

United Cities Gas Company
Merger Cost Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 1.0

<u>Line No</u> A	<u>Description</u> B	<u>Amount</u> C
1	Merger Expense per Staff	\$0
2	Merger Expense per UCG	<u>628,427</u>
3	Adjustment to A and G Expense	<u><u>\$(628,427)</u></u>

Source:
Line 2 - UCG Response to ICC Data Request 1.02

United Cities Gas Company
Income Tax Expense Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 2.0

Line No.	Description	Per Staff	Per UCG	Adjustment
A	B	C	D	E
1	UCG Net Operating Income	\$ 683,903	\$ 683,903	\$0
2	UCG Income Tax	(202,314)	(202,314)	0
3	UCG Interest Expense	<u>(990,620)</u>	<u>(990,620)</u>	0
4	UCG Income Before Differences	<u>(509,031)</u>	<u>(509,031)</u>	0
5	Permanent Differences			
6	Dividend - RSPG	(8,215)	0	(8,215)
7	Increase in Cash Surrender Value	(36,776)	0	(36,776)
8	SERP Premiums	25,553	0	25,553
9	ESOP Dividends	(62,062)	0	(62,062)
10	Dividends Received Deduction	(15,500)	0	(15,500)
11				
12	Total Permanent Differences	<u>(97,000)</u>	<u>-</u>	<u>(97,000)</u>
13	Taxable Income	(606,031)	(509,031)	(97,000)
14	State Income Tax Rate	<u>7.18%</u>	<u>7.30%</u>	
15	State Income Tax Expense Adjustment	<u>(43,513)</u>	<u>(37,159)</u>	<u>(6,354)</u>
16	Federal Taxable Income	(562,518)	(471,872)	<u>(90,646)</u>
17	Federal Tax Rate	<u>35.00%</u>	<u>35.00%</u>	
18	Federal Income Tax Expense Adjustment	<u>(\$196,881)</u>	<u>(\$165,155)</u>	<u>(\$31,726)</u>

Sources:

- Lines 1 & 2 -- UCG, Part 285, Schedule C-1
- Line 3 -- ICC Staff Ex 2.0, Schedule 3.0
- Lines 6 through 10 -- ICC Staff Ex 2.0, Schedule 4.0
- Line 14 -- ICC Staff Ex 2.0, Schedule 5.0

United Cities Gas Company
UCG Interest Expense
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 3.0

Line No.	Description	Amount
A	B	C
1	Rate Base	\$ 25,335,546
2	Weighted Cost of Debt	<u>3.91%</u>
3	Interest Expense	<u><u>\$ 990,620</u></u>

Sources:

- Line 1 -- UCG, Part 285, Schedule C-1, Line 19
- Line 2 -- UCG, Part 285, Schedule D-1, Line 3

United Cities Gas Company
 Permanent Tax Differences
 For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.C
 Schedule 4.0

Line No.	Description	Total	Percent Illinois	Illinois Jurisdictional
A	B	C	D	E
1	Dividend - RSPG	\$ (265,000)	3.1%	\$ (8,215)
2	Increase in Cash Surrender Value	(1,186,313)	3.1%	\$ (36,776)
3	SERP Premiums	824,305	3.1%	\$ 25,553
4	ESOP Dividends	(2,001,984)	3.1%	\$ (62,062)
5	Dividends Received Deduction	<u>(500,000)</u>	3.1%	<u>\$ (15,500)</u>
6	Total Permanent Differences	<u><u>\$ (3,128,992)</u></u>		<u><u>\$ (96,999)</u></u>

Source:

UCG, Part 285, Schedule C-6.01

UCG, Part 285, Schedule B-6.1, Col. 4, Line 9

United Cities Gas Company
Illinois Income Tax Rate
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 5.0

Line No.	Description	Amount
A	B	C
1	Taxable Income	100.0
2	Minus - Replacement Tax	<u>2.5</u>
3	Adjusted Taxable Income	97.5
4	Statutory Tax Rate	<u>4.80%</u>
5	Income Tax	4.68
6	Replacement Tax	<u>2.5</u>
7	Effective Illinois Income Tax Rate	<u><u>7.18%</u></u>

United Cities Gas Company
Pension Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 6.0

Line No.	Description	Amount
A	B	C
1	Pension Expense per Staff	(\$139,497)
2	Pension Expense per UCG	<u>0</u>
3	Adjustment to O & M	<u><u>\$ (139,497)</u></u>

Source:

UCG, Part 285, Schedule C-3.15 (&C-3, pg. 2, line 17)

United Cities Gas Company
Forfeited Discount Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 7.0

