

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Page 1 of 4

Rider EEP

Enhanced Efficiency Program

Applicable to Service Classification Nos. 1 and 2

The EEP charge, expressed on a cents per customer basis, is a monthly charge that recovers expenses related to the Company's energy efficiency programs. The Company shall determine charges under this rider separately for each applicable service classification. The Company shall determine the Effective Component, as outlined in Section B (1), annually. With the exception of the Effective Component determined for the first Program Period after this rider goes into effect and the Effective Component for Service Classification No. 1 for the third Program Period, the Company shall file the Effective Component with the Commission no later than June 1, and it shall be in effect for the 12-month period commencing the following July 1. For the first Program Period, the Company shall file an Effective Component that is in effect for the months of May 2008 through December 2008 and an Effective Component that is in effect for the months of January 2009 through June 2009. For the third Program Period for Service Classification No. 1, the Company shall file the Effective Component with the Commission no later than June 1, and it shall be in effect for the 3-month period commencing July 1 of the third Program Period. The Company shall determine the Reconciliation Adjustment, as outlined in Section B (2), annually. The Company shall file the Reconciliation Adjustment with the Commission no later than September 30, and it shall be effective for the nine-month period commencing the following October 1.

Section A - Definitions

As used in this rider, the terms below are defined to mean:

Annual Program Budget (APB) shall mean that annual amount of Rider EEP expenses approved by the Commission in the Company's most recent rate proceeding. There shall be a separate APB for Service Classification No. 1 and for Service Classification No. 2.

Available Budget (AVB) shall mean the Annual Program Budget plus the Carry Over Budget except for: (a) the second Program Period for Service Classification No. 1 where the AVB shall mean the sum of the Annual Program Budgets for the second and third Program Periods plus the Carry Over Budget from the first Program Period and (b) the third Program Period for Service Classification No. 1 where the AVB shall mean only the Carry Over Budget.

Carry Over Budget (COB) shall mean the amount of the APB from the Previous Program Period that shall be carried into the Program Period and shall be the lower of the Carry Over Maximum or the Under Budget Amount.

*

Carry Over Percentage (CP) shall mean the percentage that is applied to the Annual Program Budget to determine the Carry Over Maximum. The Carry Over Percentage shall be 75% from the first Program Period into the second Program Period and there shall be no cap of the amount of funds that may be carried from the second Program Period to the third Program Period.

Carry Over Maximum (COM) shall mean the maximum amount of the Annual Program Budget that can be carried over to a Program Period and shall be the product of the Annual Program Budget (APB) and the Carry Over Percentage (CP).

Date Issued: JUNE 28, 2010
Asterisk (*) indicates change.

Date Effective: JUNE 28, 2010

Issued by James F. Schott, Vice President
130 East Randolph Drive, Chicago, Illinois 60601

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Page 2 of 4

Rider EEP

Enhanced Efficiency Program

Applicable to Service Classification Nos. 1 and 2

Section A – Definitions, continued

Under Budget Amount shall be AVB from the Previous Program Period less EEPE.

Customers (CUST) shall mean the average number of forecasted customers.

* **EEP Expenses** (EEPE) shall mean the actual amount of EEP expenses accrued by the Company during the Previous Program Period. For Service Classification No. 1, the actual amount of EEP expenses for the first, second and third Program Periods combined shall not exceed \$2,475,000. For Service Classification No. 2, the actual amount of EEP expenses for Program Periods one, two, and three combined shall not exceed \$825,000 in total.

EEP Revenues (EEPR) shall mean that amount of billed revenues arising from application of the Effective Component determined in Section B (1) during the Previous Program Period.

Previous Program Period shall mean that most recently ended Program Period for which the Reconciliation Adjustment in Section B (2) is calculated.

Program Period shall mean, except for the first Program Period, the period of July 1 through June 30, for which the Effective Component in Section B (1) is calculated. The first Program Period shall mean the period of May 1, 2008 through June 30, 2009.

Reconciliation Period shall mean the period of October 1 through June 30, commencing on the October 1 following the Previous Program Period, during which the Reconciliation Adjustment in Section B (2) is recovered.

Section B - Determination of Adjustment

The per customer charge amount under this rider shall be the sum of the amounts determined pursuant to subsections (1) and (2).

