	\$ 84	\$ 2,298

The Peoples Gas Light and Coke Company
 Adjustments to Operating Income
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	(Sch. 11.02 P, p. 2)	Charitable Contributions (Staff Ex. 13.0, Sch. 13.05 P)	IBS Intercompany Charges (Staff Ex.1 4.0, Sch. 14.02 P)	Invested Capital Tax (Staff Ex. 14.0, Sch. 14.03 P)	Not Used	Plastic Pipe Fitting Remediation (Staff Ex. 16.0)	Cross Bore Expenses (Staff Ex. 16.0)	Total Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectible Accounts	-	-	-	-	-	-	-	-
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	(342)	-	-	-	-	-	-	(342)
9	Storage	(20)	-	-	-	-	-	-	(20)
10	Transmission	(602)	-	-	-	-	-	-	(602)
11	Distribution	287	-	-	-	-	(2,000)	(5,700)	(7,413)
12	Customer Accounts	(1,819)	-	-	-	-	-	-	(1,819)
13	Customer Service and Informational Se	(10)	-	-	-	-	-	-	(10)
14	Administrative and General	(3,341)	(8)	(12,327)	-	-	-	-	(15,676)
15	Depreciation and Amortization	(3,103)	-	-	-	-	-	-	(3,103)
16	Taxes Other Than Income	(480)	-	-	(422)	-	-	-	(902)
17	Total Operating Expense								
18	Before Income Taxes	(9,430)	(8)	(12,327)	(422)	-	(2,000)	(5,700)	(29,887)
19	State Income Tax	1,645	1	1,171	40	-	190	542	3,589
20	Federal Income Tax	5,487	3	3,905	134	-	634	1,805	11,968
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	(2,298)	(4)	(7,251)	(248)	-	(1,176)	(3,353)	(14,330)
23	NET OPERATING INCOME	\$ 2,298	\$ 4	\$ 7,251	\$ 248	\$ -	\$ 1,176	\$ 3,353	\$ 14,330

The Peoples Gas Light and Coke Company
Rate Base
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Company Rebuttal Pro Forma Rate Base (NS-PGL Ex. 27.1P)	Staff Adjustments (St. Ex. 11.0 Sch 11.04 P)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant	\$ 3,255,086	\$ (332,937)	\$ 2,922,149
2	Accumulated Provision for Depr. & Amort.	(1,223,340)	35,471	(1,187,869)
3	-	-	-	-
4	Net Plant	2,031,746	(297,466)	1,734,280
5	Additions to Rate Base			
6	Cash Working Capital	21,197	(26,403)	(5,206)
7	Materials and Supplies	12,002	-	12,002
8	Gas in Storage	54,843	-	54,843
9	Retirement Benefits, Net	49,017	(63,780)	(14,763)
10	Budget Plan Balances	8,597	-	8,597
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Accumulated Deferred Income Taxes	(510,194)	26,175	(484,019)
18	Customer Deposits	(27,453)	-	(27,453)
19	Customer Advances for Construction	(2,012)	-	(2,012)
20	Reserve for Injuries and Damages	(8,947)	(130)	(9,077)
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 1,628,796</u>	<u>\$ (361,604)</u>	<u>\$ 1,267,192</u>

The Peoples Gas Light and Coke Company
 Adjustments to Rate Base
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Cash Working Capital (Staff Ex. 12.0, Sch. 12.03 P)	Average Rate Base (Staff Ex. 12.0, Sch. 12.01 P)	Not Used (d)	Staff Witness Seagle Adjmts (Staff Ex. 12.0, Sch. 12.07 P)	Not Used (f)	Non-Union Wages (Staff Ex. 13.0, Sch. 13.02 P)	Pension Asset (Staff Ex. 14.0, Sch. 14.01 P)	Total Rate Base Adjustments (i)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant	\$ -	\$ (148,746)	\$ -	\$ (183,054)	\$ -	\$ (1,137)	\$ -	\$ (332,937)
2	Accumulated Provision for Depr. & Amort.	-	31,554	-	3,898	-	19	-	35,471
3		-	-	-	-	-	-	-	-
4	Net Plant	-	(117,192)	-	(179,156)	-	(1,118)	-	(297,466)
5	Additions to Rate Base								-
6	Cash Working Capital	(26,403)	-	-	-	-	-	-	(26,403)
7	Materials and Supplies	-	-	-	-	-	-	-	-
8	Gas in Storage	-	-	-	-	-	-	-	-
9	Retirement Benefits, Net	-	19,926	-	-	-	(83,706)	-	(63,780)
10	Budget Plan Balances	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base								-
17	Accumulated Deferred Income Taxes	-	(8,390)	-	1,299	-	(3)	33,269	26,175
18	Customer Deposits	-	-	-	-	-	-	-	-
19	Customer Advances for Construction	-	-	-	-	-	-	-	-
20	Reserve for Injuries and Damages	-	(130)	-	-	-	-	-	(130)
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (26,403)	\$ (105,786)	\$ -	\$ (177,857)	\$ -	\$ (1,121)	\$ (50,437)	\$ (361,604)

