

Schedule A1

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Revenue Deficiency (Sufficiency)
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-1 (KAD-1)
 Schedule: A1
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Source	(c) Total
1			
2	Rate Base	Exh. A-2, Sch. B1	\$ 189,879,193
3			
4	Operating Income	Exh. A-3, Sch. C1	9,623,803
5			
6	Overall Rate of Return	Line 4 ÷ Line 2	5.0684%
7			
8	Rate of Return	Exh. A-4, Sch. D1	7.7851%
9			
10	Income Requirements	Line 2 x Line 8	14,782,285
11			
12	Income Deficiency (Sufficiency)	Line 10 - Line 4	5,158,482
13			
14	Revenue Conversion Factor	Exh. A-3, Sch. C2	<u>1.6370</u>
15			
16	Revenue Deficiency (Sufficiency)	Line 12 x Line 14	<u><u>\$ 8,444,435</u></u>

Schedule B1

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Rate Base
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-2 (KAD-2)
 Schedule: B1
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Source	(c) Rate Base
1			
2	Plant in Service	Exh A-2, Sch B2	\$ 292,155,796
3	Plant Held for Future Use	Exh A-2, Sch B2	0
4	Construction Work in Progress	Exh A-2, Sch B2	2,614,328
5	Total Utility Plant		<u>\$ 294,770,124</u>
6			
7	Less: Depreciation Reserve	Exh A-2, Sch B3	<u>158,319,815</u>
8			
9	Net Utility Plant		\$ 136,450,309
10			
11	Net Capital Lease Property		<u>0</u>
12			
13	Total Utility Property and Plant		\$ 136,450,309
14			
15	Less: Capital Lease Obligations		<u>0</u>
16			
17	Net Plant		\$ 136,450,309
18			
19	Allowance for Working Capital	Exh A-2, Sch B4	<u>53,428,884</u>
20			
21	Total Projected Test Period Rate Base		<u><u>\$ 189,879,193</u></u>

Schedule B2

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Utility Plant
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-2 (KAD-2)
 Schedule: B2
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) MPSC Account No.	(c) Projected Utility Plant
1			
2	Plant in service	101	\$ 289,095,909
3	Plant purchased or sold	102	-
4	Experimental plant unclassified	103	-
5	Plant leased to others	104	-
6	Completed construction not classified	106	3,059,887
7	Plant in Service		<u>\$ 292,155,796</u>
8			
9	Plant held for future use	105	-
10			
11	Construction work in progress	107	<u>2,614,328</u>
12			
13	Total Projected Test Period Utility Plant		<u><u>\$ 294,770,124</u></u>

Schedule B3

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Projected Accumulated Provision for Depreciation
Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
Exhibit No.: A-2 (KAD-2)
Schedule: B3
Page: 1 of 1
Witness: Katherine De Cramer

(a)

(b)

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Projected Accum. Prov. for Depr.</u>
1			
2	Total Projected Test Period Accumulated Provision for Depreciation	Workpapers 2010 Page 9	<u>\$ 158,319,815</u>

Schedule B4

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Working Capital
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-2 (KAD-2)
 Schedule: B4
 Page: 1 of 1
 Witness: Katherine De Cramer

(a)

(b)

Line No.	Description	Source	Projected Working Capital
1			
2	<u>Assets</u>		
3	Utility Plant-ARO	Workpapers 2010 Page 79	\$ 109,660
4	Accumulated Depreciation-ARO	Workpapers 2010 Page 79	(89,470)
5	Cash/Bank Balance	Workpapers 2010 Page 16	880,887
6	Temporary Cash	Workpapers 2010 Page 84	1,219,039
7	Notes Receivable	-	-
8	Customer A/R	Workpapers 2010 Page 87	24,595,045
9	Other A/R	Workpapers 2010 Page 87	466,055
10	Accumulated Provision Uncollectible Accounts	Workpapers 2010 Page 87	(2,604,195)
11	Accounts Receivable from Associated Companies	Workpapers 2010 Page 87	483,411
12	Taxes Receivable Other Companies	Workpapers 2010 Page 87	-
13	Prepayments	Workpapers 2010 Page 15	(342,630)
14	Accrued Utility Revenues	Workpapers 2010 Page 87	17,157,762
15	Fuel Stock/Gas Storage	Workpapers 2010 Page 10	23,168,031
16	Other Materials & Supplies	Workpapers 2010 Page 10	577,268
17	Miscellaneous and Accrued	Workpapers 2010 Page 87	3,589,740
18	Derivative Assets	Workpapers 2010 Page 87	-
19	Other Deferred Debits not in Ratebase	Workpapers 2010 Page 91	63,005,607
20			
21	Total Assets		<u>\$ 132,216,210</u>
22			
23	<u>Liabilities</u>		
24	Def Cr-Sup Ret Sel SERP	Workpapers 2010 Page 97	\$ 14,931,955
25	Asset Retirement Obligation	Workpapers 2010 Page 104	137,051
26	Accounts Payable	Workpapers 2010 Page 105	13,641,549
27	Accounts Payable Other	Workpapers 2010 Page 107	4,233,358
28	Accrued Taxes	Workpapers 2010 Page 17	3,378,184
29	Accrued Interest	Workpapers 2010 Page 109	(251,513)
30	Tax Collections Payable	Workpapers 2010 Page 111	98,353
31	Miscellaneous Current/Accrued	Workpapers 2010 Page 112	16,694,532
32	Other Deferred Credits	Workpapers 2010 Page 114	25,135,884
33	Other Regulatory Liabilities	Workpapers 2010 Page 116	164,628
34	Accumulated Deferred Taxes	Workpapers 2010 Page 11	623,345
35			
36	Total Liabilities		<u>\$ 78,787,326</u>
37			
38	Total Projected Test Period Working Capital		<u>\$ 53,428,884</u>

**Michigan Gas Utilities Corporation
 Capital Projects with Expenditures over \$500,000**

<u>Line</u>	<u>Project Number</u>	<u>Project Description</u>	<u>7/1 - 12/31 2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
1						
2		GAS PROJECTS				
3	0017008152	SOUTH HAVEN INTEGRITY	\$500,000			
4						
5		SUBTOTAL - GAS PROJECTS	<u>\$500,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
6						
7						
8		ROUTINE PROJECTS				
9	0052000000	GAS REVENUE EXTENSIONS	\$550,471	\$600,000		\$1,150,471
10	0053000000	GAS SERVICES	\$1,374,631	\$500,000	\$1,015,000	\$2,889,631
11	0160009021	FLEET		\$612,000	\$741,000	\$1,353,000
12	0013000000	MISCELLANEOUS GAS JOBS			\$645,100	\$645,100
13						
14		SUBTOTAL - ROUTINE PROJECTS	<u>\$1,925,102</u>	<u>\$1,712,000</u>	<u>\$2,401,100</u>	<u>\$6,038,202</u>
15						
16						
17		TOTAL - ALL PROJECTS	<u>\$2,425,102</u>	<u>\$1,712,000</u>	<u>\$2,401,100</u>	<u>\$6,038,202</u>

Note: All values are Expenditures, not 13-month averages.