(1) Effective Component - The charge to be billed for each month during the Program Period and the charge to be billed each month during the first three months of the third Program Period for Service Classification No. 1 pursuant to this rider, is represented by the following formula and shall be determined separately for each applicable service classification :

$$APB / CUST / MONTHS \times 100$$

Where:

APB represents APB for the Program Period
CUST represents CUST for the Program Period
MONTHS represents the number of months in the Program Period

Date Issued: JUNE 28, 2010
Asterisk (*) indicates change.

Date Effective: JUNE 28, 2010

Issued by James F. Schott, Vice President
130 East Randolph Drive, Chicago, Illinois 60601

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Page 3 of 4

Rider EEP

Enhanced Efficiency Program

Applicable to Service Classification Nos. 1 and 2

Section B - Determination of Adjustment, continued

* and ** For the Effective Component to be effective January 1, 2009, APB shall be one-third of the APB applicable to the first Program Period and MONTHS shall be 6. For the Effective Component to be effective July 1, 2010, for Service Classification No. 1, APB shall be one-fourth of the APB applicable to the third Program Period which is included in the AVB in the second Program Period, CUST shall represent CUST for the three-month period ending September 30, 2010, and MONTHS shall be 3.

** **(2) Reconciliation Adjustment** - The reconciliation adjustment is calculated annually, amortized over a nine-month period, and represented by the following formula:

$$[(COB_1 - COB_2) + [(RA_1 + RA_2) \times (1 + i)]] / CUST / 9 \times 100$$

** Where:

- COB₁ represents the Carry Over Budget for the Program Period
- COB₂ represents the Carry Over Budget for the Previous Program Period
- RA₁ represents (EEPE – EEPR) for the Previous Program Period.
- RA₂ represents the reconciliation of RA₁ for the Previous Program Period, where a (+RA₂) equals an amount due the Company and a (-RA₂) equals an amount due the customer.

- i represents the interest rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) and in effect when each adjustment under this section is calculated, adjusted for the number of months in the Reconciliation Period.

- CUST represents CUST for the Reconciliation Period.

- O represents the Ordered adjustment, in dollars (\$), ordered by the ICC that is to be refunded to or collected from customers as a result of the reconciliation established in Section C.

The first Reconciliation Adjustment shall be calculated for the Program Period ending June 30, 2009, and the first Reconciliation Period shall be the nine-month period commencing October 1, 2009.

If an adjustment computes to 1 cent or more, any fraction of 1 cent in the computed adjustment amount shall be dropped if less than 0.5¢ or, if 0.5¢ or more, shall be rounded up to the next full cent.

Date Issued: MARCH 18, 2010

Date Effective: MARCH 18, 2010

Asterisk (*) indicates change.
Asterisks (**) indicates moved from a prior page.

Issued by James F. Schott, Vice President
130 East Randolph Drive, Chicago, Illinois 60601

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Page 4 of 4

Rider EEP

Enhanced Efficiency Program

Applicable to Service Classification Nos. 1 and 2

Section C - Reports and Reconciliations

The Company shall file annually with the Commission, no later than June 1 a report showing the determination of the Effective Component to be in effect during the Program Period. For the first Program Period the first such filing shall be no later than 60 days after the Commission's order in Docket No. 07-0241, and the second such filing shall be after the Commission's approval to set the Program Period as a 12 month period commencing July 1. Commencing in 2009, the Company shall also file annually with the Commission, no later than September 30, an EEP statement of activity, including program descriptions, for the Previous Program Period and a report showing the determination of the Reconciliation Adjustment to be in effect during the Reconciliation Period. At this same time, the Company shall also file a petition with the ICC seeking initiation of an annual reconciliation to determine the accuracy of the statement. The reconciling amount from such proceeding (Factor O) shall be recovered in the manner determined by the Commission in the annual reconciliation proceeding.

Section D - Modification or Termination of Program

The Program shall terminate June 30, 2011, except for the Reconciliation Adjustment required by Section B (2), the requirements of Section C, and the requirements of Section F.

Section E - Terms and Conditions

Subject to Terms and Conditions of Service and Riders to Schedule of Rates for Gas Service which are applicable to this rider.

* **Section F - Audit**

The Company shall file annually with the Manager of the Accounting Department of the Commission's Financial Analysis Division, no later than January 2 for years 1 and 2 and May 1 for year 3, an internal audit report that determines whether or not the EEP and information provided in Section C have been calculated in accordance with this Tariff.

Date Issued: NOVEMBER 10, 2011
Asterisk (*) indicates change.

Date Effective: DECEMBER 25, 2011