

The Peoples Gas Light and Coke CompanyComparative Operating Income Statements for  
Prior Years and the Test Year

Line No.	Account Number	Description	Test Year Ending December 31, 2010	Forecasted Year Ending December 31, 2009 (1)	Forecasted Year Ending December 31, 2008 (2)	Historical Year Ended December 31, 2007	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	
1	400	OPERATING REVENUES					1
2		Residential Sales	\$ 1,263,302,000	\$ 1,366,066,000	\$ 1,223,463,000	\$ 1,126,845,000	2
3		Commercial and Industrial Sales	248,744,000	268,571,000	234,192,000	210,907,000	3
4		Other Revenues	146,813,000	153,958,000	162,924,000	149,215,000	4
5		Total Operating Revenues	<u>\$ 1,658,859,000</u>	<u>\$ 1,788,595,000</u>	<u>\$ 1,620,579,000</u>	<u>\$ 1,486,967,000</u>	5
6		OPERATING EXPENSES					6
7	401	Cost of Gas (3)	1,167,228,000	1,284,926,000	1,092,843,000	899,228,000	7
8	401 and 402	Other Operation and Maintenance (3)	356,965,000	353,273,000	348,385,000	360,922,000	8
9	403	Depreciation	70,477,000	55,644,000	51,741,000	53,646,000	9
10	404.3	Amortization	5,527,000	10,934,000	9,966,000	9,192,000	10
11	408.1	Taxes Other than Income	21,496,000	20,925,000	15,498,000	158,244,000	11
12	409.1	Federal Income Taxes - Current	(2,317,000)	15,792,000	(173,000)	2,730,000	12
13	409.1	State Income Taxes - Current	(1,778,000)	1,981,000	1,705,000	6,000	13
14	410.1 and 411.1	Deferred Income Taxes	578,000	(7,023,000)	27,810,000	(14,688,000)	14
15	411.4	Investment Tax Credit	178,000	(240,000)	(256,000)	(384,000)	15
16		Total Operating Expenses	<u>\$ 1,618,354,000</u>	<u>\$ 1,736,212,000</u>	<u>\$ 1,547,519,000</u>	<u>\$ 1,468,896,000</u>	16
17		OPERATING INCOME	<u>\$ 40,505,000</u>	<u>\$ 52,383,000</u>	<u>\$ 73,060,000</u>	<u>\$ 18,071,000</u>	17

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

(2) Includes six months of actual data and six months of forecasted data.

(3) Detail of Cost of Gas and Other Operation and Maintenance is shown by individual operation and maintenance expense accounts on pages 2 through 4.

The Peoples Gas Light and Coke CompanyComparative Operating Income Statements for  
Prior Years and the Test Year

Line No.	Account Number	Description	Test Year Ending December 31, 2010 [C]	Forecasted Year Ending December 31, 2009 (1) [D]	Forecasted Year Ending December 31, 2008 (2) [E]	Historical Year Ended December 31, 2007 [F]	Line No.
	[A]	[B]					
1		<b>Cost of Gas</b>					1
2	804	Natural Gas City Gate Purchases	\$ 1,183,256,000	\$ 1,281,103,000	\$ 1,109,298,000	\$ 909,531,000	2
3	808.1	Gas Withdrawn from Storage - Debit	580,294,000	606,165,000	542,245,000	464,422,000	3
4	808.2	Gas Delivered to Storage - Credit	(588,581,000)	(594,351,000)	(551,869,000)	(469,759,000)	4
5	810	Gas Used for Compressor Station Fuel - Credit	(7,741,000)	(7,991,000)	(6,831,000)	(4,966,000)	5
6		Total Cost of Gas	1,167,228,000	1,284,926,000	1,092,843,000	899,228,000	6
7		<b>Production - Operation</b>					7
8	717	Liquefied Petroleum Gas Expenses	-	-	-	-	8
9	813	Other Gas Supply Expenses	1,012,000	973,000	414,000	710,000	9
10		Total Production - Operation	1,012,000	973,000	414,000	710,000	10
11		<b>Underground Storage Expense - Operation</b>					11
12	814	Operation Supervision and Engineering	607,000	584,000	476,000	396,000	12
13	816	Wells Expenses	372,000	386,000	452,000	453,000	13
14	817	Line Expenses	3,000	3,000	45,000	-	14
15	818	Compressor Station Expenses	429,000	419,000	455,000	311,000	15
16	819	Compressor Station Fuel and Power	5,355,000	5,372,000	3,889,000	4,726,000	16
17	820	Measuring and Regulating Station Expenses	137,000	132,000	197,000	134,000	17
18	821	Purification Expenses	1,723,000	1,611,000	2,086,000	1,066,000	18
19	824	Other Expenses	440,000	426,000	465,000	454,000	19
20	825	Storage Well Royalties	29,000	29,000	58,000	34,000	20
21		Total Underground Storage Expense - Operation	9,095,000	8,962,000	8,123,000	7,574,000	21
22		<b>Other Storage Expense - Operation</b>					22
23	840	Operation Supervision and Engineering	63,000	61,000	129,000	65,000	23
24	841	Operation Labor and Expenses	171,000	164,000	378,000	179,000	24
25	842.1	Fuel	499,000	588,000	272,000	248,000	25
26	842.2	Power - Other Storage	-	-	72,000	224,000	26
27		Total Other Storage Expense - Operation	\$ 733,000	\$ 813,000	\$ 851,000	\$ 716,000	27

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

(2) Includes six months of actual data and six months of forecasted data.

The Peoples Gas Light and Coke CompanyComparative Operating Income Statements for  
Prior Years and the Test Year

Line No.	Account Number	Description	Test Year Ending December 31, 2010	Forecasted Year Ending December 31, 2009 (1)	Forecasted Year Ending December 31, 2008 (2)	Historical Year Ended December 31, 2007	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	
1		<b>Underground Storage Expense - Maintenance</b>					1
2	830	Maintenance Supervision and Engineering	\$ 231,000	\$ 222,000	\$ 219,000	\$ 162,000	2
3	831	Maintenance of Structures and Improvements	119,000	118,000	72,000	19,000	3
4	832	Maintenance of Reservoirs and Wells	750,000	732,000	621,000	595,000	4
5	833	Maintenance of Lines	126,000	124,000	131,000	96,000	5
6	834	Maintenance of Compressor Station Equipment	842,000	735,000	444,000	662,000	6
7	835	Maintenance of Measuring and Regulating Station Equipment	4,000	4,000	152,000	131,000	7
8	836	Maintenance of Purification Equipment	417,000	381,000	146,000	186,000	8
9	837	Maintenance of Other Equipment	632,000	588,000	627,000	594,000	9
10		Total Underground Storage Expense - Maintenance	\$ 3,121,000	\$ 2,904,000	\$ 2,412,000	\$ 2,445,000	10
11		<b>Other Storage Expense - Maintenance</b>					11
12	843.1	Maintenance Supervision and Engineering	\$ 32,000	\$ 60,000	\$ 53,000	\$ 32,000	12
13	843.2	Maintenance of Structures and Improvements	-	-	-	1,000	13
14	843.3	Maintenance of Gas Holders	-	-	-	339,000	14
15	843.4	Maintenance of Purification Equipment	-	-	2,000	-	15
16	843.5	Maintenance of Liquefaction Equipment	1,000	1,000	1,000	14,000	16
17	843.6	Maintenance of Vaporizing Equipment	61,000	60,000	4,000	61,000	17
18	843.7	Maintenance of Compressor Equipment	6,000	106,000	9,000	5,000	18
19	843.8	Maintenance of Measuring and Regulating Equipment	38,000	37,000	40,000	42,000	19
20	843.9	Maintenance of Other Equipment	109,000	108,000	126,000	191,000	20
21		Total Other Storage Expense - Maintenance	\$ 247,000	\$ 372,000	\$ 235,000	\$ 685,000	21
22		<b>Transmission Expenses - Operation</b>					22
23	856	Mains Expense	\$ 377,000	\$ 806,000	\$ 915,000	\$ 941,000	23
24	857	Measuring and Regulating Station Expenses	1,368,000	1,134,000	1,237,000	719,000	24
25	859	Other Expenses	533,000	523,000	18,000	9,000	25
26	860	Rents	-	300,000	194,000	234,000	26
27		Total Transmission Expenses - Operation	\$ 2,278,000	\$ 2,763,000	\$ 2,364,000	\$ 1,903,000	27
28		<b>Transmission Expenses - Maintenance</b>					28
29	863	Maintenance of Mains	761,000	733,000	964,000	425,000	29
30	865	Maintenance of Measuring & Regulating Station Equipment - General	157,000	150,000	532,000	242,000	30
31	865	Maintenance of Measuring & Regulating Station Equipment - General	-	-	1,000	-	31
32		Total Transmission Expenses - Maintenance	\$ 918,000	\$ 883,000	\$ 1,497,000	\$ 667,000	32
33		<b>Distribution Expenses - Operation</b>					33
34	870	Operation Supervision and Engineering	\$ 7,884,000	\$ 7,730,000	\$ 6,724,000	\$ 5,694,000	34
35	871	Distribution Load Dispatching	85,000	81,000	575,000	884,000	35
36	874	Mains and Services Expenses	14,074,000	14,114,000	6,352,000	6,107,000	36
37	875	Measuring and Regulating Station Expenses - General Distribution	-	-	2,000	-	37
38	877	Measuring and Regulating Station Expenses - City Gate Check Station	417,000	399,000	289,000	382,000	38
39	878	Meter and House Regulator Expenses	8,473,000	8,074,000	11,187,000	9,385,000	39
40	879	Customer Installations Expenses	5,813,000	5,371,000	5,525,000	5,463,000	40
41	880	Other Expenses	14,945,000	14,149,000	18,772,000	12,995,000	41
42	881	Rents	263,000	253,000	103,000	104,000	42
43		Total Distribution Expenses - Operation	\$ 51,954,000	\$ 50,171,000	\$ 49,529,000	\$ 41,014,000	43

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

(2) Includes six months of actual data and six months of forecasted data.

The Peoples Gas Light and Coke CompanyComparative Operating Income Statements for  
Prior Years and the Test Year

Line No.	Account Number	Description	Test Year Ending December 31, 2010	Forecasted Year Ending December 31, 2009 (1)	Forecasted Year Ending December 31, 2008 (2)	Historical Year Ended December 31, 2007	Line No.
	[A]	[B]	[C]	[D]	[E]	[F]	
1		<b>Distribution Expenses - Maintenance</b>					1
2	885	Maintenance Supervision and Engineering	\$ 3,371,000	\$ 3,184,000	\$ 3,805,000	\$ 4,070,000	2
3	886	Maintenance of Structures and Improvements	179,000	175,000	459,000	775,000	3
4	887	Maintenance of Mains	34,111,000	33,337,000	21,803,000	20,119,000	4
5	889	Maintenance of Measuring & Regulating Station Equipment - General	7,000	7,000	200,000	764,000	5
6	892	Maintenance of Services	10,347,000	10,360,000	12,447,000	9,854,000	6
7	893	Maintenance of Meters and House Regulators	1,291,000	1,248,000	1,788,000	1,897,000	7
8	894	Maintenance of Other Equipment	-	-	-	20,000	8
9		Total Distribution Expenses - Maintenance	\$ 49,306,000	\$ 48,311,000	\$ 40,502,000	\$ 37,499,000	9
10		<b>Customer Accounts Expense - Operation</b>					10
11	901	Customer Service Supervision	\$ 1,377,000	\$ 1,390,000	\$ 2,514,000	\$ -	11
12	902	Meter Reading Expenses	1,210,000	1,192,000	1,204,000	1,100,000	12
13	903	Customer Records and Collection Expenses	25,838,000	24,663,000	20,282,000	28,974,000	13
14	904	Uncollectible Accounts	41,604,000	44,875,000	40,895,000	36,915,000	14
15	905	Miscellaneous Customer Accounts Expenses	3,440,000	3,388,000	6,358,000	-	15
16		Total Customer Accounts Expense - Operation	\$ 73,469,000	\$ 75,508,000	\$ 71,253,000	\$ 66,989,000	16
17		<b>Customer Service and Informational Services - Operation</b>					17
18	907	Customer Service Supervision	\$ 1,062,000	\$ 1,046,000	\$ 859,000	\$ -	18
19	908	Customer Assistance Expenses	1,559,000	1,536,000	1,063,000	-	19
20	909	Informational and Instructional Advertising Expenses	1,317,000	1,303,000	1,048,000	475,000	20
21	910	Miscellaneous Customer Service and Informational Expenses	-	-	(37,000)	-	21
22		Total Customer Service and Informational Services - Operation	\$ 3,938,000	\$ 3,885,000	\$ 2,933,000	\$ 475,000	22
23		<b>Sales Expenses - Operation</b>					23
24	912	Demonstrating and Selling Expenses	-	-	-	1,358,000	24
25		Total Sales Expenses - Operation	\$ -	\$ -	\$ -	\$ 1,358,000	25
26		<b>Administrative and General Expenses - Operation</b>					26
27	920	Administrative and General Salaries	\$ 17,519,000	\$ 15,635,000	\$ 22,244,000	\$ 9,853,000	27
28	921	Office Supplies and Expenses	31,567,000	31,633,000	23,730,000	1,644,000	28
29	922	Administrative Expenses Transferred - Credit	-	-	(7,000)	-	29
30	923	Outside Services Employed	3,871,000	3,782,000	6,228,000	47,659,000	30
31	924	Property Insurance	264,000	263,000	265,000	314,000	31
32	925	Injuries and Damages	9,739,000	9,062,000	8,801,000	10,994,000	32
33	926	Employee Pensions and Benefits	47,430,000	40,740,000	35,949,000	36,151,000	33
34	928	Regulatory Commission Expenses	591,000	591,000	519,000	-	34
35	929	Duplicate Charges - Credit	-	-	(33,000)	(66,000)	35
36	930.1	General Advertising Expenses	10,000	10,000	44,000	(11,000)	36
37	930.2	Miscellaneous General Expenses	44,125,000	50,283,000	68,676,000	89,377,000	37
38	931	Rents	5,762,000	5,713,000	1,838,000	2,922,000	38
39		Total Administrative and General Expenses - Operation	\$ 160,878,000	\$ 157,712,000	\$ 168,254,000	\$ 198,837,000	39
40		<b>Administrative and General Expenses - Maintenance</b>					40
41	932	Maintenance of General Plant	16,000	16,000	18,000	50,000	41
42		Total Administrative and General Expenses - Maintenance	\$ 16,000	\$ 16,000	\$ 18,000	\$ 50,000	42
43		<b>Total Operation and Maintenance, Excluding Cost of Gas</b>	\$ 356,965,000	\$ 353,273,000	\$ 348,385,000	\$ 360,922,000	43
44		<b>Total Operation and Maintenance</b>	\$ 1,524,193,000	\$ 1,638,199,000	\$ 1,441,228,000	\$ 1,260,150,000	44

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

The Peoples Gas Light and Coke CompanyDepreciation Expense (1)Historical Year Ended December 31, 2007

Line No.	Functional Account Grouping (A)	Balances at December 31, 2006			Calendar 2007								Line No.
		Depreciable Plant Investment (B)	Accumulated Provision for Depreciation (C)	Net Balance of Depreciable Property (D)	Remaining Life (in Years) (E)	Provision for Recovery of Original Cost (F)	Capitalized Depreciation Transferred (G)	Net Dismantling Cost (H)	Amortization Clearing Accounts (I)	Salvage Clearing Accounts (J)	Sundries (K)	Total Depreciation Expense (L)	
1	Distribution Plant	\$ 1,732,989,000	\$ 658,852,000	\$ 1,074,137,000	28.82	\$ 37,272,000	\$ (91,000)	\$ 8,133,000			\$ 1,000 (3)	\$ 45,315,000	1
2	Underground Storage Plant	254,622,000	122,141,000	132,481,000	46.66	2,839,000		100,000				2,939,000	2
3	Liquefied Natural Gas Plant	23,025,000	15,742,000	7,283,000	31.26	233,000						233,000	3
4	Transmission Plant	107,934,000	46,573,000	61,361,000	59.00	1,040,000		14,000				1,054,000	4
5	General Plant	95,618,000	47,197,000	48,421,000	5.34	9,062,000		(442,000)	(5,020,000)	430,000	1,000 (3)	4,031,000	5
6	Intangible Plant	107,912,000	53,074,000	54,838,000	5.97	9,192,000						9,192,000	6
7	Production Plant	961,000	50,000	911,000	12.31	74,000						74,000	7
8	Asset Retirement Obligation	22,205,000	8,029,000	14,176,000		-						-	8
9	Total Utility Plant in Service	<u>\$ 2,345,266,000</u>	<u>\$ 951,658,000</u>	<u>\$ 1,393,608,000</u>		<u>\$ 59,712,000</u>	<u>\$ (91,000)</u>	<u>\$ 7,805,000</u>	<u>\$ (5,020,000)</u>	<u>\$ 430,000</u>	<u>\$ 2,000</u>	<u>\$ 62,838,000</u>	9

- Notes: (1) Income Statement Depreciation Expense for the Historical Year ended December 31, 2007, is shown on Line 9 of Column L.  
(2) Peoples Gas calculates Depreciation using Remaining Life, rather than Accrual Rates (Page 338-1 of the Annual Report to the Illinois Commerce Commission).  
(3) Includes a \$1,000 adjustment for rounding.

The Peoples Gas Light and Coke Company

Depreciation Expense (1)

Forecasted Year Ended December 31, 2008 (2)

Line No.	Functional Account Grouping (A)	Beginning Plant Balance 01-01-2008 (B)	Ending Plant Balance 12-31-2008 (C)	2008 Average Plant Balance (D)	Composite Depreciation Rate (3) (E)	Provision for Recovery of Original Cost (F)	Capitalized Depreciation Transferred (G)	Net Dismantling Cost (H)	Transportation Clearing Accounts (I)	Transportation Salvage (J)	Sundries (K)	Total Depreciation Expense (L)	Line No.
1	Distribution Plant	\$ 1,787,777,000	\$ 1,866,239,000	\$ 1,827,008,000	2.12%	\$ 38,809,000	\$ (15,000)	\$ 7,401,000	\$ -	\$ -	\$ (1,000)	(4) \$ 46,194,000	1
2	Underground Storage Plant	267,665,000	281,370,000	274,518,000	1.00%	2,741,000	-	148,000	-	-	-	2,889,000	2
3	Liquefied Natural Gas Plant	23,201,000	23,201,000	23,201,000	2.07%	480,000	-	-	-	-	-	480,000	3
4	Transmission Plant	113,616,000	120,610,000	117,113,000	0.93%	1,094,000	-	10,000	-	-	-	1,104,000	4
5	General Plant	94,706,000	71,290,000	82,998,000	7.70%	6,389,000	-	(22,000)	(5,284,000)	19,000	-	1,102,000	5
6	Intangible Plant	113,183,000	103,497,000	108,340,000	9.17%	9,938,000	-	-	-	-	-	9,938,000	6
7	Production Plant	-	-	-	-	-	-	-	-	-	-	-	7
8	Asset Retirement Obligation	101,775,000	101,775,000	101,775,000	-	-	-	-	-	-	-	-	8
9	Total Utility Plant in Service	<u>\$ 2,501,923,000</u>	<u>\$ 2,567,982,000</u>	<u>\$ 2,534,953,000</u>		<u>\$ 59,451,000</u>	<u>\$ (15,000)</u>	<u>\$ 7,537,000</u>	<u>\$ (5,284,000)</u>	<u>\$ 19,000</u>	<u>\$ (1,000)</u>	<u>\$ 61,707,000</u>	9

- Notes: (1) Income Statement Depreciation Expense for the Current Year ended December 31, 2008, is shown on Line 9 of Column L.  
(2) Includes Six Months of Actual data and Six Months of Forecasted data.  
(3) Effective January 1, 2008, Peoples Gas calculates Depreciation using Accrual Rates calculated on the Average Monthly Balance. For simplicity, the composite rates shown here reflects a mid-year balance. Therefore, the composite rates may vary slightly.  
(4) Includes a \$(1,000) adjustment for rounding.

The Peoples Gas Light and Coke Company

Depreciation Expense (1)

Forecasted Year Ended December 31, 2009 (2)

Line No.	Functional Account Grouping (A)	Beginning Plant Balance 01-01-2009 (B)	Ending Plant Balance 12-31-2009 (C)	2009 Average Plant Balance (D)	Composite Depreciation Rate (3) (E)	Provision for Recovery of Original Cost (F)	Capitalized Depreciation Transferred (G)	Net Dismantling Cost (H)	Transportation Clearing Accounts (I)	Transportation Salvage (J)	Sundries (K)	Total Depreciation Expense (L)	Line No.
1	Distribution Plant	\$ 1,866,239,000	\$ 1,935,727,000	\$ 1,900,983,000	2.13%	\$ 40,445,000	\$ -	\$ 8,899,000	\$ -	\$ -	\$ -	\$ 49,344,000	1
2	Underground Storage Plant	281,370,000	300,923,000	291,147,000	0.99%	2,874,000	-	355,000	-	-	-	3,229,000	2
3	Liquefied Natural Gas Plant	23,201,000	24,919,000	24,060,000	2.03%	489,000	-	35,000	-	-	-	524,000	3
4	Transmission Plant	120,610,000	123,625,000	122,118,000	0.95%	1,158,000	-	220,000	-	-	-	1,378,000	4
5	General Plant	71,290,000	70,770,000	71,030,000	9.77%	6,939,000	-	(182,000)	(5,742,000)	182,000	-	1,197,000	5
6	Intangible Plant	103,497,000	104,089,000	103,793,000	10.51%	10,906,000	-	-	-	-	-	10,906,000	6
7	Production Plant	-	-	-		-	-	-	-	-	-	-	7
8	Asset Retirement Obligation	101,775,000	101,775,000	101,775,000		-	-	-	-	-	-	-	8
9	Total Utility Plant in Service	<u>\$ 2,567,982,000</u>	<u>\$ 2,661,828,000</u>	<u>\$ 2,614,906,000</u>		<u>\$ 62,811,000</u>	<u>\$ -</u>	<u>\$ 9,327,000</u>	<u>\$ (5,742,000)</u>	<u>\$ 182,000</u>	<u>\$ -</u>	<u>\$ 66,578,000</u>	9

Notes: (1) Income Statement Depreciation Expense for the Forecasted Year ended December 31, 2009, is shown on Line 9 of Column L.  
 (2) Includes Zero Months of Actual data and Twelve Months of Forecasted data.  
 (3) Effective January 1, 2008, Peoples Gas calculates Depreciation using Accrual Rates calculated on the Average Monthly Balance. For simplicity, the composite rates shown here reflects a mid-year balance. Therefore, the composite rates may vary slightly.

