

The Peoples Gas Light and Coke Company

Summary of Proposed Adjustments to Operating Income
For the Test Year Ending December 31, 2013

| Line No. | I.C.C. Acc. No. | Description | Schedule C-4 surrebuttal updates - NS-PGL Ex.42.1P, WP-1 to WP-6 | | | | | | | | Subtotal Operating Statement Adjustments [K] | |
|----------|-----------------|---------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------|------------------------------------|-----------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------|-----------------------------|----------------------------------------------|--------------|
| | | | Bonus Depreciation Current/Deferred Taxes [C] | Acct 930.2-IBS Billing on Depreciation Expense WAM System [D] | Depreciation Expense Calumet to nonAMRP Gas Services [E] | Depreciation Expense CNG Plant [F] | NOL adjustment before interest expense Change in Debt [G] | Income Tax impact from Interest Expense Change in Debt [H] | NOL adjustment for Interest Expense Change in Debt [I] | Sch C-4 update rounding [J] | | |
| 1 | 480-481, 489 | Base Rate Revenues excludes Base Rate adjustments | | | | | | | | | | - |
| 2 | 480-481, 489 | Uncollectible Expense Adjustment Revenues | | | | | | | | | | - |
| 3 | 480-481, 489 | Volume Balancing Adjustment Revenues | | | | | | | | | | - |
| 4 | 480-481, 489 | Infrastructure Cost Recovery Revenues | | | | | | | | | | - |
| 5 | | Base Rate Revenues | - | - | - | - | - | - | - | - | - | - |
| 6 | 480-481, 489 | PGA Revenues | | | | | | | | | | - |
| 7 | 480-481, 489 | Coaltar Revenues | | | | | | | | | | - |
| 8 | 480-481, 489 | Enhanced Energy Program Revenues | | | | | | | | | | - |
| 9 | | Pass Through Service Revenues | - | - | - | - | - | - | - | - | - | - |
| 10 | 487, 488, 495 | Other Revenues | | | | | | | | | | - |
| 11 | 400 | Operating Revenues | - | - | - | - | - | - | - | - | - | - |
| 12 | | Operating Expenses | | | | | | | | | | - |
| 13 | 401 | Cost of Gas | | | | | | | | | | - |
| 14 | 401 & 402 | Other Operation and Maintenance | | | | | | | | | | - |
| 15 | 401 & 402 | Other Production | | | | | | | | | | - |
| 16 | 401 & 402 | Storage | | | | | | | | | | - |
| 17 | 401 & 402 | Transmission | | | | | | | | | | - |
| 18 | 401 & 402 | Distribution | | | | | | | | | | - |
| 19 | 401 | Customer Accounts-Uncollectible Accounts | | | | | | | | | | - |
| 20 | 401 | Customer Accounts-Other | | | | | | | | | | - |
| 21 | 401 | Customer Service and Informational Services | | | | | | | | | | - |
| 22 | 401 | Sales | | | | | | | | | | - |
| 23 | 401 & 402 | Administrative and General | - | (745,000) | - | - | - | - | - | - | - | (745,000) |
| 24 | | Total Other Operations and Maintenance | - | (745,000) | - | - | - | - | - | - | - | (745,000) |
| 25 | 403 | Depreciation | | | 207,000 | (43,000) | - | - | - | - | - | 164,000 |
| 26 | 404 | Amortization | | | | | | | | | | - |
| 27 | 408.1 | Taxes Other than Income | | | | | | | | | | - |
| 28 | | Income Taxes | | | | | | | | | | - |
| 29 | 409.1 | Federal Income Taxes - Current | (47,235,000) | 236,000 | - | 9,000 | 29,149,000 | 41,000 | (41,000) | | | (17,841,000) |
| 30 | 409.1 | State Income Taxes - Current | - | 71,000 | - | 5,000 | - | 12,000 | - | 1,000 | | 89,000 |
| 31 | 410.1 & 411.1 | Deferred Income Taxes | 47,235,000 | - | (85,000) | 3,000 | (29,149,000) | - | 41,000 | (1,000) | | 18,044,000 |
| 32 | 411.4 | Investment Tax Credit | - | - | - | - | - | - | - | - | | - |
| 33 | | Total Operating Expenses | - | (438,000) | 122,000 | (26,000) | - | 53,000 | - | - | | (289,000) |
| 34 | | Net Operating Income | \$ - | \$ 438,000 | \$ (122,000) | \$ 26,000 | \$ - | \$ (53,000) | \$ - | \$ - | | \$ 289,000 |

