Docket No. 15-0035
Exhibit 1

NORTH SHORE GAS®
NATURAL GAS DELIVERY

North Shore Gas Company
An Integrys Energy Group Company
200 East Randolph Street
Chicago, IL 60601
www.northshoregasdelivery.com

February 16, 2015

Ms. Elizabeth Rolando
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Dear Ms. Rolando:

Pursuant to the Commission's Order dated November 8, 1991 in Docket 91-0010, Special Permission No. R-18957 dated February 26, 1999 and Section D of Rider 11 of the Company's Schedule of Rates (Ill. C. C. No. 17) for Gas Service, the Company hereby files the enclosed verified report regarding its Incremental Costs of Environmental Activities for the quarter ended December 31, 2014.

Enclosed is an additional copy of this letter for your convenience in acknowledging receipt.

Very truly yours,

Sharon Moy
Regulatory Affairs

Enclosure

North Shore Gas Company

Report To Illinois Commerce Commission

With Respect To Operation Of Rider 11, Adjustment

For Incremental Costs Of Environmental Activities

Quarter Ended December 31, 2014

And Fiscal Year 2014

North Shore Gas Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2014 And Fiscal Year 2014

This report addresses the operation of the Company's Rider 11, Adjustment For Incremental Costs of Environmental Activities, during the quarter ended December 31, 2014, and during Fiscal Year 2014.

Fourth quarter of Fiscal 2014 reflects activity from October 2014 through December 2014 to recognize calendar year reporting made pursuant to the Order of Illinois Commerce Commission entered on February 7, 2007 in Docket #06-0540.

Section D of the Company's Rider 11, Adjustment for Incremental Costs of Environmental Activities, requires that the Company file quarterly reports with the Commission. Rider 11 further requires that each such report contain: a statement of activity in the Deferred Account for the quarter and for the fiscal year through the quarter; a statement of activity in the Settlement Fund for the quarter and for the fiscal year through the quarter; a statement of adjustments that were terminated during the quarter; a summary of the incremental costs incurred during the quarter and for the fiscal year through the quarter; and a description of the environmental activities in which the Company was involved during the quarter. Cumulative incremental costs and recoveries through December 31, 2014 are also included in these reports.

Statement Of Activity In The Deferred Account

Under its Rider 11, the Company recorded $1,751,770.05 in the Deferred Account during the quarter ended December 31, 2014, the fourth quarter of fiscal 2014. This amount represents the incremental costs that were incurred in connection with the environmental activities that were conducted by the Company during the quarter ended December 31, 2014.

During the quarter ended December 31, 2014, the Company recognized $5,999,164.93 in revenues arising from the application of the adjustments determined under Rider 11.

Page 6 of this report presents the "Statement Of Activity In Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2014, Fiscal Year 2014 And Cumulative Through December 31, 2014".

Statement of Activity in Settlement Fund

On February 26, 1999, the Commission approved the changes in Rider 11, including the establishment of the Settlement Fund, by Special Permission No. R-18957. The revision to the rider provides that the lesser of 50% of the incremental costs incurred or the Settlement Fund balance are recovered monthly through the Settlement Fund. At December 31, 2013 the Settlement Fund balance was $0.00. In March 2014, May 2014, July 2014 and December 2014, the Company received monies as a result of insurance settlements. All transactions were recorded after income taxes. All settlements received by

the Company were completely depleted as of December 31, 2014, which results from a deduction of $77,207.51, a portion (less than 50%) of the quarter's net incremental costs less income tax benefits, and the addition of interest (after tax) of $0.00.

Page 7 of this report presents the "Statement of Activity in the Settlement Fund, Quarter Ended December 31, 2014, Fiscal Year 2014 And Cumulative Through December 31, 2014".

Summary Of Incremental Costs

The Company experienced $1,751,770.05 in incremental costs relative to the environmental activities that were conducted during the quarter ended December 31, 2014. Of this amount, $1,474,120.92 is attributable to North Plant; $36,199.43 is attributable to the former Waukegan Coke Plant; $161,066.78 is attributable to South Plant; a credit of $131,249.47 is attributable to Insurance Related Costs and Recoveries; $9,636.70 is attributable to General and Unallocated Costs; and $201,995.69 is attributable to Carrying Charges.