The Peoples Gas Light and Coke Company

Depreciation Expense (1)

Test Year Ended December 31, 2010 (2)

Line No.	Functional Account Grouping (A)	Beginning Plant Balance 01-01-2010 (B)	Ending Plant Balance 12-31-2010 (C)	2010 Average Plant Balance (D)	Composite Depreciation Rate (3) (E)	Provision for Recovery of Original Cost (F)	Capitalized Depreciation Transferred (G)	Net Dismantling Cost (H)	Transportation Clearing Accounts (I)	Transportation Salvage (J)	Sundries (K)	Total Depreciation Expense (L)	Line No.
1	Distribution Plant	\$ 1,935,727,000	\$ 2,059,624,000	\$ 1,997,676,000	2.36%	\$ 47,104,000	\$ -	\$ 13,821,000	\$ -	\$ -	\$ -	\$ 60,925,000	1
2	Underground Storage Plant	300,923,000	328,362,000	314,643,000	1.26%	3,961,000	-	698,000	-	-	-	4,659,000	2
3	Liquefied Natural Gas Plant	24,919,000	28,506,000	26,713,000	2.82%	754,000	-	10,000	-	-	-	764,000	3
4	Transmission Plant	123,625,000	125,328,000	124,477,000	1.11%	1,378,000	-	-	-	-	-	1,378,000	4
5	General Plant	70,770,000	78,502,000	74,636,000	10.16%	7,584,000	-	(287,000)	(4,797,000)	287,000	-	2,787,000	5
6	Intangible Plant	104,089,000	104,306,000	104,198,000	5.27%	5,491,000	-	-	-	-	-	5,491,000	6
7	Production Plant	-	-	-	-	-	-	-	-	-	-	-	7
8	Asset Retirement Obligation	101,775,000	101,775,000	101,775,000	-	-	-	-	-	-	-	-	8
9	Total Utility Plant in Service	<u>\$ 2,661,828,000</u>	<u>\$ 2,826,403,000</u>	<u>\$ 2,744,118,000</u>		<u>\$ 66,272,000</u>	<u>\$ -</u>	<u>\$ 14,242,000</u>	<u>\$ (4,797,000)</u>	<u>\$ 287,000</u>	<u>\$ -</u>	<u>\$ 76,004,000</u>	9

Notes: (1) Income Statement Depreciation Expense for the Forecasted Year ended December 31, 2010, is shown on Line 9 of Column L.  
(2) Includes Zero Months of Actual data and Twelve Months of Forecasted data.  
(3) Effective January 1, 2008, Peoples Gas calculates Depreciation using Accrual Rates calculated on the Average Monthly Balance. For simplicity, the composite rates shown here reflects a mid-year balance. Therefore, the composite rates may vary slightly.

The Peoples Gas Light and Coke CompanySummary of Affiliated Interest Transactions

Line No.	Associated Company [A]	Nature of Transaction [B]	Amount Billed to PGL [C]	Amount Billed to Associated Companies [D]	Docket Number [E]	Line No.
1	<u>Test Year Ending December 31, 2010 (1) (2)</u>					1
2	Integrus Business Support	Intercompany Services	\$ 191,517,000	\$ -	07-0361	2
3	North Shore Gas Company	Intercompany Services	150,000	386,000	06-0540	3
4	Integrus Energy Group	Intercompany Services	31,000	-	06-0540	4
5	Minnesota Energy Resources Corporation	Intercompany Services	-	101,000	06-0540	5
6	North Shore Gas Company	Underground Gas Storage Services	-	1,859,000	87-0401	6
7			<u>\$ 191,698,000</u>	<u>\$ 2,346,000</u>		7
8	<u>Forecasted Year Ending December 31, 2009 (2) (3)</u>					8
9	Integrus Business Support	Intercompany Services	\$ 182,565,000	\$ -	07-0361	9
10	North Shore Gas Company	Intercompany Services	150,000	454,000	06-0540	10
11	Integrus Energy Group	Intercompany Services	31,000	-	06-0540	11
12	Minnesota Energy Resources Corporation	Intercompany Services	-	97,000	06-0540	12
13	North Shore Gas Company	Underground Gas Storage Services	-	1,895,000	87-0401	13
14	Peoples Energy Corporation	Interest on Intercompany Loans	28,000	-	04-0603	14
15			<u>\$ 182,774,000</u>	<u>\$ 2,446,000</u>		15

Note: (1) No intercompany borrowing (dockets 04-0603 and 04-0602) are anticipated in the test year.  
(2) Beginning in 2008 amounts include intercompany services, as well as, invoices paid on behalf of the company.  
(3) Includes zero months of actual data and twelve months of forecasted data.

The Peoples Gas Light and Coke CompanySummary of Affiliated Interest Transactions

Line No.	Associated Company [A]	Nature of Transaction [B]	Amount Billed to PGL [C]	Amount Billed to Associated Companies [D]	Docket Number [E]	Line No.
1	<u>Forecasted Year Ending December 31, 2008 (1) (2)</u>					1
2	Integrus Business Support	Intercompany Services	\$ 152,490,000	\$ -	07-0361	2
3	North Shore Gas Company	Intercompany Services	833,000	1,336,000	06-0540	3
4	Integrus Energy Group	Intercompany Services	13,212,000	-	06-0540	4
5	Peoples Energy Corporation	Intercompany Services	434,000	30,000	06-0540	5
6	Minnesota Energy Resources Corporation	Intercompany Services	32,000	63,000	06-0540	6
7	Wisconsin Public Service Corporation	Intercompany Services	30,000	78,000	06-0540	7
8	Michigan Gas Utilities Corporation	Intercompany Services	1,000	5,000	06-0540	8
9	Upper Peninsula Power Company	Intercompany Services	-	8,000	06-0540	9
10	Integrus Energy Services Corporation	Intercompany Services	-	59,000	06-0540	10
11	Peoples Energy Resources Corporation	Intercompany Services	-	9,000	06-0540	11
12	Integrus Business Support (3)			9,403,000		12
13	North Shore Gas Company	Underground Gas Storage Services	-	1,689,000	87-0401	13
14	Peoples Energy Corporation	Interest on Intercompany Loans	710,000	-	04-0603	14
15	North Shore Gas Company	Interest on Intercompany Loans	128,000	26,000	04-0602	15
16			<u>\$ 167,870,000</u>	<u>\$ 12,706,000</u>		16

Note: (1) Beginning in 2008 amounts include intercompany services, as well as, invoices paid on behalf of the company.  
(2) Includes six months of actual data and six months of forecasted data.  
(3) Represents corrections made at the onset of IBS.

The Peoples Gas Light and Coke CompanySummary of Affiliated Interest Transactions

Line No.	Associated Company [A]	Nature of Transaction [B]	Amount Billed to PGL [C]	Amount Billed to Associated Companies [D]	Docket Number [E]	Line No.
1	<u>Historical Year Ended December 31, 2007</u>					1
2	Peoples Energy Corporation	Intercompany Services	53,691,000	7,286,000	55071	2
3	North Shore Gas Company	Intercompany Services	177,000	6,526,000	55071	3
4	Peoples Energy Services Corporation	Intercompany Services	-	74,000	55071	4
5	Peoples Energy Resources Corporation	Intercompany Services	-	122,000	55071	5
6	Peoples Energy Production Operating Company	Intercompany Services	-	126,000	55071	6
7	Peoples Energy Home Services	Intercompany Services	-	162,000	55071	7
8	North Shore Gas Company	Underground Gas Storage Services	-	2,128,000	87-0401	8
9	Peoples Energy Corporation	Interest on Intercompany Loans	1,316,000	-	04-0603	9
10	North Shore Gas Company	Interest on Intercompany Loans	493,000	-	04-0602	10
11			<u>\$ 55,677,000</u>	<u>\$ 16,423,998</u>		11

The Peoples Gas Light and Coke CompanyTaxes Other Than Income TaxesTest Year Ended December 31, 2010

Line No.	Type of Tax (A)	Amount Charged To				Total (F)	Line No.
		Operating Expense (B)	Clearing Accounts (C)	Construction (D)	Other (E)		
1	Federal:						1
2	Federal Insurance Contributions Act	\$9,782,000		\$1,158,000		\$10,940,000	2
3	Federal Unemployment Tax	103,000		19,000		122,000	3
4	Federal Excise Tax	25,000				25,000	4
5	Illinois:						5
6	Illinois Public Utility Tax (1)	0				0	6
7	Annual Gross Revenue Tax (1)	0				0	7
8	Invested Capital Tax - Replacement Tax	9,702,000				9,702,000	8
9	State Franchise Tax	300,000				300,000	9
10	State Unemployment Tax	142,000		14,000		156,000	10
11	State Use and Sales Tax	26,000		-		26,000	11
12	Supplemental Low Income Energy Assistance Fund Charge (1)	0				0	12
13	Renewable Energy Charge (1)	0				0	13
14	Unauthorized Insurance Tax	103,000				0	14
15	Local:						15
16	Municipal Public Utility Tax (1)	0				0	16
17	Personal Property Tax	0				0	17
18	Real Estate Tax	1,313,000		0	592,000	1,905,000	18
19	Chicago Employer's Expense Tax	0				0	19
20	Total	<u>\$21,496,000</u>	<u>\$0</u>	<u>\$1,191,000</u>	<u>\$592,000</u>	<u>\$23,176,000</u>	20

Note: (1) Add-on taxes are netted with revenues and recorded directly to receivables and liabilities when customers are billed.

The Peoples Gas Light and Coke CompanyTaxes Other Than Income TaxesForecasted Year Ended December 31, 2009 (1)

Line No.	Type of Tax (A)	Amount Charged To				Total (F)	Line No.
		Operating Expense (B)	Clearing Accounts (C)	Construction (D)	Other (E)		
1	Federal:						1
2	Federal Insurance Contributions Act	\$9,284,000		\$1,144,000		\$10,428,000	2
3	Federal Unemployment Tax	98,000		19,000		117,000	3
4	Federal Excise Tax	25,000				25,000	4
5	Illinois:						5
6	Illinois Public Utility Tax (2)	0				0	6
7	Annual Gross Revenue Tax (2)	0				0	7
8	Invested Capital Tax - Replacement Tax	9,702,000				9,702,000	8
9	State Franchise Tax	300,000				300,000	9
10	State Unemployment Tax	139,000		14,000		153,000	10
11	State Use and Sales Tax	26,000		-		26,000	11
12	Supplemental Low Income Energy Assistance Fund Charge (2)	0				0	12
13	Renewable Energy Charge (2)	0				0	13
14	Unauthorized Insurance Tax	100,000					14
15	Local:						15
16	Municipal Public Utility Tax (2)	0				0	16
17	Personal Property Tax	0				0	17
18	Real Estate Tax	1,251,000		0	563,000	1,814,000	18
19	Chicago Employer's Expense Tax	0				0	19
20	Total	<u>\$20,925,000</u>	<u>\$0</u>	<u>\$1,177,000</u>	<u>\$563,000</u>	<u>\$22,565,000</u>	20

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

(2) Add-on taxes are netted with revenues and recorded directly to receivables and liabilities when customers are billed.

The Peoples Gas Light and Coke CompanyTaxes Other Than Income TaxesForecasted Year Ended December 31, 2008 (1)

Line No.	Type of Tax (A)	Amount Charged To				Total (F)	Line No.
		Operating Expense (B)	Clearing Accounts (C)	Construction (D)	Other (E)		
1	Federal:						1
2	Federal Insurance Contributions Act	\$3,714,000		\$1,465,000		\$5,179,000	2
3	Federal Unemployment Tax	30,000		24,000		54,000	3
4	Federal Excise Tax	20,000				20,000	4
5	Illinois:						5
6	Illinois Public Utility Tax (2)	0				0	6
7	Annual Gross Revenue Tax (2)	0				0	7
8	Invested Capital Tax - Replacement Tax	9,619,000				9,619,000	8
9	State Franchise Tax	113,000				113,000	9
10	State Unemployment Tax	565,000		18,000		583,000	10
11	State Use and Sales Tax	97,000		-		97,000	11
12	Supplemental Low Income Energy Assistance Fund Charge (2)	0				0	12
13	Renewable Energy Charge (2)	0				0	13
14	Unauthorized Insurance Tax	151,000					14
15	Local:						15
16	Municipal Public Utility Tax (2)	0				0	16
17	Personal Property Tax	0				0	17
18	Real Estate Tax	1,171,000		20,000	537,000	1,728,000	18
19	Chicago Employer's Expense Tax	18,000				18,000	19
20	Total	<u>\$15,498,000</u>	<u>\$0</u>	<u>\$1,527,000</u>	<u>\$537,000</u>	<u>\$17,411,000</u>	20

Note: (1) Includes six months actual and six months forecasted data.

(2) Add-on taxes are netted with revenues and recorded directly to receivables and liabilities when customers are billed.

The Peoples Gas Light and Coke CompanyTaxes Other Than Income TaxesHistorical Year Ended December 31, 2007

Line No.	Type of Tax (A)	Amount Charged To				Total (F)	Line No.
		Operating Expense (B)	Clearing Accounts (C)	Construction (D)	Other (E)		
1	Federal:						1
2	Federal Insurance Contributions Act	\$6,236,000		\$1,236,000		\$7,472,000	2
3	Federal Unemployment Tax	76,000		19,000		95,000	3
4	Federal Excise Tax	38,000				38,000	4
5	Illinois:						5
6	Illinois Public Utility Tax	26,711,000				26,711,000	6
7	Annual Gross Revenue Tax	1,318,000				1,318,000	7
8	Invested Capital Tax - Replacement Tax	8,753,000				8,753,000	8
9	State Franchise Tax	304,000				304,000	9
10	State Unemployment Tax	1,191,000		22,000		1,213,000	10
11	State Use and Sales Tax	419,000		137,000		556,000	11
12	Supplemental Low Income Energy Assistance Fund Charge	7,573,000				7,573,000	12
13	Renewable Energy Charge	947,000				947,000	13
14	Local:						14
15	Municipal Public Utility Tax	103,894,000				103,894,000	15
16	Personal Property Tax	0				0	16
17	Real Estate Tax	730,000		119,000	471,000	1,320,000	17
18	Chicago Employer's Expense Tax	54,000				54,000	18
19	Total	<u>\$158,244,000</u>	<u>\$0</u>	<u>\$1,533,000</u>	<u>\$471,000</u>	<u>\$160,248,000</u>	19

The Peoples Gas Light and Coke Company

Assumptions Used in the Forecast

PRESENTATION BASIS

The financial forecast has been prepared by The Peoples Gas Light and Coke Company ("the Company") and presented in accordance with the guidelines established in the May 1, 2007 AICPA Guide for Prospective Financial Information. The forecasted financial statements contained herein present, to the best of management's knowledge and belief at the time this forecast was prepared using information that was reasonably available at the time, the Company's expected financial position, results of operations and cash flows as of and for the year ending December 31, 2010, assuming that current tariffed rates remain in effect through December 31, 2010 and assuming that natural gas commodity market prices in 2009 and 2010 are equal to the New York Mercantile Exchange ("NYMEX") future prices as reported on June 25, 2008. In compliance with the information requirements set forth in Part 285 of Chapter 1, Title 83 of the Illinois Administrative Code, existing rates are used to develop fiscal 2010 operating results for the purpose of determining the Company's revenue deficiency. Other than the two assumptions discussed above, this forecast also reflects management's judgment as of December 18, 2008, the date of preparation of this forecast, of expected conditions and the Company's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will be differences between the forecast and actual results because events and circumstances do not occur as expected and those differences may be material, which would cause these forecasted results not to be achieved.

ACCOUNTING POLICIES

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

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 cost of gas delivered, environmental recovery charges, Enhanced Efficiency Program 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 6,096 normal heating degree-days. This represents the average of actual weather at O'Hare International Airport for the 12-year period from 1996 through 2007.
4. Based on the above volume assumptions, forecasted deliveries to customers are 173.2 Bcf, including 99.1 Bcf delivered to sales customers and 74.1 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 \$11.6 million. This estimate reflects the Company's recent history of such charges.
7. Revenue attributable to the recovery of environmental clean-up costs (Rider 11 revenue) is forecast at \$23.1 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.
8. Revenue attributable to the Enhanced Efficiency Program (Rider EEP) is forecast at \$6.4 million. There is a corresponding charge to expense, and thus these revenues have no direct impact on forecasted income.
9. Revenue attributable to the volume balancing adjustment (Rider VBA) is forecast at \$5.6 million based on forecasted declining use per customer compared to the rate case margin allowed in the Rider.
10. There are no significant changes to the customer base. The forecast has not been adjusted for any impact of the current economic slowdown.

## 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 direct impact on the Company's forecast of income. Indirectly, changes in the cost of gas impacts customer deliveries and the forecast of other costs, especially bad debt expense.
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 2010, the forecasted over collection from customers is \$16.3 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 July 2008. 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 2.0% 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 1-day forward NYMEX gas price as of June 25, 2008 (\$10.95 per MMBtu, unweighted), adjusted for applicable basis differentials and existing hedge positions.

Natural gas prices are volatile. Because of the large volume of forecasted natural gas purchases, the assumptions used for gas purchase costs could have a significant impact on the amount of forecasted bad debt expense.

At January 30, 2009, the 1-day forward NYMEX gas price was \$6.52. This change in price would decrease bad debt expense by approximately \$8.0 million pre-tax.

7. Hub revenues, which are credited to (reduce) gas costs, were forecasted at \$4.9 million based on available storage capacity and management's expectations regarding specific contract renewals.

### III. Operations and Maintenance Costs

#### A. Labor

1. The number of employees is projected to remain constant in calendar year 2010 at 1,139 compared to calendar 2009.
2. Union employee wage increases were based on existing union contracts, which cover the forecast period. The contract stipulates a 3.25% increase in May 2010.
3. Non-union wages were forecast to increase 4.2% in calendar 2009 and 2010.

#### B. Bad Debt

The provision for bad debt was forecast at 2.54% of revenue. This rate is consistent with prior experience.