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Summary of Proposed Adjustments to Operating Income
For the Test Year Ending December 31, 2013

| Line No. | I.C.C. Acc. No. | Description | p 1, col. K | Acct 930.1 | Acct 928 Rate | Acct 928 Rate | Acct 928 Rate | Interest on | Interest on | | Subtotal |
|----------|-----------------|---------------------------------------------------|------------------------------------------|-----------------------------------------|----------------------------------------------|----------------------------------------------------|-------------------------------------------------------|-------------|-------------|------|--------------|
| | | | Subtotal Operating Statement Adjustments | Advertising error NS-PGL Ex.42.2P, WP-7 | Case Amortization Test 2013 NS-PGL Ex. 42.4P | Case Amortization prior cases ICC Staff Ex. 13.01P | Case Amortization 2011 rehear/appeal NS-PGL Ex. 42.4P | | | | |
| | [A] | [B] | [C] | [D] | [E] | [F] | [G] | [H] | [I] | [J] | [K] |
| 1 | 480-481, 489 | Base Rate Revenues excludes Base Rate adjustments | - | | | | | | | | - |
| 2 | 480-481, 489 | Uncollectibe Expense Adjustment Revenues | - | | | | | | | | - |
| 3 | 480-481, 489 | Volume Balancing Adjustment Revenues | - | | | | | | | | - |
| 4 | 480-481, 489 | Infrastructure Cost Recovery Revenues | - | | | | | | | | - |
| 5 | | Base Rate Revenues | - | - | - | - | - | - | - | - | - |
| 6 | 480-481, 489 | PGA Revenues | - | | | | | | | | - |
| 7 | 480-481, 489 | Coaltar Revenues | - | | | | | | | | - |
| 8 | 480-481, 489 | Enhanced Energy Program Revenues | - | | | | | | | | - |
| 9 | | Pass Through Service Revenues | - | - | - | - | - | - | - | - | - |
| 10 | 487, 488, 495 | Other Revenues | - | - | - | - | - | - | - | - | - |
| 11 | 400 | Operating Revenues | - | - | - | - | - | - | - | - | - |
| 12 | | Operating Expenses | - | | | | | | | | - |
| 13 | 401 | Cost of Gas | - | | | | | | | | - |
| 14 | 401 & 402 | Other Operation and Maintenance | - | | | | | | | | - |
| 15 | 401 & 402 | Other Production | - | | | | | | | | - |
| 16 | 401 & 402 | Storage | - | | | | | | | | - |
| 17 | 401 & 402 | Transmission | - | | | | | | | | - |
| 18 | 401 & 402 | Distribution | - | | | | | | | | - |
| 19 | 401 | Customer Accounts-Uncollectible Accounts | - | | | | | | | | - |
| 20 | 401 | Customer Accounts-Other | - | | | | | | | | - |
| 21 | 401 | Customer Service and Informational Services | - | | | | | | | | - |
| 22 | 401 | Sales | - | | | | | | | | - |
| 23 | 401 & 402 | Administrative and General | (745,000) | (10,000) | (2,000) | (247,000) | 6,000 | (62,000) | (140,000) | - | (1,200,000) |
| 24 | | Total Other Operations and Maintenance | (745,000) | (10,000) | (2,000) | (247,000) | 6,000 | (62,000) | (140,000) | - | (1,200,000) |
| 25 | 403 | Depreciation | 164,000 | | | | - | - | - | - | 164,000 |
| 26 | 404 | Amortization | - | | | | | | | | - |
| 27 | 408.1 | Taxes Other than Income | - | - | - | - | | | | | - |
| 28 | | Income Taxes | - | | | | | | | | - |
| 29 | 409.1 | Federal Income Taxes - Current | (17,841,000) | 3,000 | - | - | - | 20,000 | 44,000 | - | (17,774,000) |
| 30 | 409.1 | State Income Taxes - Current | 89,000 | 1,000 | - | - | - | 6,000 | 13,000 | - | 109,000 |
| 31 | 410.1 & 411.1 | Deferred Income Taxes | 18,044,000 | - | 1,000 | 102,000 | (2,000) | - | - | - | 18,145,000 |
| 32 | 411.4 | Investment Tax Credit | - | - | - | - | - | - | - | - | - |
| 33 | | Total Operating Expenses | (289,000) | (6,000) | (1,000) | (145,000) | 4,000 | (36,000) | (83,000) | - | (556,000) |
| 34 | | Net Operating Income | \$ 289,000 | \$ 6,000 | \$ 1,000 | \$ 145,000 | \$ (4,000) | \$ 36,000 | \$ 83,000 | \$ - | \$ 556,000 |