Page 8 of this report presents the "Summary Of Incremental Costs, Quarter Ended December 31, 2014, Fiscal Year 2014 And Cumulative Through December 31, 2014".

Description Of Environmental Activities

North Plant:

During the quarter ended December 31, 2014, the Company incurred $1,474,120.92 in incremental costs associated with the environmental activities that were conducted relative to North Plant. Costs were primarily incurred for investigation and remediation activities performed by the Company's outside environmental consultants and for transportation and disposal of environmental waste material by an outside waste disposal company. Costs were also incurred for oversight activities provided by the US Environmental Protection Agency, security services, real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005, and professional services provided by outside legal counsel. Offsetting these charges were credits related to scrap materials.

Waukegan Coke Plant:

During the quarter ended December 31, 2014, the Company incurred $36,199.43 in incremental costs associated with the environmental activities that were conducted relative to the Waukegan Coke Plant. Costs were primarily incurred for remediation activities performed by the Company's outside environmental consultants and for professional services provided by outside legal counsel. The Company continues to expect to be reimbursed for GM's ½ share from the surety bond funds.

South Plant:

During the quarter ended December 31, 2014, the Company incurred $161,066.78 in incremental costs associated with the environmental activities that were conducted relative to South Plant. Costs incurred were primarily attributable to investigation and remediation activities performed by the Company's outside environmental consultants. Also contributing were costs for real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005, disposal of environmental waste material and grounds maintenance.

Insurance Related Costs and Recoveries

During the quarter ended December 31, 2014, the Company received a payment of $262,498.95 from an insurance carrier. The payment is the result of a negotiated settlement claim for remediation work on the Company's environmental sites. $131,249.47 of the payment represents the recovery of past costs incurred by the company. The $131,249.48 remainder of the settlement was for future costs and applied to the settlement fund.

General and Unallocated Costs:

During the quarter ended December 31, 2014, the Company incurred $9,636.70 in general and unallocated costs which are not associated with any one particular site. Costs were primarily incurred for professional services by outside legal counsel, outside environmental consultants and other miscellaneous charges.

Carrying Charges:

During the quarter ended December 31, 2014, the Company incurred $201,995.69 in carrying charges. This amount represents the cost of carrying amounts in the deferred account before recovery through the Settlement Fund and application of adjustments determined under Rider 11.

Cost Recoveries from Settlement Fund:

During the quarter ended December 31, 2014, the Company recovered $131,249.48 through the Settlement Fund. Settlement Fund recoveries represent up to 50% of the net incremental costs, excluding carrying charges, incurred by the Company for the quarter ended December 31, 2014. However, all prior Settlement Fund amounts received by the Company were completely depleted at the start of the quarter, and as the amount above recovered during the fourth quarter of 2014 was less than 50% of the net incremental costs incurred during the quarter, the Settlement Fund was again completely depleted as of December 31, 2014.

Adjustments:

Page 9 of this report presents the "Adjustments Under Rider 11 Terminated During Quarter Ended December 31, 2014". Two adjustments were terminated during the quarter ended December 31, 2014.

NORTH SHORE GAS COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS
QUARTER ENDED DECEMBER 31, 2014, FISCAL YEAR 2014 AND
CUMULATIVE THROUGH DECEMBER 31, 2014

Line No.	Description	Quarter Ended 12/31/2014	Fiscal Year 2014	Cumulative Through 12/31/2014
	(A)	(B)	(C)	(D)
1	Balance at Beginning of Period	$ 15,697,707.31	$ 7,982,840.51	$ -
2	Plus Costs Incurred:			
3	Quarter (Page 8, Line 11, Col. C)	1,751,770.05	-	-
4	Fiscal Year (Page 8, Line 11, Col. D)	-	20,276,291.44	-
5	Cumulative (Page 8, Line 11, Col. E)	-	-	81,088,791.26
6	Sub-total	$ 17,449,477.36	$ 28,259,131.95	$ 81,088,791.26
7	Less Costs Recovered Through Rates	5,999,164.93	16,805,247.82	61,289,518.92
8	Less Recovery Through Settlement Fund:			
9	Quarter (Page 8, Line 13, Col. C)	131,249.48	-	-
10	Fiscal Year (Page 8, Line 13, Col. D)	-	134,821.18	-
11	Cumulative (Page 8, Line 13, Col. E)	-	-	8,483,622.89
12	Add Settlement Fund Adjustment			
13	to Incremental Costs: (1)			
14	Quarter (Page 8, Line 15, Col. C)	-	-	-
15	Fiscal Year (Page 8, Line 15, Col. D)	-	-	-
16	Cumulative (Page 8, Line 15, Col. E)	-	-	3,413.50
17	Balance at End of Period	$ 11,319,062.95	$ 11,319,062.95	$ 11,319,062.95

(1) Adjustments reflect correction to November 2006 filing on Deferred Account for Incremental Costs of Environmental Activities.