Michigan Gas Utilities Corporation
 Summary of Corporate Gas Rate Base Trending Analysis
 For the Period 2002 - 2010

Line No.	Accounts	Historical 13-mo-avg 2002	Historical 13-mo-avg 2003	Historical 13-mo-avg 2004	Historical 13-mo-avg 2005	Historical 13-mo-avg 2006	Historical 13-mo-avg 2007	Historical 13-mo-avg 2008	Trended 2009	Trended 2010	Forecasted Test Year 2010	Difference of Forecasted vs. Trended
1												
2	Gross Plant	275,407,692	303,169,791	309,037,588	317,580,368	283,129,061	274,664,066	280,532,632	294,419,953	308,994,744	292,155,796	(16,838,948)
3	Utility Plt Acq Adj	(34,546,115)	(34,546,115)	(34,546,115)	(34,546,115)	(10,075,950)	0	0	0	0	0	0
4	Accum Depreciation - S/L	(127,124,056)	(137,864,242)	(146,533,694)	(155,769,082)	(141,300,054)	(138,179,631)	(143,583,513)	(150,691,386)	(158,151,123)	(158,319,815)	(168,692)
5	Acc Prov Amor Plt Acq Adj	15,065,945	16,217,482	17,369,019	18,520,556	5,617,742	0	0	0	0	0	0
6	Net Nuclear Fuel	0	0	0	0	0	0	0	0	0	0	0
7	Net Plant	128,803,466	146,976,916	145,326,798	145,785,727	137,370,800	136,484,435	136,949,120	143,728,568	150,843,621	133,835,982	(17,007,640)
8												
9	CWIP	4,480,509	1,972,223	1,992,120	1,863,786	698,957	299,777	789,434	828,514	869,528	2,614,328	1,744,800
10	Future Use Plant	0	0	0	0	0	0	0	0	0	0	0
11	Plant Total	133,283,975	148,949,139	147,318,918	147,649,513	138,069,757	136,784,212	137,738,554	144,557,081	151,713,149	136,450,310	(15,262,839)
12												
13	Working Capital (BCR)	3,112,864	18,233,772	27,484,065	26,828,621	(89,030)	28,478,440	30,062,777	31,550,987	33,112,868	33,146,857	33,989
14	Cash & Bank	1,806,822	444,119	1,256,383	1,367,874	953,225	1,597,540	2,802,567	2,941,304	3,086,908	880,887	(2,206,021)
15	Gas Storage	15,157,342	18,414,479	29,546,502	37,005,559	38,751,425	36,035,101	43,247,633	45,388,538	47,635,426	23,168,031	(24,467,394)
16	Other M&S	431,489	370,381	370,126	567,436	679,259	697,243	593,168	622,532	653,350	577,268	(76,082)
17	Investments	0	0	0	0	0	0	0	0	0	0	0
18	Investments - Deferred Tx	0	0	0	0	0	0	0	0	0	0	0
19	Prepayments	9,801,223	13,526,531	12,817,572	11,869,769	3,466,072	267,825	181,829	190,830	200,277	(342,630)	(542,906)
20	Amort of Appropriated RE	0	0	0	0	0	0	0	0	0	0	0
21	Sub-Total	30,309,740	50,989,281	71,474,648	77,639,258	43,760,951	67,076,149	76,887,974	80,694,191	84,688,828	57,430,413	(27,258,415)
22												
23	Taxes	(1,737,904)	(2,827,260)	(4,066,102)	(2,802,071)	(1,713,673)	(2,481,168)	(1,292,655)	(1,356,646)	(1,423,804)	(3,378,184)	(1,954,379)
24	Customer Advances	(51,350)	(1,348)	0	(10)	0	0	0	0	0	0	0
25	Cust Adv. Def. Taxes	0	0	0	0	0	0	0	0	0	0	0
26	M&S Deferred Taxes	0	0	0	0	(41,185)	205	(224,450)	(235,561)	(247,222)	(623,345)	(376,123)
27	Sub-Total	(1,789,254)	(2,828,608)	(4,066,102)	(2,802,082)	(1,754,859)	(2,480,964)	(1,517,105)	(1,592,207)	(1,671,026)	(4,001,528)	(2,330,502)
28												
29	RATE BASE	161,804,462	197,109,812	214,727,463	222,486,689	180,075,849	201,379,397	213,109,423	223,659,065	234,730,951	189,879,195	(44,851,756)
30												
31	Trended Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.95%	4.95%	N/A	
32												
33	Adjustments	10,227,680	14,467,298	14,102,546	13,782,163	(22,923,354)	10,262,984	10,557,768	0	0	0	0
34												
35	RATE BASE as ADJUSTED	151,576,782	182,642,514	200,624,917	208,704,527	202,999,203	191,116,414	202,551,655	223,659,065	234,730,951	189,879,195	(44,851,756)
36												
37	*** 13 month average represents a 24-point average											
38												

Trended Increase: 4.95%

Schedule C1

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Net Operating Income
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-3 (KAD-3)
 Schedule: C1
 Page: 1 of 1
 Witness: Katherine De Cramer

(a)

(b)

Line No.	Description	Source	Net Operating Income
1			
2	Operating Revenues	Exh. A-3, Sch. C3	\$ 188,644,604
3			
4	<u>Operating Expenses</u>		
5	Cost of Gas	Exh. A-3, Sch. C4	129,245,488
6	Operations and Maintenance Expenses	Exh. A-3, Sch. C5	34,572,202
7	Depreciation and Amortization	Exh. A-3, Sch. C6	7,648,263
8	General Taxes	Exh. A-3, Sch. C7	4,746,900
9	Income Taxes	Exh. A-3, Sch. C8, C9 & C10	2,572,346
10	Total Operating Expenses		<u>\$ 178,785,199</u>
11			
12	Operating Income		\$ 9,859,405
13			
14	<u>Operating Income Adjustments</u>		
15	Allowance For Funds Used During Construction	-	0
16	Loss on Reacquired Securities	-	0
17	Interest	-	0
18	Income Tax Effect of Interest	Workpapers 2010 Page 121	235,602
19	Interest Synchronization Adjustment		0
20	Total Operating Income Adjustments		<u>\$ 235,602</u>
21			
22	Adjusted Net Operating Income		<u><u>\$ 9,623,803</u></u>

Schedule C2

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Revenue Conversion Factor

Case No.: U-15990
 Exhibit No.: A-3 (KAD-3)
 Schedule No.: C2
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Calc. Logic	(c)	(d) 2010
1				
2	Income Before Income Taxes			100.000%
3				
4	Less: MBT Tax Rate		4.950%	
5	MBT: Gross Receipts Tax Rate		0.000%	
6		Ln 4 + Ln 5	4.950%	
7	MBT Surcharge Rate of 21.99% (cap of \$6M)	Ln 6 + (Ln 6 x Ln 7, Col c)	21.990%	6.039%
8	Federal Income Tax Base	Ln 2 - Ln 7		93.961%
9				
10	Times Federal Income Tax Rate			35.000%
11				
12	Federal Income Tax	Ln 8 x Ln 10		32.887%
13				
14	Income After Taxes (line 3 - line 5)	Ln 8 - Ln 12		61.075%
15				
16	Gross Revenue Conversion Factor	Ln 2 / Ln 14		1.637

Schedule C3

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Projected Sales Revenue
Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
Exhibit No.: A-3 (KAD-3)
Schedule No.: C3
Page: 1 of 1
Witness: Katherine De Cramer

	(a)	(b)	(c)
Line No.	Description	Source	Projected Sales Revenue
1			
2	Present Revenues	Workpapers 2010 Page 55	\$ 188,644,604
3			
4	Other Adjustments		-
5			
6	Total Revenue		<u>\$ 188,644,604</u>

Schedule C4

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Cost of Gas Sold
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-3 (KAD-3)
 Schedule No.: C4
 Page: 1 of 1
 Witness: Katherine De Cramer

(a)

(b)

(c)

Line No.	Description	Source	Cost of Gas
1			
2	Cost of Gas:		
3	Energy	Workpapers 2010 Page 19	\$ 129,245,488
4	Dem-Peak Day (D-1)		-
5	Other COG		-
6			
7	Total Cost of Gas		<u>\$ 129,245,488</u>

Schedule C5

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Operation and Maintenance Expenses
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-3 (KAD-3)
 Schedule No.: C5
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Source	(c) Projected Operation and Maint. Expenses
1			
2	Production - Other:		
3	Energy	Workpapers 2010 Page 19	\$ 692,681
4	Dem-Peak Day (D-1)	Workpapers 2010 Page 19	\$ 666,909
5	Other COG		\$ -
6			
7	Total Production-Other		<u>\$ 1,359,590</u>
8			
9	Operation and Maintenance Expenses:		
10	Transmission	Workpapers 2010 Page 19	\$ 806,903
11	Distribution	Workpapers 2010 Page 19	15,943,774
12	Storage	Workpapers 2010 Page 19	1,087,890
13	Customer Accounts	Workpapers 2010 Page 19	14,418,130
14	Customer Service	Workpapers 2010 Page 19	955,900
15	Sales	Workpapers 2010 Page 19	15
16			
17	Total Operation and Maintenance Expenses		<u>\$ 33,212,612</u>
18			
19	Total Production-Other and Operation & Maintenance		<u><u>\$ 34,572,202</u></u>

Schedule C6

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Depreciation and Amortization Expense
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-3 (KAD-3)
 Schedule No.: C6
 Page: 1 of 1
 Witness: Katherine De Cramer

(a)	(b)	(c)	
Line No.	Description	Source	Projected Depreciation & Amort. Expense
1			
2	Depreciation and Amortization Expense		
3	Depreciation Expense	Workpapers 2010 Page 34	\$ 7,648,263
4	Amortization Expense		-
5			
6	Total Depreciation and Amortization Expense		<u>\$ 7,648,263</u>

Schedule C7

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Projected Taxes Other Than Income Taxes
 Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
 Exhibit No.: A-3 (KAD-3)
 Schedule No.: C7
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Source	(c) Projected General Taxes
1			
2	Taxes Other Than Income Taxes		
3			
4	FEDERAL		
5	Retirement Benefits	Workpapers 2010 Page 53	\$ 769,546
6	Unemployment Comp	Workpapers 2010 Page 53	12,828
7	Super Fund Tax		
8	Highway Use Tax		
9			
10	STATE		
11	Gross Receipts Tax		
12	Unemployment Comp	Workpapers 2010 Page 53	9,503
13	Remain. Assessment		
14	Use Tax		
15	Unauthor Ins Tax	Workpapers 2010 Page 53	10,800
16	Wis Recycling Fee		
17	Single Business Tax		-
18	Property	Workpapers 2010 Page 53	3,541,500
19			
20	LOCAL		
21	Real Est & Property		
22			
23	IBS		
24	IBS Payroll Tax	Workpapers 2010 Page 53	\$ 402,723
25			
26	OTHER		
27	Franchise Tax Fees		\$ -
28			
29	Total Taxes Other Than Income Taxes		\$ 4,746,900

Schedule C8

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Projected Federal Income Taxes
Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
Exhibit No.: A-3 (KAD-3)
Schedule No.: C8
Page: 1 of 1
Witness: Katherine De Cramer

	(a)	(b)	(c)
Line No.	Description	Source	Projected Federal Income Taxes
1			
2	Federal Income Taxes	Workpapers 2010 Page 37	<u>\$2,189,585</u>

Schedule C9

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Projected State Income Taxes
Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
Exhibit No.: A-3 (KAD-3)
Schedule No.: C9
Page: 1 of 1
Witness: Katherine De Cramer

	(a)	(b)	(c)
Line No.	Description	Source	Projected State Income Taxes
1			
2	State Income Taxes	Workpapers 2010 Page 37	<u>\$382,761</u>

Schedule C10

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Projected Other (or Local) Taxes
Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
Exhibit No.: A-3 (KAD-3)
Schedule No.: C10
Page: 1 of 1
Witness: Katherine De Cramer

	(a)	(b)	(c)
Line No.	Description	Source	Projected Other (or Local) Taxes
1			
2	None	-	

Schedule C11

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Projected Allowance for Funds Used During Construction
Projected 12 Month Period Ending, December 31, 2010

Case No.: U-15990
Exhibit No.: A-3 (KAD-3)
Schedule No.: C11
Page: 1 of 1
Witness: Katherine De Cramer

	(a)	(b)	(c)
Line No.	Description	Source	Projected AFUDC
1			
2	AFUDC Debt	Workpapers 2010 Page 51	\$0
3	AFUDC Equity	Workpapers 2010 Page 51	\$0
4			
5	Total AFUDC		<u>\$0</u>

Michigan Gas Utilities Corporation
Operation and Maintenance Expenses - Gas Utility
Historical and Forecasted

Line No.		2008	2009	2010	2010 Forecasted		K&M Reason
		Historical Total O&M			Total O&M Not Including K&M	Total O&M Including K&M	
			CPI	CPI		K&M	
1	(1) PRODUCTION EXPENSES						
2	A. Gas Steam Production						
3	Operation:						
4	(700) Operation Supervision & Engineering	-	1.47%	3.11%	-	-	-
5	(701) Operation Labor	-	1.47%	3.11%	-	-	-
6	(702) Boiler Fuel	-	1.47%	3.11%	-	-	-
7	(703) Miscellaneous Steam Expenses	-	1.47%	3.11%	-	-	-
8	(704) Transferred-Credit	-	1.47%	3.11%	-	-	-
9							
10	TOTAL Operation	-			-	-	-
11							
12	Maintenance:						
13	(705) Maintenance Supervision & Engineering	-	1.47%	3.11%	-	-	-
14	(706) Maintenance of Structures & Improvements	-	1.47%	3.11%	-	-	-
15	(707) Maintenance of Boiler Plant Equipment	-	1.47%	3.11%	-	-	-
16	(708) Maint of Oth Stm ProdPlt	-	1.47%	3.11%	-	-	-
17							
18	TOTAL Maintenance	-			-	-	-
19	TOTAL Production Expenses-Gas Steam	-			-	-	-
20							
21	B. Liquified Gas Production						
22	Operation:						
23	(710) Operation Supervision & Engineering	-	1.47%	3.11%	-	-	-
24	(711) Steam Expenses	-	1.47%	3.11%	-	-	-
25	(712) Other Power Expenses	-	1.47%	3.11%	-	-	-
26	(717) Petroleum Gas Expenses	-	1.47%	3.11%	-	-	-
27	(728) Petroleum Gas	-	1.47%	3.11%	-	-	-
28	(732) Purification Expenses	-	1.47%	3.11%	-	-	-
29	(735) Miscellaneous Production Expenses	231,611	1.47%	3.11%	242,325	(12,975)	229,350 MGP Amortization
30	(736) Rents	-	1.47%	3.11%	-	-	-
31							
32	TOTAL Operation	231,611			242,325	(12,975)	229,350
33							
34	Maintenance:						
35	(740) Maintenance Supervision & Engineering	-	1.47%	3.11%	-	-	-
36	(741) Maintenance of Structures & Improvements	-	1.47%	3.11%	-	-	-
37	(742) Maintenance of Production Equipment	-	1.47%	3.11%	-	-	-
38							
39	TOTAL Maintenance	-			-	-	-
40	TOTAL Production Expenses-Liquified Gas	231,611			242,325	(12,975)	229,350

Michigan Gas Utilities Corporation
Operation and Maintenance Expenses - Gas Utility
Historical and Forecasted

Line No.	2008	2009	2010	2010 Forecasted		K&M	K&M	K&M Reason
	Historical Total O&M			CPI	CPI			
41								
42	C. Natural Gas Production							
43	Operation:							
44	(754) Field Compressor Station	-	1.47%	3.11%	-	-	-	-
45	(756) Field Measuring & Regulating Station	188,583	1.47%	3.11%	197,306	-	197,306	
46								
47	TOTAL Operation	188,583			197,306	-	197,306	
48								
49	Maintenance:							
50		-	1.47%	3.11%	-	-	-	
51								
52	TOTAL Maintenance	-			-	-	-	
53	TOTAL Production Expenses-Natural Gas	188,583			197,306	-	197,306	
54								
55	D. Other Gas Supply Expenses							
56	Operation:							
57	(800) Natural Gas Well Head Purchases	-	1.47%	3.11%	-	-	-	
58	(804) Natural Gas City Gas Purchases	373,609	1.47%	3.11%	390,891	-	390,891	
59	(805) Other Gas Purchases	-	1.47%	3.11%	-	-	-	
60	(808.1) Gas Withdrawn From Storage-Debit	-	1.47%	3.11%	-	-	-	
61	(808.2) Gas Delivered to Storage-Credit	-	1.47%	3.11%	-	-	-	
62	(810) Gas Used for Compress Station Fuel	-	1.47%	3.11%	-	-	-	
63	(812) Gas Used for Other Operations-Credit	-	1.47%	3.11%	-	-	-	
64	(813) Other Gas Supply Expenses	99,864	1.47%	3.11%	104,485	-	104,485	
65								
66	TOTAL Operation	473,473			495,376	-	495,376	
67								
68	Maintenance:							
69		-	1.47%	3.11%	-	-	-	
70								
71	TOTAL Maintenance	-			-	-	-	
72	TOTAL Production Expenses-Other Gas Supply	473,473			495,376	-	495,376	
73								
74	TOTAL PRODUCTION EXPENSES	893,667			935,007	(12,975)	922,032	

Michigan Gas Utilities Corporation
Operation and Maintenance Expenses - Gas Utility
Historical and Forecasted

Line No.		2008	2009	2010	2010 Forecasted		K&M Reason
		Historical Total O&M			CPI	Total O&M Not Including K&M	
75	(2) NATURAL GAS STORAGE						
76	Operation:						
77	(814) Operation Supervision & Engineering	107,372	1.47%	3.11%	112,340	-	112,340
78	(816) Wells	11,181	1.47%	3.11%	11,699	-	11,699
79	(817) Lines Expense	10,066	1.47%	3.11%	10,532	-	10,532
80	(818) Compressor Station	7,729	1.47%	3.11%	8,087	-	8,087
81	(819) Compress Station F&Pwr	367,753	1.47%	3.11%	384,764	-	384,764
82	(820) Measuring & Regulating Station	15,037	1.47%	3.11%	15,733	-	15,733
82	(821) Purification Expenses	8,024	1.47%	3.11%	8,397	-	8,397
83	(824) Other Expenses	92,347	1.47%	3.11%	96,620	-	96,620
84							
85	TOTAL Operation	619,508			648,172	-	648,172
86							
87	Maintenance:						
88	(830) Maintenance Supervision & Engineering	5,367	1.47%	3.11%	5,617	-	5,617
89	(832) Maintenance Reservoirs & Wells	19,548	1.47%	3.11%	20,453	-	20,453
90	(833) Maintenance of Lines	27,612	1.47%	3.11%	28,890	-	28,890
91	(834) Maintenance Compressor Station Equipment	30,851	1.47%	3.11%	32,279	-	32,279
92	(835) Maintenance Measuring & Regulating Equipment	2,257	1.47%	3.11%	2,363	-	2,363
93	(836) Maintenance Purification Equipment	5,980	1.47%	3.11%	6,258	-	6,258
94	(837) Maintenance Other Equipment	10,078	1.47%	3.11%	10,545	-	10,545
94	(842) Other Storage-Fuel	22,644	1.47%	3.11%	23,692	-	23,692
95							
96	TOTAL Maintenance	124,337			130,097	-	130,097
97	TOTAL Natural Gas Storage Expenses	743,844			778,269	-	778,269
98							
99	(3) TRANSMISSION EXPENSES						
100	Operation:						
101	(850) Operation Supervision & Engineering	-	1.47%	3.11%	-	-	-
102	(851) Sys Cont & Load Disp	-	1.47%	3.11%	-	-	-
103	(856) Mains Exp	21,652	1.47%	3.11%	22,654	-	22,654
104	(857) Measuring & Regulating Station	230,056	1.47%	3.11%	240,699	-	240,699
105							
106	TOTAL Operation	251,708			263,353	-	263,353
107							
108	Maintenance:						
109	(863) Maintenance of Mains	58,622	1.47%	3.11%	61,334	-	61,334
110	(865) Maintenance Measuring & Regulating Equipment	80,606	1.47%	3.11%	84,335	-	84,335
111	(867) Maintenance Other Equipment	22,784	1.47%	3.11%	23,838	-	23,838
112							
113	TOTAL Maintenance	162,012			169,507	-	169,507
114	TOTAL Transmission Expenses	413,720			432,860	-	432,860

Michigan Gas Utilities Corporation
Operation and Maintenance Expenses - Gas Utility
Historical and Forecasted

Line No.		2008	2009	2010	2010 Forecasted		K&M Reason
		Historical Total O&M			CPI	Total O&M Not Including K&M	
115							
116	(4) DISTRIBUTION EXPENSES						
117	Operation:						
118	(870) Operation Supervision & Engineering	910,252	1.47%	3.11%	952,357	-	952,357
119	(871) Distribution Load Dispatching	357,047	1.47%	3.11%	373,564	-	373,564
120	(874) Mains and Services Expenses	850,558	1.47%	3.11%	889,902	-	889,902
121	(877) Measuring & Regulating Station Equipment-City Gate Check Station	12,880	1.47%	3.11%	13,477	-	13,477
122	(878) Meter & House Regulator Expense	983,684	1.47%	3.11%	1,029,186	-	1,029,186
123	(879) Customer Installations Expense	611,839	1.47%	3.11%	640,141	-	640,141
124	(880) Other Expenses	1,708,892	1.47%	3.11%	1,787,938	-	1,787,938
125	(881) Rents	18,010	1.47%	3.11%	18,845	-	18,845
126							
127	TOTAL Operation	5,453,162			5,705,410	-	5,705,410
128							
129	Maintenance:						
130	(885) Maintenance Supervision & Engineering	39,621	1.47%	3.11%	41,455	-	41,455
131	(887) Maintenance of Mains	710,302	1.47%	3.11%	743,158	-	743,158
132	(889) Maintenance of Measuring & Regulating Station	37,796	1.47%	3.11%	39,545	-	39,545
133	(891) Maintenance of Measuring & Regulating Gate Station Equipment	76,845	1.47%	3.11%	80,400	-	80,400
134	(892) Maintenance of Services	222,041	1.47%	3.11%	232,313	-	232,313
135	(893) Maintenance of Meters & House Regulators	306,556	1.47%	3.11%	320,737	-	320,737
136	(894) Maintenance of Other Equipment	295,600	1.47%	3.11%	309,275	-	309,275
137							
138	TOTAL Maintenance	1,688,762			1,766,883	-	1,766,883
139	TOTAL Distribution Expenses	7,141,924			7,472,293	-	7,472,293
140							

Michigan Gas Utilities Corporation
Operation and Maintenance Expenses - Gas Utility
Historical and Forecasted

Line No.	2008 Historical Total O&M	2009 CPI	2010 CPI	2010 Forecasted		2010 Forecasted		K&M Reason
				Total O&M Not Including K&M	K&M	Total O&M Including K&M	K&M	
141	(5) CUSTOMER ACCOUNTS EXPENSES							
142	Operation:							
143	(901) Supervision	250,617	1.47%	3.11%	262,210	-	262,210	
144	(902) Meter Reading Expenses	1,814,960	1.47%	3.11%	1,898,913	-	1,898,913	
145	(903) Customer Records and Collection Expenses	4,501,550	1.47%	3.11%	4,709,772	1,378,778	6,088,550	Vertex
146	(904) Uncollectible Accounts	3,240,858	1.47%	3.11%	3,390,765	(1,288,055)	2,102,710	Uncollectible Accounts
147	(905) Miscellaneous Customer Accounts Expenses	310,947	1.47%	3.11%	325,331	-	325,331	
148	TOTAL Customer Accounts Expenses	10,118,932			10,586,991	90,723	10,677,714	
149								
150	(6) CUSTOMER SERVICE AND INFORMATIONAL EXPENSES							
151	Operation:							
152	(907) Supervision	18,514	1.47%	3.11%	19,372	-	19,372	
153	(908) Customer Assistance Expenses	248,014	1.47%	3.11%	259,487	-	259,487	
154	(909) Informational and Instructional Expenses	229,750	1.47%	3.11%	240,378	-	240,378	
155	(910) Miscellaneous Customer Service and Informational Expenses	4,251	1.47%	3.11%	4,449	-	4,449	
156	TOTAL Cust. Service and Informational Expenses	500,529			523,686	-	523,686	
157								
158	(7) SALES EXPENSES							
159	Operation:							
160	(911) Supervision	-	1.47%	3.11%	-	-	-	
161	(912) Demonstrating and Selling Expenses	14	1.47%	3.11%	16	-	16	
162	(913) Advertising Expenses	-	1.47%	3.11%	-	-	-	
163	(916) Miscellaneous Sales Expenses	-	1.47%	3.11%	-	-	-	
164	TOTAL Sales Expenses	14			16	-	16	
165								
166	(8) ADMINISTRATIVE AND GENERAL EXPENSES							
167	Operation:							
168	(920) Administrative and General Salaries	3,880,261	1.47%	3.11%	4,059,745	(136,115)	3,923,630	Costs to Achieve
169	(921) Office Supplies and Expenses	1,678,480	1.47%	3.11%	1,756,120	(408,051)	1,348,069	Costs to Achieve
170	(922) Administrative Expenses Transferred-Credit	-	1.47%	3.11%	-	-	-	
171	(923) Outside Services Employed	815,944	1.47%	3.11%	853,687	-	853,687	
172	(924) Property Insurance	51,461	1.47%	3.11%	53,842	-	53,842	
173	(925) Injuries and Damages	410,917	1.47%	3.11%	429,926	(133,754)	296,172	Injuries & Damages Costs to Achieve + Pension & Benefits
174	(926) Employee Pensions and Benefits	3,843,058	1.47%	3.11%	4,020,820	1,522,571	5,543,391	
175	(927) Franchise Requirements	-	1.47%	3.11%	-	-	-	
176	(928) Regulatory Commission Expenses	408,523	1.47%	3.11%	427,420	-	427,420	
177	(929) Duplicate Charges-Cr.	-	1.47%	3.11%	-	-	-	
178	(930) Advertising Expenses	-	1.47%	3.11%	-	-	-	
179	(930.1) General Advertising Expenses	21,615	1.47%	3.11%	22,616	-	22,616	
180	(930.2) Miscellaneous General Expenses	639,794	1.47%	3.11%	669,389	328,808	998,197	PeopleSoft Upgrade
181	(931) Rents	285,218	1.47%	3.11%	298,412	-	298,412	
182	TOTAL Operation	12,035,271			12,591,977	1,173,459	13,765,436	
183								
184	Maintenance:							
185	(935) Maintenance of General Plant	(96)	1.47%	3.11%	(102)	-	(102)	
186	TOTAL Maintenance	(96)			(102)	-	(102)	
187	TOTAL Administrative and General Expenses	12,035,175			12,591,875	1,173,459	13,765,334	
188								
189	TOTAL Operation and Maintenance Expenses	31,847,805			33,320,997	1,251,207	34,572,204	

Michigan Gas Utilities Corporation
Calculation of Merger Related Costs to Achieve (Labor and Non-Labor)
Known and Measurable Adjustment

Line

1	2010 Merger Related Costs to Achieve		\$	-
2	2008 Merger Related Costs to Achieve		\$	130,097
3	2009 Inflation	1.47%		
4	2010 Inflation	3.11%		
5	Composite Inflation	4.63%		
6	Inflation on 2008 Merger Related Costs to Achieve		\$	6,018
7	2008 Merger Related Costs to Achieve Inflated to 2010		\$	136,115
8	Known and Measurable Increase (Decrease) in 2010		\$	<u>(136,115)</u>
				Account 920

Michigan Gas Utilities Corporation
Calculation of Merger Related Costs to Achieve (Labor and Non-Labor)
Known and Measurable Adjustment

Line

1	2010 Merger Related Costs to Achieve		\$	-
2	2008 Merger Related Costs to Achieve		\$	390,010
3	2009 Inflation	1.47%		
4	2010 Inflation	3.11%		
5	Composite Inflation	4.63%		
6	Inflation on 2008 Merger Related Costs to Achieve		\$	18,041
7	2008 Merger Related Costs to Achieve Inflated to 2010		\$	408,050
8	Known and Measurable Increase (Decrease) in 2010		\$	<u>(408,050)</u>
				Account 921

Michigan Gas Utilities Corporation
Calculation of Merger Related Costs to Achieve (Labor and Non-Labor)
Known and Measurable Adjustment

Line

1	2010 Merger Related Costs to Achieve		\$	-
2	2008 Merger Related Costs to Achieve		\$	44,602
3	2009 Inflation	1.47%		
4	2010 Inflation	3.11%		
5	Composite Inflation	4.63%		
6	Inflation on 2008 Merger Related Costs to Achieve		\$	2,063
7	2008 Merger Related Costs to Achieve Inflated to 2010		\$	46,665
8	Known and Measurable Increase (Decrease) in 2010		\$	<u>(46,665)</u>

Account 926

**Michigan Gas Utilities Corporation
Calculation of Vertex (Formerly Alliance Data Systems)
Known and Measurable Adjustment**

Line

1	2010 Vertex Costs		\$ 5,407,969
2	2008 Vertex Costs		\$ 3,851,052
3	2009 Inflation	1.47%	
4	2010 Inflation	3.11%	
5	Composite Inflation	4.63%	
6	Inflation on 2009 Vertex Costs		\$ 178,139
7	2008 Vertex Costs Inflated to 2010		\$ 4,029,191
8	Known and Measurable Increase (Decrease) in 2010		<u>\$ 1,378,778</u>

Account 903

Michigan Gas Utilities Corporation
Calculation of Manufactured Gas Plant Remediation Amortization
Known and Measurable Adjustment

Line

1	2010 Manufactured Gas Plant Remediation Amortization		\$	229,350
2	2008 Manufactured Gas Plant Remediation Amortization		\$	231,611
3	2009 Inflation	1.47%		
4	2010 Inflation	3.11%		
5	Composite Inflation	4.63%		
6	Inflation on 2008 Manufactured Gas Plant Remediation		\$	10,714
7	2008 Manufactured Gas Plant Remediation Amortization Inflated to 2010		\$	242,325
8	Known and Measurable Increase (Decrease) in 2010		\$	<u>(12,975)</u>

Account 735

**Michigan Gas Utilities Corporation
Calculation of Injuries & Damages
Known and Measurable Adjustment**

Line

1	2010 Injuries & Damages		\$	296,171
2	2008 Injuries & Damages		\$	410,917
3	2009 Inflation	1.47%		
4	2010 Inflation	3.11%		
5	Composite Inflation	4.63%		
6	Inflation on 2008 Injuries & Damages		\$	19,008
7	2008 Injuries & Damages Inflated to 2010		\$	429,925
8	Known and Measurable Increase (Decrease) in 2010		\$	<u>(133,754)</u>

Account 925

**Michigan Gas Utilities Corporation
Calculation of Injuries and Damages 3 year Average
Known and Measurable Adjustment**

<u>Line</u>	<u>Cost Type</u>	<u>2006 Actuals</u> (a)	<u>2007 Actuals</u>	<u>2008 Actuals</u>	<u>Average</u>
1	925000	22,935	43,699	112,511	59,715
2	925100	49,991	269,906	210,713	176,870
3	925110	0	70,497	65,025	45,174
4	925170	0	20,568	22,668	14,412
5	Grand Total	72,925	404,670	410,917	296,171

(a) April - December 2006 actual amounts for Injuries and Damages have been linearly extrapolated to develop a value for 2006.