C. Pension and Post Retirement Expense

Pension and post retirement expense was developed with the assistance of the Company's actuaries. The discount rate assumption for pension expense was forecast at 6.40%, which was the discount rate at December 31, 2007. The discount rate assumption for post retirement expense was forecast at 6.25%, which was the discount rate at December 31, 2007. The forecast also used the market value of plan assets at June 30, 2008 and a \$10.2 million pension and post retirement fund contribution in calendar 2009 and a \$0.3 million pension and post retirement fund contribution in calendar 2010.

The discount rate has increased slightly since the Company prepared its forecast. At December 31, 2008, the discount rate was 6.45% for both pension and post retirement expense which would not have material impact on the forecast. However, since the company prepared the forecast, the value of plan assets used to determine expense have decreased. This decrease in assets would increase pension expense by approximately \$2.8 million and increase post retirement expense by less than \$0.2 million compared to the amounts reflected in the forecast. Forecasted contributions would also change to \$16.7 million in 2009 and \$15.8 million in 2010.

D. Environmental Costs

Costs related to the investigation and removal of manufactured gas residues are initially recorded in a regulatory asset account. As these costs are billed to customers, a corresponding amount of the deferred charge is expensed and therefore does not directly impact forecasted income. \$23.1 million is forecasted to be billed and expensed in the year ending 12/31/10. 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.

E. Enhanced Efficiency Program Costs

Costs related to the Enhanced Efficiency Program are expensed as incurred. The difference between the budgeted monthly expenditure billed to customers and the actual expenses is recorded as a reconciliation expense. The amount billed to customers, with an offsetting expense in operating and maintenance expenses is \$1.1 million in calendar 2010, and therefore does not directly impact forecasted income.

F. Inter-company Billing Charges

Various services are performed by affiliates of PGL and those costs are billed to PGL on a monthly basis. These costs are billed to the Company 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 2.0% and 1.8% annual rate of inflation for 2009 and 2010 respectively except for materials and supplies, including pipe, copper, steel, etc which assumed a 5% inflation rate in 2009 and 2010. The cost of natural gas purchased for the Company's internal use was forecasted in a similar manner as gas purchased for sales to customers.

IV. Depreciation

The provision for depreciation and amortization, expressed as an annual percentage of the original cost of depreciable property, was 2.4% for calendar year 2010. Depreciation expense in calendar year 2010 is based on the average estimated life of depreciable property and the new estimated lives based on the depreciation study being filed as part of the rate case. The Company is required to file a new depreciation study every 5 years and its current depreciation study was approved by the Illinois Commerce Commission in 2005. Consistent with the Company's current accounting for removal costs, forecasted depreciation expense also includes dismantling costs, net of salvage, as incurred at the time of the dismantling activity.

V. Income Taxes

1. Income taxes were forecast by applying the current federal and state statutory income tax rates of 35% and 7.3%, respectively to forecasted pre-tax income, after adjusting for forecasted permanent items.
2. Reversals of property-related deferred income taxes are based on the weighted average tax rate method.

VI. Interest Income and Expense

1. Interest expense includes a) interest on long-term debt, b) amortization of debt issuance costs, 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.
3. For floating rate long-term debt, interest expense was calculated using the Economy.com forecasted 3 month LIBOR rate rounded to the nearest 5 basis points at 7/08/08 x 175% for Series OO – this is the maximum rate paid in the event of a failed auction and reflects the current bond pricing. Series PP was based on 75% of the 3 month LIBOR rate at July 8, 2008 + an additional 87 basis points for letter of credit and remarketing fees – this anticipates reissuing the bonds in weekly auction rate mode.

4. For variable rate short-term debt, interest expense was forecasted at an average of 4.50% for 2010 with rates ranging from 3.87% in January to 5.38% in December based on the economy.com forecast for 1 month non-financial commercial paper as of July 8, 2008.

VII. Long-Term Debt

The forecast includes the issuance of \$50 million in long-term debt on November 1, 2008 at an annual interest rate of 7.15%, the reissuance of Series PP in weekly auction rate mode in November 2008 at rates described in VI #3 above, the issuance of \$50 million of long-term debt on October 1, 2009 at 7.75%, and the issuance of \$50 million of long-term debt on March 1, 2010 at an annual interest rate of 7.9%. Each of the new issuances includes \$.45 million of debt issuance costs amortized over 10 years. The March 1, 2010 issue replaces 4.0% Series MM-2 that matures on that date. The forecasted rates were estimated using the 10-Year Treasury rate forecasted for the quarter, rounded to the nearest 5 basis points plus a basis point spread of 300 for the 2008 issue, 200 for the 2009 and 2010 issues. The Treasury forecasted rates were per the Economy.com September 12, 2008 forecast.

On November 3, 2008 PGL issued \$45 million of 5 year debt at 7% and \$5 million of 10 year debt at 8%.

VIII. Dividends

There are no dividend declarations forecasted for PGL in 2010.

IX. Capital Expenditures

Capital expenditures were forecasted as follows for calendar 2010 (\$ in millions):

	<u>Construction</u>	<u>Net Dismantling</u>	<u>Total</u>
Distribution system	\$134.5	\$13.9	\$148.4
Underground storage	27.8	.7	28.5
Information technology	2.7		2.7
Other	<u>18.0</u>	<u>(.3)</u>	<u>17.7</u>
Total	\$183.0	\$14.3	\$197.3

Net dismantling is a component of 2010 depreciation expense. Dismantling activity was forecasted primarily based on historical trends of such activity related to new capital additions.

The Company will likely reduce its 2009 operation and maintenance and capital expenditures in response to the current economic slowdown, and may make reductions in 2010 if the current economic environment does not significantly improve. No changes have been made to the forecast as a result of any of those

possible reductions. The impact on the December 31, 2010 forecasted balance sheet of the likely reduction in 2009 capital expenditure is a reduction in property, plant and equipment of up to approximately \$60 million.