NORTH SHORE GAS COMPANY
STATEMENT OF ACTIVITY IN THE SETTLEMENT FUND
QUARTER ENDED DECEMBER 31, 2014, FISCAL YEAR 2014
AND CUMULATIVE THROUGH DECEMBER 31, 2014

Line No.		Quarter Ended 12/31/2014	Fiscal Year 2014	Cumulative Through 12/31/2014
1	Balance at Beginning of Period	$ -	$ -	$ -
2	Add: Settlements with insurance carriers			
3	Or other entities (after tax)	77,207.51	79,308.56	4,082,232.93
4	Deduct: 50% of the amount available for net			
5	incremental costs, Less income tax benefit (See note)	77,207.51	79,308.56	5,114,140.32
6	Add: Interest (after-tax)	-	-	1,031,907.39
7	Balance at end of period	$ 0.00	$ (0.00)	$ 0.00

Note:	Incremental costs, excluding carrying charges	$ 1,681,023.83	$ 19,911,220.57	$ 78,173,685.20
	Less: Incremental costs recovered from insurance carriers or other entities	131,249.47	215,591.23	8,178,436.01
	Net incremental costs	$ 1,549,774.36	$ 19,695,629.34	$ 69,995,249.19
	50% of net incremental costs	$ 774,887.17	$ 9,847,814.67	$ 34,997,624.60
	Less: Amount not available from fund	643,637.69	9,712,993.49	26,514,001.71
	Amount to recover through settlement fund	131,249.48	134,821.18	8,483,622.89
	Less: Income tax benefit calculated at State and Federal Rate of 39.667% through 12-31-04	-	-	2,251,501.03
	Less: Income tax benefit calculated at State and Federal Rate of 39.745% through 12-31-10	-	-	1,057,689.82
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 41.175% **	54,041.97	55,512.62	60,291.72
	Total	$ 77,207.51	$ 79,308.56	$ 5,114,140.32

**Effective January 1, 2011 @ 41.175%

NORTH SHORE GAS COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
SUMMARY OF INCREMENTAL COSTS (1)
QUARTER ENDED DECEMBER 31, 2014, FISCAL YEAR 2014 AND
CUMULATIVE THROUGH DECEMBER 31, 2014

Line No.	Site or Other Category of Costs	Recorded in GL Account	Quarter Ended 12/31/2014	Fiscal Year 2014	Cumulative Through 12/31/2014
	(A)	(B)	(C)	(D)	(E)
1	Deerfield Station	182024	$ -	$ -	$ 410.00
2	North Plant	182024	1,474,120.92	19,378,709.72	34,806,251.02
3	Waukegan Coke Plant	182024	36,199.43	50,333.73	30,142,930.43
4	South Plant	182024	161,066.78	366,977.10	8,502,056.10
5	Spring Street	182024	-	-	29,382.00
6	Waukegan Tar Pit	182024	-	-	1,745,092.98
7	Community Relations Program	182024	-	-	147,722.62
8	Insurance-Related Costs and Recoveries	182024	(131,249.47)	(131,249.47)	1,744,835.96
9	General and Unallocated Costs	182024	9,636.70	30,858.26	947,877.93
10	Carrying Charges	182020	201,995.69	580,662.10	3,022,232.22
11	Total		$ 1,751,770.05	$ 20,276,291.44	$ 81,088,791.26
12 13	Less: Recovery from Settlement Fund (Page 6, Note)	182024	131,249.48	134,821.18	8,483,622.89
14 15	Add: Settlement Fund Adjustment to Incremental Costs (2)	182024	-	-	3,413.50
16 17	Net Total after Settlement Fund recovery		$ 1,620,520.57	$ 20,141,470.26	72,608,581.87

(1) Recorded in Account 182.3, Other Regulatory Assets
(2) Adjustments reflect correction to November 2006 filing on Deferred Account for Incremental Costs of Environmental Activities.