**Michigan Gas Utilities Corporation
 Calculation of Injuries and Damages 3 year Average
 Known and Measurable Adjustment**

<u>Line</u>	<u>Cost Type</u>	<u>2006 Actuals</u> (a)	<u>2007 Actuals</u>	<u>2008 Actuals</u>	<u>Average</u>
1	Administer Worker's Compensat	3,955	15,630	21,136	13,574
2	Exempt Allocated Goal Sharing	4	0	0	1
3	Incur Work Injury/Illness	4,198	17,341	23,452	14,997
4	Insurance Expense	49,991	362,290	199,434	203,905
5	Manage Third Party Claims	14,777	9,322	239	8,112
6	Provide Security	0	87	0	29
7	Gas Control Services	0	0	10	3
8	HR Specialty Services	0	0	64,112	21,371
9	Insurance Claims Services	0	0	2,699	900
10	Insurance Services	0	0	98,929	32,976
11	Legal Services	0	0	907	302
12	Other	0	0	0	0
13	Grand Total	72,924	404,669	410,917	296,170

(a) April - December 2006 actual amounts for Injuries and Damages have been linearly extrapolated to develop a value for 2006.

**Michigan Gas Utilities Corporation
Calculation of Uncollectible Accounts
Known and Measurable Adjustment**

Line

1	2010 Uncollectible Accounts		\$ 2,009,903
2	2008 Uncollectible Accounts		\$ 3,152,149
3	2009 Inflation	1.47%	
4	2010 Inflation	3.11%	
5	Composite Inflation	4.63%	
6	Inflation on 2008 Uncollectible Accounts		\$ 145,809
7	2008 Uncollectible Accounts Inflated to 2010		\$ 3,297,958
8	Known and Measurable Increase (Decrease) in 2010		<u>\$ (1,288,055)</u>
			Account 904

**Michigan Gas Utilities Corporation
 Allowance for Uncollectible Expense for 2010**

<u>Line</u>	<u>Year</u>	<u>Write-Offs</u>	<u>Collections</u>	<u>Net Uncollectibles</u>	<u>Total Gas Service Revenues</u>	<u>Net Uncollectibles as a Percent of Revenue</u>
1					[P-522, Page 300]	
2	2004	\$1,975,261	\$0	\$1,975,261	\$196,098,318	1.00728%
3	2005	\$1,902,997	\$0	\$1,902,997	\$221,796,146	0.85799%
4	2006	\$86,874	\$0	\$86,874	\$213,507,308	0.04069%
5	2007	\$4,178,000	\$0	\$4,178,000	\$196,547,063	2.12570%
6	2008	\$3,042,093	\$0	\$3,042,093	\$234,809,355	1.29556%
7					Average	1.06544%
8						
9						
10	<u>Allowance for Uncollectible Expense for the 2010</u>					
11						
12				2010 ProForma Revenue: Total Sales	\$188,644,604	
13				5-Year Average Net Uncollectibles as a Percent of Revenue	<u>1.06544%</u>	
14				Net Uncollectibles Allowance for 2010	\$2,009,903	

**Michigan Gas Utilities Corporation
Calculation of PeopleSoft Upgrade
Known and Measurable Adjustment**

Line

1	2010 IBS Billing for PeopleSoft Upgrade		\$	328,808
2	2008 IBS Billing for PeopleSoft Upgrade		\$	-
3	2009 Inflation	1.47%		
4	2010 Inflation	3.11%		
5	Composite Inflation	4.63%		
6	Inflation on 2008 IBS Billing for PeopleSoft Upgrade		\$	-
7	2008 IBS Billing for PeopleSoft Upgrade Inflated to 2010		\$	-
8	Known and Measurable Increase (Decrease) in 2010		\$	<u>328,808</u>

Account 930

**Michigan Gas Utilities Corporation
Benefits Expense (Amortizations only)
Known and Measurable Adjustment**

Line

1	2010 Pension and Benefit Costs		\$ 1,594,678
2	2008 Pension and Benefit Costs		\$ 1,594,678
3	2009 Inflation	1.47%	
4	2010 Inflation	3.11%	
5	Composite Inflation	4.63%	
6	Inflation on 2009 Pension and Benefit Costs		\$ 73,765
7	2008 Pension and Benefit Costs Inflated to 2010		\$ 1,668,443
8	Known and Measurable Increase (Decrease) in 2010		<u>\$ (73,765)</u>

Account 926

Michigan Gas Utilities Corporation
Benefits Expense (Less Transition Costs and Amortizations)
Known and Measurable Adjustment

Line

1	2010 Pension and Benefit Costs		\$ 3,948,720
2	2008 Pension and Benefit Costs		\$ 2,203,778
3	2009 Inflation	1.47%	
4	2010 Inflation	3.11%	
5	Composite Inflation	4.63%	
6	Inflation on 2009 Pension and Benefit Costs		\$ 101,941
7	2008 Pension and Benefits Costs Inflated to 2010		\$ 2,305,719
8	Known and Measurable Increase (Decrease) in 2010		<u>\$ 1,643,001</u>

Account 926

**Michigan Gas Utilities Corporation
Estimate of Inflation for 2009 and 2010**

<u>Line</u>	<u>Source</u>	<u>Date</u>	<u>2009</u>	<u>2010</u>
1	Value Line	January 2009	1.300%	2.500%
2	Global Insight	January 2009	-2.200%	2.400%
3	Blue Chip Economic Indicators	January 2009	-0.400%	2.000%
4	U.S. Dept of Labor	January 2009	4.800%	4.800%
5	InflationData.com	2008 Average	3.850%	3.850%
6	MGUC Estimate (Simple Average)		1.470%	3.110%

Michigan Gas Utilities Corporation
 UETM Example

<u>Line</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>
1	Actual Uncollectible Expense		\$3,775,257
2	Uncollectible in rates	Exhibit A-3 (KAD-1) Sched C18	\$2,009,903
3	Difference	Line 1 - Line 2	\$1,765,354
4	Percentage Subject to Refund		90%
5	Amount Subject to Refund		\$1,588,819
6	Pre-Tax Weighted Cost of Capital	Exhibit A-4 (LJG-1) Sched D1	11.14%
7	Required Rate Increase	Line 5 * (1+Line 6)	\$1,765,813

<u>Line</u>	<u>Rate Schedule</u>	<u>Allocation Factor (1)</u>	<u>Allocated Amount</u>	<u>Volumes (Mcf)</u>	<u>UETM Surcharge (\$/Mcf)</u>
8	Residential	62.3170%	\$1,100,402	12,854,824	\$0.08560
9	Residential Multi-Family -- Class I	0.0890%	\$1,572	28,934	\$0.05432
10	Residential Multi-Family -- Class II	0.4263%	\$7,528	133,186	\$0.05652
11	Residential Multi-Family -- Class III	0.0859%	\$1,517	33,262	\$0.04560
12	Residential Multi-Family -- Class IV	0.1670%	\$2,949	71,582	\$0.04120
13	General Service Small	17.3174%	\$305,793	5,346,188	\$0.05720
14	General Service Large	1.2503%	\$22,078	517,831	\$0.04264
15	TR-1	4.6824%	\$82,682	2,305,834	\$0.03586
16	TR-2	4.4946%	\$79,366	3,922,393	\$0.02023
17	TR-3	2.2846%	\$40,342	3,043,572	\$0.01325
18	Customer Choice - Residential	1.4565%	\$25,719	256,495	\$0.10027
19	Customer Choice - Small General Service	3.1746%	\$56,057	1,231,113	\$0.04553
20	Aggregated Transport - Residential	0.0202%	\$357	5,937	\$0.06008
21	Aggregated Transport - Small General Service	1.9258%	\$34,006	861,354	\$0.03948
22	Aggregated Transport - Large General Service	0.1075%	\$1,898	41,361	\$0.04589
23	TOTAL MGUC	99.7991%	\$1,762,265	30,653,866	

Note (1): Allocation factors due not sum to 100% because Special Contracts are not subject to the UETM.

Integrys Energy Group, Inc. Awards & Recognition: 2006-2009

2006

- **Integrys Energy Group:** *Forbes*, utility industry's "Best Managed Energy Company in America"
- **Integrys Energy Group:** *Fortune* magazine, Most Admired Energy Company among "America's Most Admired Companies"
- **Integrys Energy Services:** MastioGale, 2nd in customer value among regional energy marketers
- **Upper Peninsula Power Company:** National Arbor Day Foundation, Tree Line USA Utility
- **Wisconsin Public Service:** National Arbor Day Foundation, Tree Line USA Utility
- **Wisconsin Public Service:** JD Power & Associates, an "All Time Best Residential Electric Performer"

2007

- **Integrys Energy Group:** *Fortune* magazine, 2nd among Most Admired Energy Companies in "America's Most Admired Companies"
- **Integrys Energy Group:** Platts, finalist for Platts 250 Global Energy Companies of the Year
- **Integrys Energy Services:** KEMA, Inc., ranked 3rd for megawatt-hours under contract among U.S. power retailers
- **Upper Peninsula Power Company:** National Arbor Day Foundation, Tree Line USA Utility
- **Wisconsin Public Service:** National Arbor Day Foundation, Tree Line USA Utility
- **Wisconsin Public Service:** E-source, wisconsinpublicservice.com ranked 3rd out of more than 100 utility Web sites

2008

- **Integrys Energy Group:** Platts, a Top 250 Global Energy Company
- **Upper Peninsula Power Company:** National Arbor Day Foundation, Tree Line USA Utility
- **Wisconsin Public Service:** National Arbor Day Foundation, Tree Line USA Utility
- **Wisconsin Public Service:** *POWER* magazine, 2008 Plant of the Year
- **Wisconsin Public Service:** *Power Engineering* magazine, Best Coal-Fired Project for 2008
- **Wisconsin Public Service:** WasteCap Wisconsin, 2008 Big Diverter Award
- **Wisconsin Public Service:** Platts, finalist for Platts ENR Energy Construction Project of the Year

2009

- **Integrys Energy Group:** *Fortune* magazine, Most Admired Energy Company among "The World's Most Admired Companies"; 8th most admired in Use of Corporate Assets; 9th most admired in Innovation; and 10th most admired in Long-Term Investment
- **Upper Peninsula Power Company:** National Arbor Day Foundation, Tree Line USA Utility
- **Wisconsin Public Service:** National Arbor Day Foundation, Tree Line USA Utility

Schedule A1

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Revenue Deficiency (Sufficiency)
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-11 (KAD-7)
 Schedule: A1
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Source	(c) Total
1			
2	Rate Base	Exh. A-2, Sch. B1	\$ 213,109,426
3			
4	Operating Income	Exh. A-3, Sch. C1	10,890,953
5			
6	Overall Rate of Return	Line 4 ÷ Line 2	5.1105%
7			
8	Rate of Return	Exh. A-4, Sch. D1	7.2779%
9			
10	Income Requirements	Line 2 x Line 8	15,509,891
11			
12	Income Deficiency (Sufficiency)	Line 10 - Line 4	4,618,938
13			
14	Revenue Conversion Factor	Exh. A-3, Sch. C2	<u>1.6370</u>
15			
16	Revenue Deficiency (Sufficiency)	Line 12 x Line 14	<u><u>\$ 7,561,201</u></u>

Schedule B1

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Rate Base
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-12 (KAD-8)
 Schedule: B1
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Source	(c) Rate Base
1			
2	Plant in Service	Exh A-2, Sch B2	\$ 280,532,633
3	Plant Held for Future Use	Exh A-2, Sch B2	0
4	Construction Work in Progress	Exh A-2, Sch B2	789,435
5	Total Utility Plant		<u>\$ 281,322,068</u>
6			
7	Less: Depreciation Reserve	Exh A-2, Sch B3	<u>143,583,512</u>
8			
9	Net Utility Plant		\$ 137,738,556
10			
11	Net Capital Lease Property		<u>0</u>
12			
13	Total Utility Property and Plant		\$ 137,738,556
14			
15	Less: Capital Lease Obligations		<u>0</u>
16			
17	Net Plant		\$ 137,738,556
18			
19	Allowance for Working Capital	Exh A-2, Sch B4	<u>75,370,870</u>
20			
21	Total Test Period Rate Base		<u><u>\$ 213,109,426</u></u>

Schedule B2

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Utility Plant
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-12 (KAD-8)
 Schedule: B2
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) MPSC Account No.	(c) Utility Plant
1			
2	Plant in service	101	\$ 277,033,922
3	Plant purchased or sold	102	-
4	Experimental plant unclassified	103	-
5	Plant leased to others	104	-
6	Completed construction not classified	106	3,498,711
7	Plant in Service		<u>\$ 280,532,633</u>
8			
9	Plant held for future use	105	
10			
11	Construction work in progress	107	<u>789,435</u>
12			
13	Total Test Period Utility Plant		<u><u>\$ 281,322,068</u></u>

Schedule B3

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Accumulated Provision for Depreciation
For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
Exhibit No.: A-12 (KAD-8)
Schedule: B3
Page: 1 of 1
Witness: Katherine De Cramer

(a)

(b)

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Accum. Prov. for Depr.</u>
1			
2	Total Test Period Accumulated Provision for Depreciation	Workpapers 2008 Page 9	<u>\$ 143,583,512</u>

Schedule B4

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Working Capital
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-12 (KAD-8)
 Schedule: B4
 Page: 1 of 1
 Witness: Katherine De Cramer

(a)

(b)

Line No.	Description	Source	Working Capital
1			
2	<u>Assets</u>		
3	Utility Plant-ARO	Workpapers 2008 Page 79	\$ 109,660
4	Accumulated Depreciation-ARO	Workpapers 2008 Page 79	(63,860)
5	Cash/Bank Balance	Workpapers 2008 Page 16	2,802,567
6	Temporary Cash	Workpapers 2008 Page 84	70,833
7	Notes Receivable	Workpapers 2008 Page 84	(936)
8	Customer A/R	Workpapers 2008 Page 87	18,069,649
9	Other A/R	Workpapers 2008 Page 87	332,033
10	Accumulated Provision Uncollectible Accounts	Workpapers 2008 Page 87	(2,351,986)
11	Accounts Receivable from Associated Companies	Workpapers 2008 Page 87	808,549
12	Taxes Receivable Other Companies	Workpapers 2008 Page 87	247,828
13	Prepayments	Workpapers 2008 Page 15	181,829
14	Accrued Utility Revenues	Workpapers 2008 Page 87	16,947,272
15	Fuel Stock/Gas Storage	Workpapers 2008 Page 10	43,247,633
16	Other Materials & Supplies	Workpapers 2008 Page 10	593,168
17	Miscellaneous and Accrued	Workpapers 2008 Page 87	2,629,642
18	Derivative Assets	Workpapers 2008 Page 87	1,236
19	Other Deferred Debits not in Ratebase	Workpapers 2008 Page 91	61,094,487
20			
21	Total Assets		<u>\$ 144,719,604</u>
22			
23	<u>Liabilities</u>		
24	Def Cr-Sup Ret Sel SERP	Workpapers 2008 Page 97	\$ 1,080,290
25	Asset Retirement Obligation	Workpapers 2008 Page 104	123,406
26	Accounts Payable	Workpapers 2008 Page 105	26,862,855
27	Accounts Payable Other	Workpapers 2008 Page 107	3,420,241
28	Accrued Taxes	Workpapers 2008 Page 17	1,292,655
29	Accrued Interest	Workpapers 2008 Page 109	19,188
30	Tax Collections Payable	Workpapers 2008 Page 111	136,188
31	Miscellaneous Current/Accrued	Workpapers 2008 Page 112	4,880,084
32	Other Deferred Credits	Workpapers 2008 Page 114	26,396,065
33	Other Regulatory Liabilities	Workpapers 2008 Page 116	4,913,312
34	Accumulated Deferred Taxes	Workpapers 2008 Page 11	224,450
35			
36	Total Liabilities		<u>\$ 69,348,734</u>
37			
38	Total Test Period Working Capital		<u>\$ 75,370,870</u>

Schedule C1

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Net Operating Income
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-13 (KAD-9)
 Schedule: C1
 Page: 1 of 1
 Witness: Katherine De Cramer

(a)

(b)