The Peoples Gas Light and Coke Company
 Revenue Effect of Adjustments
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description (a)	Per Company (b)	Staff Adjustments (c)	Per Staff (d)
1	Present Revenues	\$ 547,284 ⁽¹⁾	\$ -	\$ 547,284 ⁽²⁾
2	Proposed Increase	<u>106,937 ⁽³⁾</u>	<u>(92,037) ⁽⁴⁾</u>	<u>14,900 ⁽⁵⁾</u>
3	Proposed Revenues	<u>\$ 654,221</u>	<u>\$ (92,037)</u>	<u>\$ 562,184</u>
4	% Increase	19.54%		2.72 %
5	Staff Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		(25,113)	
7	Staff Witness Seagle Adjustments		(21,131)	
8	IBS Intercompany Charges		(12,705)	
9	Average Rate Base		(10,678)	
10	Non-Union Wages		(5,921)	
11	Cross Bores Expense		(5,875)	
12	Pension Asset		(5,091)	
13	Cash Working Capital		(2,665)	
14	Plastic Pipe Fitting Remediation		(2,060)	
15	Invested Capital Tax		(435)	
16	Rate Case Expense		(256)	
17	Promotional and Goodwill Expense		(147)	
18	Interest on Customer Deposits		(145)	
19	Advertising Expense		(119)	
20	Interest on Budget Plan Balances		(67)	
21	Charitable Contributions		(7)	
22	Interest Synchronization		380	
23				
24				
25				
26				-
27				
28				
29				
30				
31				
32				
33	Rounding		<u>(2)</u>	
34	Total Revenue Effect of Staff Adjustments		<u>\$ (92,037)</u>	

Sources:

- (1) ICC Staff Exhibit 11.0, Schedule 11.01 P, column (b), line 5
- (2) ICC Staff Exhibit 11.0, Schedule 11.01 P, column (d), line 5
- (3) ICC Staff Exhibit 11.0, Schedule 11.01 P, column (e), line 5
- (4) ICC Staff Exhibit 11.0, Schedule 11.01 P, columns (f) + (h), line 5
- (5) ICC Staff Exhibit 11.0, Schedule 11.01 P, column (i), line 26

The Peoples Gas Light and Coke Company
 Interest Synchronization Adjustment
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description (a)	Amount (b)
1	Rate Base	\$ 1,267,192 (1)
2	Weighted Cost of Debt	2.03% (2)
3	Synchronized Interest Per Staff	25,661
4	Company Interest Expense	<u>33,553</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(7,892)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 750</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 2,500</u>

(1) Source: ICC Staff Ex. 11.0, Schedule 11.03 P, Column D.

(2) Source: ICC Staff Exhibit 15.0, Schedule 15.01.

(3) Source: NS-PGL Ex. 26.6P, p. 6

The Peoples Gas Light and Coke Company
 Gross Revenue Conversion Factor
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	2.97680%	<u>0.029768</u>	
3	State Taxable Income		0.970232	1.000000
4	State Income Tax	9.5000%	<u>0.092172</u>	<u>0.095000</u>
5	Federal Taxable Income		0.878060	0.905000
6	Federal Income Tax	35.0000%	<u>0.307321</u>	<u>0.316750</u>
7	Operating Income		<u>0.570739</u>	<u>0.588250</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.752114</u>	<u>1.699958</u>

North Shore Gas Company
Adjustments to Operating Income
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Interest Synchronization (Sch. 11.06 N)	Not Used	Gross Plant Additions (Staff Ex. 12.0, Sch. 12.02 N)	Interest on Customer Deposits (Staff Ex. 12.0, Sch. 12.04 N)	Interest on Budget Plan Balances (Staff Ex. 12.0, Sch. 12.05 N)	Not Used	Rate Case Expense (Staff Ex. 13.0, Sch. 13.01 N)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectible Accounts	-	-	-	-	-	-	-	-
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	-	-	-	-	-	-	-	-
9	Storage	-	-	-	-	-	-	-	-
10	Transmission	-	-	-	-	-	-	-	-
11	Distribution	-	-	-	-	-	-	-	-
12	Customer Accounts	-	-	-	-	-	-	-	-
13	Customer Service and Informational Services	-	-	-	-	-	-	-	-
14	Administrative and General	-	-	-	(12)	(13)	-	(45)	(70)
15	Depreciation and Amortization	-	-	(33)	-	-	-	-	(33)
16	Taxes Other Than Income	-	-	-	-	-	-	-	-
17	Total Operating Expense	-	-	(33)	(12)	(13)	-	(45)	(103)
18	Before Income Taxes	-	-	(33)	(12)	(13)	-	(45)	(103)
19	State Income Tax	24	-	3	1	1	-	4	33
20	Federal Income Tax	80	-	10	4	4	-	14	112
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	104	-	(20)	(7)	(8)	-	(27)	42
23	NET OPERATING INCOME	\$ (104)	\$ -	\$ 20	\$ 7	\$ 8	\$ -	\$ 27	\$ (42)

North Shore Gas Company
Adjustments to Operating Income
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	(Sch. 11.02 N, p. 1)	Not Used	Non-Union Wages (Staff Ex. 13.0, Sch. 13.02 N)	Not Used	Not Used	Advertising Expense (Staff Ex. 13.0, Sch. 13.03 N)	Promotional & Goodwill (Staff Ex. 13.0, Sch. 13.04 N)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectible Accounts	-	-	-	-	-	-	-	-
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	-	-	(92)	-	-	-	-	(92)
9	Storage	-	-	(4)	-	-	-	-	(4)
10	Transmission	-	-	2	-	-	-	-	2
11	Distribution	-	-	432	-	-	-	-	432
12	Customer Accounts	-	-	(429)	-	-	-	-	(429)
13	Customer Service and Informational Se	-	-	48	-	-	-	-	48
14	Administrative and General	(70)	-	(340)	-	-	(25)	(2)	(437)
15	Depreciation and Amortization	(33)	-	(1)	-	-	-	-	(34)
16	Taxes Other Than Income	-	-	(34)	-	-	-	-	(34)
17	Total Operating Expense	-	-	-	-	-	-	-	-
18	Before Income Taxes	(103)	-	(418)	-	-	(25)	(2)	(548)
19	State Income Tax	33	-	40	-	-	2	-	75
20	Federal Income Tax	112	-	132	-	-	8	1	253
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	42	-	(246)	-	-	(15)	(1)	(220)
23	NET OPERATING INCOME	\$ (42)	\$ -	\$ 246	\$ -	\$ -	\$ 15	\$ 1	\$ 220

North Shore Gas Company
Adjustments to Operating Income
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	(Sch. 11.02 N, p. 2)	Invested Capital Tax (Staff Ex. 14.0, Sch. 14.03 N)	Cross Bore Expenses (Staff Ex. 16.0)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectible Accounts	-	-	-	-	-	-	-	-
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	(92)	-	-	-	-	-	-	(92)
9	Storage	(4)	-	-	-	-	-	-	(4)
10	Transmission	2	-	-	-	-	-	-	2
11	Distribution	432	-	(2,600)	-	-	-	-	(2,168)
12	Customer Accounts	(429)	-	-	-	-	-	-	(429)
13	Customer Service and Informational Se	48	-	-	-	-	-	-	48
14	Administrative and General	(437)	-	-	-	-	-	-	(437)
15	Depreciation and Amortization	(34)	-	-	-	-	-	-	(34)
16	Taxes Other Than Income	(34)	(34)	-	-	-	-	-	(68)
17	Total Operating Expense								
18	Before Income Taxes	(548)	(34)	(2,600)	-	-	-	-	(3,182)
19	State Income Tax	75	3	247	-	-	-	-	325
20	Federal Income Tax	253	11	824	-	-	-	-	1,088
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	(220)	(20)	(1,529)	-	-	-	-	(1,769)
23	NET OPERATING INCOME	\$ 220	\$ 20	\$ 1,529	\$ -	\$ -	\$ -	\$ -	\$ 1,769

North Shore Gas Company
Rate Base
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Company Rebuttal Pro Forma Rate Base (NS-PGL Ex. 27.1N)	Staff Adjustments (St. Ex. 11.0 Sch 11.04 N)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant	\$ 466,382	\$ (12,393)	\$ 453,989
2	Accumulated Provision for Depr. & Amort.	(189,609)	4,305	(185,304)
3	-	-	-	-
4	Net Plant	276,773	(8,088)	268,685
5	Additions to Rate Base			
6	Cash Working Capital	(60)	(2,179)	(2,239)
7	Materials and Supplies	1,992	-	1,992
8	Gas in Storage	7,268	-	7,268
9	Retirement Benefits, Net	(3,758)	1,081	(2,677)
10	Budget Plan Balances	372	-	372
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Accumulated Deferred Income Taxes	(68,392)	208	(68,184)
18	Customer Deposits	(2,454)	-	(2,454)
19	Customer Advances for Construction	(586)	-	(586)
20	Reserve for Injuries and Damages	(1,693)	-	(1,693)
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 209,462</u>	<u>\$ (8,978)</u>	<u>\$ 200,484</u>

North Shore Gas Company
Adjustments to Rate Base
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Cash Working Capital (Staff Ex. 12.0, Sch. 12.03 N)	Average Rate Base (Staff Ex. 12.0, Sch. 12.01 N)	Gross Plant Additions (Staff Ex. 12.0, Sch. 12.02 N)	Not Used (e)	Not Used (f)	Non-Union Wages (Staff Ex. 13.0, Sch. 13.03 N)	Pension Asset (Staff Ex. 14.0, Sch. 14.01 N)	Total Rate Base Adjustments (i)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross Utility Plant	\$ -	\$ (11,131)	\$ (1,201)	\$ -	\$ -	\$ (61)	\$ -	\$ (12,393)
2	Accumulated Provision for Depr. & Amort.	-	4,271	33	-	-	1	-	4,305
3		-	-	-	-	-	-	-	-
4	Net Plant	-	(6,860)	(1,168)	-	-	(60)	-	(8,088)
5	Additions to Rate Base								-
6	Cash Working Capital	(2,179)	-	-	-	-	-	-	(2,179)
7	Materials and Supplies	-	-	-	-	-	-	-	-
8	Gas in Storage	-	-	-	-	-	-	-	-
9	Retirement Benefits, Net	-	1,560	-	-	-	-	(479)	1,081
10	Budget Plan Balances	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base								-
17	Accumulated Deferred Income Taxes	-	9	9	-	-	-	190	208
18	Customer Deposits	-	-	-	-	-	-	-	-
19	Customer Advances for Construction	-	-	-	-	-	-	-	-
20	Reserve for Injuries and Damages	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (2,179)	\$ (5,291)	\$ (1,159)	\$ -	\$ -	\$ (60)	\$ (289)	\$ (8,978)

North Shore Gas Company
Revenue Effect of Adjustments
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Per Company	Staff Adjustments	Per Staff
	(a)	(b)	(c)	(d)
1	Present Revenues	\$ 77,704 ⁽¹⁾	\$ -	\$ 77,704 ⁽²⁾
2	Proposed Increase	<u>11,557 ⁽³⁾</u>	<u>(7,222) ⁽⁴⁾</u>	<u>4,335 ⁽⁵⁾</u>
3	Proposed Revenues	<u>\$ 89,261</u>	<u>\$ (7,222)</u>	<u>\$ 82,039</u>
4	% Increase	14.87%		5.58%
5	Staff Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		(3,164)	
7	Cross Bores Expense		(2,622)	
8	Average Rate Base		(525)	
9	Non-Union Wages		(428)	
10	Cash Working Capital		(216)	
11	Gross Plant Additions		(149)	
12	Rate Case Expense		(46)	
13	Invested Capital Tax		(34)	
14	Pension Asset		(29)	
15	Advertising Expense		(26)	
16	Interest on Budget Plan Balances		(14)	
17	Interest on Customer Deposits		(12)	
18	Promotional and Goodwill Expense		(2)	
19	Interest Synchronization		46	
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33	Rounding		<u>(1)</u>	
34	Total Revenue Effect of Staff Adjustments		<u>\$ (7,222)</u>	-

Sources:

- (1) ICC Staff Exhibit 11.0, Schedule 11.01 N, column (b), line 5
- (2) ICC Staff Exhibit 11.0, Schedule 11.01 N, column (d), line 5
- (3) ICC Staff Exhibit 11.0, Schedule 11.01 N, column (e), line 5
- (4) ICC Staff Exhibit 11.0, Schedule 11.01 N, columns (f) + (h), line 5
- (5) ICC Staff Exhibit 11.0, Schedule 11.01 N, column (i), line 26

North Shore Gas Company
 Interest Synchronization Adjustment
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description (a)	Amount (b)
1	Rate Base	\$ 200,484 (1)
2	Weighted Cost of Debt	2.09% (2)
3	Synchronized Interest Per Staff	4,190
4	Company Interest Expense	<u>4,441</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(251)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 24</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 80</u>

(1) Source: ICC Staff Ex. 11.0, Schedule 11.03 N, Column D.

(2) Source: ICC Staff Exhibit 15.0, Schedule 15.01.

(3) Source: NS-PGL Ex. 26.2N

North Shore Gas Company
Gross Revenue Conversion Factor
 For the Test Year Ending December 31, 2013
 (In Thousands)

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.85810%	<u>0.008581</u>	
3	State Taxable Income		0.991419	1.000000
4	State Income Tax	9.5000%	<u>0.094185</u>	<u>0.095000</u>
5	Federal Taxable Income		0.897234	0.905000
6	Federal Income Tax	35.0000%	<u>0.314032</u>	<u>0.316750</u>
7	Operating Income		<u>0.583202</u>	<u>0.588250</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.714671</u>	<u>1.699958</u>