NORTH SHORE GAS COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
ADJUSTMENTS UNDER RIDER 11 TERMINATED
DURING QUARTER ENDED DECEMBER 31, 2014

Adjustments Effective Beginning:	Amount Reflected in Determination of Adjustment	Amount Recovered Through Rates	Difference (1)
(A)	(B)	(C)	(D)
November 1, 2013	$1,128,613.01	$1,160,135.64	($31,522.63)
December 1, 2013	$4,782,622.36	$5,309,560.85	($526,938.49)

(1) Maintained in deferred account for inclusion in subsequent determination of an adjustment.

STATE OF WISCONSIN)
) SS
COUNTY OF BROWN)

Dennis M. Derricks, being first duly sworn, deposes and says that he is Assistant Vice President of Regulatory Affairs; that he has read the foregoing Report to the Illinois Commerce Commission with respect to Operation of Rider 11, Adjustment for Incremental Costs of Environmental Activities, for the Quarter ended December 31, 2014 and knows the contents thereof; and that the facts therein stated are true to the best of his knowledge, information and belief.

Dennis M. Derricks

Dennis M. Derricks

SUBSCRIBED and SWORN TO before me this 6th day of February, 2015.

Colleen T. Sipiorski

Notary Public

My Commission Expires:

April 16, 2017

COLLEEN T. SIPIORSKI
NOTARY
PUBLIC
STATE OF WISCONSIN

Deloitte.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Shore Gas Company
Chicago, Illinois

We have audited the accompanying Report to the Illinois Commerce Commission on Incremental Costs of Environmental Activities- Statement of Activity in Account 182.3, Other Regulatory Assets and Report to the Illinois Commerce Commission on Incremental Costs of Environmental Activities- Statement of Activity in Settlement Fund (collectively, the "Statements") of North Shore Gas Company (the "Company") for the year ended December 31, 2014, pursuant to the financial reporting provisions in Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Statements in accordance with the financial reporting provisions in Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statements that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statements referred to above, presents fairly, in all material respects, the information set forth therein of the Company for the year ended December 31, 2014, in accordance with the financial reporting provisions in Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission.

Basis of Accounting

The Statements were prepared by the Company on the basis of the financial reporting provisions in Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Illinois Commerce Commission referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors of the Company and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 13, 2015

Docket No. 15-0035
Exhibit 1

NORTH SHORE GAS COMPANY

REPORT TO THE ILLINOIS COMMERCE COMMISSION ON INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES — STATEMENT OF ACTIVITY IN SETTLEMENT FUND FOR THE YEAR ENDED DECEMBER 31, 2014

BALANCE — Beginning of year	$ -
Add settlements with insurance carriers or other entities (after tax)	79,309
Amounts recoverable through Settlement Fund — less income tax benefit	79,309
Add interest (after tax)	-
BALANCE — End of year	$ -

Note: Incremental costs — excluding carrying charges	$ 19,911,220
Less incremental costs recovered from insurance carriers or other entities	215,591
Net incremental costs	$ 19,695,629
50% of net incremental costs	$ 9,847,815
Less amounts not available from settlement fund	9,712,994
Amount to recover through settlement fund	134,821
Less income tax benefit calculated at an effective state and federal rate of 41.175%	55,512
TOTAL	$ 79,309

North Shore Gas Company (the Company) maintains its financial books and records in accordance with accounting principles generally accepted in the United States of America. This Statement to the Illinois Commerce Commission - Statement of Activity in the Settlement Fund has been prepared from the financial books and records of the Company and is being submitted in accordance with Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission.

NORTH SHORE GAS COMPANY

REPORT TO THE ILLINOIS COMMERCE COMMISSION ON INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES — STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

BALANCE — Beginning of year	$ 7,982,841
Plus costs incurred	20,276,291
Subtotal	28,259,132
Less costs recovered/(refunded) through rates	16,805,248
Less recovery through settlement fund	134,821
BALANCE — End of year	$ 11,319,063

North Shore Gas Company (the Company) maintains its financial books and records in accordance with accounting principles generally accepted in the United States of America. This Statement to the Illinois Commerce Commission - Statement of Activity in the Deferred Account has been prepared from the financial books and records of the Company and is being submitted in accordance with Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission.