

NORTH SHORE GAS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited) <i>(in millions)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Operating revenues	\$ 25.0	\$ 31.7	\$ 147.7	\$ 214.2
Operating expenses				
Cost of natural gas sold	7.1	13.1	71.7	135.5
Other operation and maintenance	15.1	14.4	50.4	53.5
Depreciation and amortization	2.9	2.8	8.8	8.3
Property and revenue taxes	0.5	0.6	1.4	1.4
Total operating expenses	25.6	30.9	132.3	198.7
Operating (loss) income	(0.6)	0.8	15.4	15.5
Other income, net	0.1	0.1	0.5	0.1
Interest expense	0.9	0.9	2.6	2.6
Other expense	(0.8)	(0.8)	(2.1)	(2.5)
(Loss) income before taxes	(1.4)	-	13.3	13.0
Income tax (benefit) expense	(0.5)	-	5.3	5.2
Net (loss) income	\$ (0.9)	\$ -	\$ 8.0	\$ 7.8

NORTH SHORE GAS COMPANY

CONDENSED BALANCE SHEETS (Unaudited) <i>(in millions, except share amounts)</i>	September 30 2015	December 31 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 0.3	\$ 0.6
Accounts receivable and unbilled revenues, net of reserves of \$2.0 and \$2.7, respectively	16.8	56.3
Receivables from related parties	0.2	-
Inventories:		
Natural gas in storage, primarily at LIFO	14.2	8.4
Materials and supplies	1.9	1.8
Deferred income taxes	1.4	1.6
Prepaid taxes	3.3	5.5
Other current assets	0.6	2.6
Current assets	38.7	76.8
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$188.6 and \$185.7, respectively	324.6	312.8
Regulatory assets	79.1	78.6
Other long-term assets	0.6	0.6
Long-term assets	404.3	392.0
Total assets	\$ 443.0	\$ 468.8
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable	\$ 16.7	\$ 21.1
Payables to related parties	3.4	3.9
Derivative liabilities	3.3	8.1
Notes payable to related parties	20.9	48.6
Customer credit balances	4.8	3.2
Other current liabilities	9.8	12.9
Current liabilities	58.9	97.8
Long-term liabilities		
Long-term debt	82.0	82.0
Deferred income taxes	88.4	87.2
Deferred investment tax credits	2.8	2.8
Regulatory liabilities	16.6	17.7
Environmental remediation liabilities	45.2	38.0
Pension and other postretirement benefit obligations	23.0	21.1
Asset retirement obligations	15.4	14.8
Other long-term liabilities	4.8	2.1
Long-term liabilities	278.2	265.7
Commitments and contingencies		
Common stock - without par value, 5,000,000 shares authorized; 3,625,887 shares issued and outstanding	25.0	25.0
Retained earnings	80.9	80.3
Total liabilities and shareholder's equity	\$ 443.0	\$ 468.8

NORTH SHORE GAS COMPANY

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited) <i>(in millions)</i>	Nine Months Ended September 30	
	2015	2014
Operating Activities		
Net income	\$ 8.0	\$ 7.8
Reconciliation to cash provided by operating activities		
Depreciation and amortization	9.2	8.8
Contributions to pension and other postretirement plans	-	(5.1)
Deferred income taxes and investment tax credits, net	1.3	2.4
Change in		
Accounts receivable and unbilled revenues	39.8	32.4
Inventories	(5.9)	(7.4)
Prepaid taxes	2.2	5.6
Other current assets	2.2	0.2
Accounts payable	(4.9)	(2.4)
Customer credit balances	1.6	0.1
Other current liabilities	(0.8)	(1.8)
Other, net	2.4	(14.8)
Net cash provided by operating activities	55.1	25.8
Investing Activities		
Capital expenditures	(20.6)	(23.0)
Other, net	0.4	0.6
Net cash used in investing activities	(20.2)	(22.4)
Financing Activities		
Notes payable to related parties	(27.7)	(3.7)
Dividends to parent	(7.5)	-
Net cash used in financing activities	(35.2)	(3.7)
Net change in cash and cash equivalents	(0.3)	(0.3)
Cash and cash equivalents at beginning of period	0.6	0.4
Cash and cash equivalents at end of period	\$ 0.3	\$ 0.1
<i>Cash paid for interest</i>	<i>\$ 1.5</i>	<i>\$ 1.5</i>
<i>Cash paid (received) for taxes</i>	<i>\$ 1.7</i>	<i>\$ (3.8)</i>