Line No.	Description	Amount
A	B	C
1	Test Year Gas Sales Revenues	\$ 17,730,695
2	Percent of Forfeited Discounts	<u>0.32%</u>
3	Staff Forfeited Discounts	56,738
4	UCG Forfeited Discounts	<u>32,281</u>
5	Adjustment to Revenues	<u><u>\$ 24,457</u></u>

Sources:

Line 1 -- UCG Part 285, Schedule C-1, Column 4, Line 1

Line 2 -- UCG Response to ICC Data Request TQS-2.02

Line 3 -- UCG Response to ICC Data Request UCG-088

United Cities Gas Company
Lease Revenue Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 8.0

Line No.	Description	Amount
A	B	C
1	Rent from Gas Property per Staff	\$ 12,795
2	Rent from Gas Property per UCG	<u>3,455</u>
3	Adjustment to Revenue	<u>\$ 9,340</u>

Sources:

- Line 1 - Response to Staff Data Request TQS-2.03
- Line 2 - Response to Staff Data Request UCG-088

United Cities Gas Company
Gas Sales Revenue Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 9.0

Line No.	Description	Amount
A	B	C
1	Staff Gas Sales Revenue	\$ 7,856,856
2	UCG Gas Sales Revenue	<u>17,730,695</u>
3	Adjustment to Revenue	<u><u>\$(9,873,839)</u></u>

Sources:

- Line 1 -- Response to Staff Data Request TQS-3.10, Column 4, Line 1
- Line 2 -- Part 285, Schedule C-1, Column 4, Line 1

United Cities Gas Company
Director Retirement Expense Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 10.0

Line No.	Description	Amount
<u>A</u>	<u>B</u>	<u>C</u>
1	Previous Director Retirement per Staff	\$0
2	Previous Director Retirement per UCG	<u>8,010</u>
3	Decrease in O & M (account 930)	<u>\$ (8,010)</u>

Source:

Response to Staff Data Request TQS-3.12

United Cities Gas Company
 Shared Services Adjustment
 For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
 Schedule 11.0

Line No.	Description	Amount
A	B	C
1	Staff Expense for Shared Services Employees:	
2	Terminated During 1999	\$0
3	Terminated Following 1999	<u>0</u>
4	Total Test Year Expense for Terminations per Staff	<u>0</u>
5	UCG Expenses for Shared Services Employees	
6	Terminated During 1999	11,782
7	Terminated Following 1999	<u>7,527</u>
8	Total Test Year Expense for Terminations per UCG	<u>19,309</u>
9	Adjustment to Expense for Terminated Employees	<u><u>\$(19,309)</u></u>

Sources:

Line 6 -- Response to Staff Data Request TQS-3.03

Line 7 -- Response to Staff Data Request TQS-3.14

United Cities Gas Company
Payroll Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 12.0

Line No.	Description	Amount
<u>A</u>	<u>B</u>	<u>C</u>
1	Wage Increase Per Staff	\$ 315,207
2	Wage Increase Per UCG	<u>326,348</u>
3	Adjustment to O & M Expense	<u><u>\$ (11,141)</u></u>

Sources:

- Line 1 -- Part 285, Schedule C-3.4, Line 6
- Line 2 -- Part 285, Schedule C-3.4, Line 8

United Cities Gas Company
Benefits Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 13.0

Line No.	Description	Amount
A	B	C
1	Increase in Wage Expense	\$ 315,207
2	Benefit Loading Rate	<u>15.2%</u>
3	Benefits Increase per Staff	47,911
4	Benefits Increase per UCG	<u>73,755</u>
5	Adjustment to O & M	<u><u>\$ (25,844)</u></u>

Sources:

- Line 1 -- ICC Staff Exhibit 2.0, Schedule 12.0, Line 1
- Line 2 -- UCG Workpaper WP C-12.7
- Line 4 -- Part 285, Schedule C-3.4, Line 10

United Cities Gas Company
Uncollectible Expense Adjustment
For the Test Year Ended September 30, 1999

ICC Staff Exhibit 2.0
Schedule 14.0

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Test Year Revenues	\$ 14,080,044
2	Bad Debt Percent	<u>0.72%</u>
3	Bad Debt Expense per Staff	101,376
4	Division Bad Debts	2,282,239
5	Allocation Factor	<u>10.21%</u>
6	Bad Debt Expense per UCG	<u>233,017</u>
7	Adjustment to O & M	<u>\$ (131,641)</u>

Sources:

Line 1 -- Part 285, Schedule C-1, Line 1, Column 2

Line 2 -- UCG Workpaper WP C-3.7.2.1

Line 4 -- Component of UCG Workpaper WP C-2.2, page 5, Customer Account
(total \$4,821,030)

Line 5 -- UCG Workpaper WP C-2.2, page 5, Customer Account