The Peoples Gas Light and Coke Company

Summary of Proposed Adjustments to Operating Income
For the Test Year Ending December 31, 2013

| Line No. | I.C.C. Acc. No. | Description | p 2, col. K Subtotal Operating Statement Adjustments | [D] | [E] | [F] | [G] | Net Operating Loss-tax normalization NS-PGL Ex. 42.1P,p4 | Incremental Invested Capital Tax Adjustment NS-PGL Ex. 42.1P,p5 | Incremental Interest Synchronization Adjustment NS-PGL Ex. 42.1P,p6 | Total Operating Statement Adjustments |
|----------|-----------------|---------------------------------------------------|------------------------------------------------------|------|------|------|------|----------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------|
| | [A] | [B] | [C] | | | | | [H] | [I] | [J] | [K] |
| 1 | 480-481, 489 | Base Rate Revenues excludes Base Rate adjustments | - | | | | | | | | - |
| 2 | 480-481, 489 | Uncollectible Expense Adjustment Revenues | - | | | | | | | | - |
| 3 | 480-481, 489 | Volume Balancing Adjustment Revenues | - | | | | | | | | - |
| 4 | 480-481, 489 | Infrastructure Cost Recovery Revenues | - | | | | | | | | - |
| 5 | | Base Rate Revenues | - | - | - | - | - | - | - | - | - |
| 6 | 480-481, 489 | PGA Revenues | - | | | | | | | | - |
| 7 | 480-481, 489 | Coaltar Revenues | - | | | | | | | | - |
| 8 | 480-481, 489 | Enhanced Energy Program Revenues | - | | | | | | | | - |
| 9 | | Pass Through Service Revenues | - | - | - | - | - | - | - | - | - |
| 10 | 487, 488, 495 | Other Revenues | - | - | - | - | - | - | - | - | - |
| 11 | 400 | Operating Revenues | - | - | - | - | - | - | - | - | - |
| 12 | | Operating Expenses | - | - | - | - | - | - | - | - | - |
| 13 | 401 | Cost of Gas | - | | | | | | | | - |
| 14 | 401 & 402 | Other Operation and Maintenance | - | | | | | | | | - |
| 15 | 401 & 402 | Other Production | - | | | | | | | | - |
| 16 | 401 & 402 | Storage | - | | | | | | | | - |
| 17 | 401 & 402 | Transmission | - | | | | | | | | - |
| 18 | 401 & 402 | Distribution | - | | | | | | | | - |
| 19 | 401 | Customer Accounts-Uncollectible Accounts | - | | | | | | | | - |
| 20 | 401 | Customer Accounts-Other | - | | | | | | | | - |
| 21 | 401 | Customer Service and Informational Services | - | | | | | | | | - |
| 22 | 401 | Sales | - | | | | | | | | - |
| 23 | 401 & 402 | Administrative and General | (1,200,000) | - | - | - | - | - | - | - | (1,200,000) |
| 24 | | Total Other Operations and Maintenance | (1,200,000) | - | - | - | - | - | - | - | (1,200,000) |
| 25 | 403 | Depreciation | 164,000 | | | | | | | | 164,000 |
| 26 | 404 | Amortization | - | | | | | | | | - |
| 27 | 408.1 | Taxes Other than Income | - | - | - | - | - | | (41,000) | | (41,000) |
| 28 | | Income Taxes | - | | | | | | | | - |
| 29 | 409.1 | Federal Income Taxes - Current | (17,774,000) | - | - | - | - | (978,000) | 13,000 | (83,000) | (18,822,000) |
| 30 | 409.1 | State Income Taxes - Current | 109,000 | - | - | - | - | - | 4,000 | (25,000) | 88,000 |
| 31 | 410.1 & 411.1 | Deferred Income Taxes | 18,145,000 | - | - | - | - | 978,000 | | | 19,123,000 |
| 32 | 411.4 | Investment Tax Credit | - | - | - | - | - | - | - | - | - |
| 33 | | Total Operating Expenses | (556,000) | - | - | - | - | - | (24,000) | (108,000) | (688,000) |
| 34 | | Net Operating Income | \$ 556,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,000 | \$ 108,000 | \$ 688,000 |

| | | | Account 409.10 Federal-Current | Account 410.1 Deferred | |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------|
| 1 | TOTAL INCOME TAXES -2013 OPERATING INCOME | Company proforma present surrebuttal | NS-PGL Ex. 42.1P col. C | \$ 18,822,000 | \$ (1,569,000) |
| 2 | TOTAL INCOME TAXES -2013 OPERATING INCOME | O&M Update and Ratemaking adjustments excluding NOL adjustments | NS-PGL Ex. 42.2P, p3, col. K minus p1, col G & I minus p3, col H | <u>\$ (46,952,000)</u> | <u>\$ 47,253,000</u> |
| 3 | TOTAL INCOME TAXES ADJUSTED -2013 BEFORE NOL ADJUSTMENTS | | | \$ (28,130,000) | \$ 45,684,000 |
| 4 | O&M update adjustment -Current Income Taxes -NOL to Deferred Tax Asset | | NS-PGL Ex. 42.2P, p1, col G & I | \$ 29,108,000 | \$ (29,108,000) |
| 5 | Ratemaking adjustment -Current Income Taxes -NOL to Deferred Tax Asset | | NS-PGL Ex. 42.2P, p2, col H | See Check \$ (978,000) | \$ 978,000 |
| 6 | Total NOL adjustments - operating income (Lines 4 + 5) | | NS_PGL Ex.42.1P, col. E | \$ 28,130,000 | \$ (28,130,000) |
| 7 | TOTAL INCOME TAXES ADJUSTED -2013 AT PRESENT RATES (Lines 3 + 6) | | NS_PGL Ex.42.1P col. F | \$ - | \$ 17,554,000 |
| Check: Ratemaking adjustment -Current Income Taxes -NOL to Deferred Tax Asset offsets: non Schedule C-4 budget updates | | | | | |
| Acct 409.1 Federal | Company Direct PGL Ex. 6.0, Schedule C-2, p 3, line 29, col. K | | \$ (491,000) | | |
| Acct 409.1 Federal | Company Supplemental NS-PGL Ex. 18.2P, p2, line 29, col. K less: NS-PGL Ex. 18.2P, p 1, line 29, col. C | | (6,366,000) 6,322,000 | Remove Sch C-4 updates-Cross Bores, CDOT, Depreciation Expense-Cushion Gas | |
| Acct 409.1 Federal | Company Rebuttal NS-PGL Ex. 26.2P, p4, line 29, col. K less: NS-PGL Ex. 26.2N, p 2, line 29, col. K | | 25,502,000 (23,987,000) | Remove Sch C-4 updates -various | |
| Acct 409.1 Federal | Company Surrebuttal NS-PGL Ex. 42.2P, p2, col. D to J plus p3, col. D to G and col. I to J | | 67,000 (70,000) | Does not include Sch C-4 updates | |
| Rounding | | | 1,000 | | |
| | | | <u>\$ 978,000</u> | | |
| | | | - | | |

| <u>Ratemaking adjustment</u> | | | | Update | Company Rebuttal NS-PGL Ex.26.2P, p5 | Change |
|------------------------------------------------------------|----------|---------|--------------|---------------------|-----------------------------------------|----------------------|
| RATE BASE | Year End | 2013 | Schedule B-1 | \$1,659,271,000 | \$1,628,796,000 | \$30,475,000 |
| RATE OF RETURN | | | Schedule D-1 | <u>7.07%</u> | <u>7.48%</u> | |
| NET OPERATING INCOME REQUIREMENT | | | | 117,310,000 | 121,834,000 | (4,524,000) |
| PRO FORMA OPERATING INCOME AT PRESENT RATES | | | | 61,489,000 | 60,801,000 | 688,000 |
| ADJUST: OPERATING INCOME ADJUSTMENT- INVESTED CAPITAL TAX | | | | <u>(24,000)</u> | <u>11,000</u> | <u>(35,000)</u> |
| | | | | 61,465,000 | 60,812,000 | 653,000 |
| NET OPERATING INCOME REQUIREMENT CALCULATED IN FIRST PASS: | | | | <u>\$55,845,000</u> | <u>\$61,022,000</u> | <u>(\$5,177,000)</u> |
| OPERATING EXPENSES | | | | | | |
| Invested Capital Tax | (| 0.8%) | | \$447,000 | \$488,000 | (\$41,000) |
| Income Taxes - State | (| 9.5%) | | | | \$4,000 |
| - Federal | (| 35.0%) | | | | <u>\$13,000</u> |
| Total Operating Expenses | | | | | | <u>(24,000)</u> |
| EFFECT ON OPERATING INCOME | | | | | Company Surrebuttal adjustment | <u>\$24,000</u> |

| | | Update | Company Supplemental NS-PGL Ex.26.2P, p6 | Change |
|------------------------------------------------|-----------------------------------------------------------------------|--------------------|---------------------------------------------|------------------|
| Rate-making adjustment | | | | |
| RATE BASE | Schedule B-1 | \$1,659,271,000 | \$1,628,796,000 | \$30,475,000 |
| AGGREGATED COST OF SHORT TERM & LONG-TERM DEBT | Schedule D-1 | <u>2.03%</u> | <u>2.06%</u> | |
| SYNCHRONIZED INTEREST | Schedule C-5.4 | 33,683,000 | 33,553,000 | 130,000 |
| LESS: FORECASTED INTEREST AS ADJUSTED | | | | |
| | Account 427 Interest on Long-Term Debt | 26,387,000 | 26,457,000 | (70,000) |
| | Account 428 Amortization of Debt Discount and Expense | 644,000 | 714,000 | (70,000) |
| | Account 428.1 Amortization of Loss on Recquired Debt | 602,000 | 602,000 | - |
| | Account 430 Interest Expense on Short-Term Debt -Associated Companies | 223,000 | 223,000 | - |
| | Account 430 Amortization of Credit Line Fees | 476,000 | 476,000 | - |
| | Account 431 Other Interest Expense-Short Term Borrowing | <u>531,000</u> | <u>521,000</u> | <u>10,000</u> |
| | Total Interest Expense on Short-Term and Long-Term Debt | <u>28,863,000</u> | <u>28,993,000</u> | <u>(130,000)</u> |
| INCREASE IN INTEREST EXPENSE | | <u>\$4,820,000</u> | <u>\$4,560,000</u> | <u>\$260,000</u> |
| | | | | |
| OPERATING EXPENSES | | | | |
| Income Taxes | - State (9.5%) | (\$458,000) | (\$433,000) | (\$25,000) |
| | - Federal (35.0%) | <u>(1,527,000)</u> | <u>(1,444,000)</u> | <u>(83,000)</u> |
| | Total Operating Expenses | <u>(1,985,000)</u> | <u>(1,877,000)</u> | <u>(108,000)</u> |
| EFFECT ON OPERATING INCOME | | | | |
| | Company Surrebuttal adjustment | <u>\$1,985,000</u> | <u>\$1,877,000</u> | <u>\$108,000</u> |