Line No.	Description	Source	Net Operating Income
1			
2	Operating Revenues	Exh. A-3, Sch. C3	\$ 242,961,021
3			
4	<u>Operating Expenses</u>		
5	Cost of Gas	Exh. A-3, Sch. C4	186,145,205
6	Operations and Maintenance Expenses	Exh. A-3, Sch. C5	31,847,805
7	Depreciation and Amortization	Exh. A-3, Sch. C6	7,308,988
8	General Taxes	Exh. A-3, Sch. C7	3,711,020
9	Income Taxes	Exh. A-3, Sch. C8, C9 & C10	3,293,783
10	Total Operating Expenses		<u>\$ 232,306,801</u>
11			
12	Operating Income		\$ 10,654,220
13			
14	<u>Operating Income Adjustments</u>		
15	Allowance For Funds Used During Construction	-	0
16	Loss on Reacquired Securities	-	0
17	Interest	-	0
18	Income Tax Effect of Interest	Workpapers 2008 Page 121	(236,733)
19	Interest Synchronization Adjustment		0
20	Total Operating Income Adjustments		<u>\$ (236,733)</u>
21			
22	Adjusted Net Operating Income		<u><u>\$ 10,890,953</u></u>

Schedule C2

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Revenue Conversion Factor

Case No.: U-15990
 Exhibit No.: A-13 (KAD-9)
 Schedule No.: C2
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Calc. Logic	(c)	(d) 2008
1				
2	Income Before Income Taxes			100.000%
3				
4	Less: MBT Tax Rate		4.950%	
5	MBT: Gross Receipts Tax Rate		0.000%	
6		Ln 4 + Ln 5	4.950%	
7	MBT Surcharge Rate of 21.99% (cap of \$6M)	Ln 6 + (Ln 6 x Ln 7, Col c)	21.990%	6.039%
8	Federal Income Tax Base	Ln 2 - Ln 7		93.961%
9				
10	Times Federal Income Tax Rate			35.000%
11				
12	Federal Income Tax	Ln 8 x Ln 10		32.887%
13				
14	Income After Taxes	Ln 8 - Ln 12		61.075%
15				
16	Gross Revenue Conversion Factor	Ln 2 / Ln 14		1.637

Schedule C3

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Sales Revenue
For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
Exhibit No.: A-13 (KAD-9)
Schedule No.: C3
Page: 1 of 1
Witness: Katherine De Cramer

(a)

(b)

(c)

Line No.	Description	Source	Sales Revenue
1			
2	Present Revenues	Workpapers 2008 Page 55	\$ 242,411,287
3			
4	Other Adjustments	Workpapers 2008 Page 55	549,734
5			
6	Total Revenue		<u>\$ 242,961,021</u>

Schedule C4

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Cost of Gas Sold
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-13 (KAD-9)
 Schedule No.: C4
 Page: 1 of 1
 Witness: Katherine De Cramer

(a) (b) (c)

Line No.	Description	Source	Cost of Gas
1			
2	Cost of Gas:		
3	Energy	Workpapers 2008 Page 19	\$ 186,145,205
4	Dem-Peak Day (D-1)		-
5	Other COG		-
6			
7	Total Cost of Gas		<u>\$ 186,145,205</u>

Schedule C5

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Operation and Maintenance Expenses
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-13 (KAD-9)
 Schedule No.: C5
 Page: 1 of 1
 Witness: Katherine De Cramer

Line No.	(a) Description	(b) Source	(c) Operation and Maint. Expenses
1			
2	Production - Other:		
3	Energy	Workpapers 2008 Page 19	\$ 662,056
4	Dem-Peak Day (D-1)	Workpapers 2008 Page 19	\$ 815,883
5	Other COG		\$ -
6			
7	Total Production-Other		<u>\$ 1,477,939</u>
8			
9	Operation and Maintenance Expenses:		
10	Transmission	Workpapers 2008 Page 19	\$ 606,343
11	Distribution	Workpapers 2008 Page 19	14,184,968
12	Storage	Workpapers 2008 Page 19	990,493
13	Customer Accounts	Workpapers 2008 Page 19	13,737,596
14	Customer Service	Workpapers 2008 Page 19	850,452
15	Sales	Workpapers 2008 Page 19	14
16			
17	Total Operation and Maintenance Expenses		<u>\$ 30,369,866</u>
18			
19	Total Production-Other and Operation & Maintenance Expenses		<u>\$ 31,847,805</u>

Schedule C6

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Depreciation and Amortization Expense
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-13 (KAD-9)
 Schedule No.: C6
 Page: 1 of 1
 Witness: Katherine De Cramer

(a)

(b)

(c)

Line No.	Description	Source	Depreciation & Amort. Expense
1			
2	Depreciation and Amortization Expense		
3	Depreciation Expense	Workpapers 2008 Page 34	\$ 7,308,988
4	Amortization Expense		-
5			
6	Total Depreciation and Amortization Expense		<u>\$ 7,308,988</u>

Schedule C7

Michigan Public Service Commission
 Michigan Gas Utilities Corporation
 Taxes Other Than Income Taxes
 For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
 Exhibit No.: A-13 (KAD-9)
 Schedule No.: C7
 Page: 1 of 1
 Witness: Katherine De Cramer

(a)	(b)	(c)	
Line No.	Description	Source	General Taxes
1			
2	Taxes Other Than Income Taxes		
3			
4	FEDERAL		
5	Retirement Benefits	Workpapers 2008 Page 53	\$ 618,785
6	Unemployment Comp	Workpapers 2008 Page 53	8,544
7	Super Fund Tax		
8	Highway Use Tax		
9			
10	STATE		
11	Gross Receipts Tax		
12	Unemployment Comp	Workpapers 2008 Page 53	82,415
13	Remain. Assessment		
14	Use Tax		
15	Unauthor Ins Tax	Workpapers 2008 Page 53	11,174
16	Wis Recycling Fee		
17	Single Business Tax		(238,688)
18	Property	Workpapers 2008 Page 53	2,937,123
19			
20	LOCAL		
21	Real Est & Property		
22			
23	IBS		
24	IBS Payroll Tax	Workpapers 2008 Page 53	\$ 289,810
25			
26	OTHER		
27	Franchise Tax Fees	Workpapers 2008 Page 53	\$ 1,857
28			
29	Total Taxes Other Than Income Taxes		\$ 3,711,020

Schedule C8

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Federal Income Taxes
For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
Exhibit No.: A-13 (KAD-9)
Schedule No.: C8
Page: 1 of 1
Witness: Katherine De Cramer

(a)

(b)

(c)

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Federal Income Taxes</u>
1			
2	Federal Income Taxes	Workpapers 2008 Page 37	\$2,867,036

Schedule C9

Michigan Public Service Commission
Michigan Gas Utilities Corporation
State Income Taxes
For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
Exhibit No.: A-13 (KAD-9)
Schedule No.: C9
Page: 1 of 1
Witness: Katherine De Cramer

(a)

(b)

(c)

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>State Income Taxes</u>
1			
2	State Income Taxes	Workpapers 2008 Page 37	\$426,747

Schedule C10

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Other (or Local) Taxes
For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
Exhibit No.: A-13 (KAD-9)
Schedule No.: C10
Page: 1 of 1
Witness: Katherine De Cramer

(a)

(b)

(c)

Line No.	Description	Source	Other (or Local) Taxes
1			
2	None		

Schedule C11

Michigan Public Service Commission
Michigan Gas Utilities Corporation
Allowance for Funds Used During Construction
For the 12 Month Period Ended, December 31, 2008

Case No.: U-15990
Exhibit No.: A-13 (KAD-9)
Schedule No.: C11
Page: 1 of 1
Witness: Katherine De Cramer

	(a)	(b)	(c)
Line No.	Description	Source	AFUDC
1			
2	AFUDC Debt	Workpapers 2008 Page 51	\$0
3	AFUDC Equity	Workpapers 2008 Page 51	\$0
4			
5	Total AFUDC		<u>\$0</u>

