

**North Shore Gas Company**

**RIDER TO SCHEDULE OF RATES FOR GAS SERVICE**

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**Rider EOA  
Energy Efficiency and On-Bill Financing Adjustment  
Applicable to all Service Classifications**

\* **Section A – Applicability and Purpose**

This rider is applicable to all customers taking service under this rate schedule for those energy efficiency programs implemented under the final orders in Docket Nos. 13-0550 and 17-0212. This rider does not apply to self-directing or exempt customers as determined pursuant to Section 8-104 (m) of the Public Utilities Act (Act). Section 8-104 of the Act authorizes the Company to recover energy efficiency costs from all customers, except self-directing or exempt customers, and Section 19-140 of the Act authorizes the Company to recover on-bill financing costs from residential and small commercial customer classes eligible to participate.

The EOA Charge, expressed on a cents-per-therm basis, is a monthly charge that recovers expenses related to the Company's energy efficiency and on-bill financing programs. The Company shall determine charges and adjustments for the Residential Programs under this rider separately for Service Classification Nos. 1 and 2. Charges and adjustments for the Commercial-Industrial Programs shall be combined for Service Classification Nos. 2, 4, 5 and 7.

\* **Section B – Limitations**

As provided for in Section 8-104(d) of the Act, the cost of energy efficiency programs in any reporting period established by Section 8-104(f) of the Act shall be limited to an amount that limits the estimated average increase in connection with gas service to no more than 2% in the applicable reporting period. Costs related to the OBF Program are excluded from the determination of the limitation.

\* **Section C – Definitions**

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

**Annual Energy Efficiency Budget (EBUD)** shall mean that annual amount of energy efficiency expense approved by the Commission in the Company's most recent energy efficiency plan or as subsequently amended with approval by the Commission. The budget represents available funds for the Company and DCEO programs.

**Annual On-Bill Financing Budget (OBUD)** shall mean that annual amount of on-bill financing expense eligible for recovery under Section 19-140 of the Act.

**Commercial-Industrial Programs** shall mean energy efficiency programs available to commercial and industrial customers under the Company's most recently approved energy efficiency plan.

**Commission Ordered Adjustments (O)** shall mean charges or refunds ordered by the Commission as a result of the reconciliation described in Section D of this rider.

**DCEO** shall mean the Department of Commerce and Economic Opportunity or any successor to that agency. During and after the Transition Period, DCEO shall no longer be providing energy efficiency programs under Section 8-104 of the Act.

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**Issued by Theodore Eidukas, Vice President – Regulatory Affairs  
200 East Randolph Street, Chicago, Illinois 60601**

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\* **Section C – Definitions** – continued

**Effective Component** shall mean the cents-per-therm charge to be billed for each month during the Program Year. An Effective Component shall be separately implemented for the Transition Period and filed on or before May 22, 2017. On or before December 20, 2017, and each year thereafter, the Company shall file an Effective Component for the subsequent Program Year.

**Energy Efficiency Expenses (EEXP)** shall mean the actual amount of energy efficiency expenses accrued by the Company and DCEO during the Previous Program Year.

**Energy Efficiency Revenues (EREV)** shall mean the amount of billed energy efficiency revenues arising from application of the Effective Component determined in Section D (1) during the Previous Program Year and shall constitute “available funding” as that term is used in Section 8-104 of the Act. 75% of such revenues are available to the Company and 25% of such revenues are available to DCEO. For the Transition Period and for each following Program Year 100% of such revenues are available to the Company.

**Factor T (T)** shall mean the number of therms of gas delivered to customers by the Company, including the number of therms of customer-owned or supplier-owned gas delivered by the Company, less the number of therms delivered to exempt and self-directing customers, for the Program Year.

**Incremental Costs** shall mean all reasonably and prudently incurred expenses associated with Rider EOA incurred after July 10, 2009, for cost-effective energy efficiency measures plus all prudently incurred costs including, but not limited to, all start-up and administrative costs and the costs for program evaluation for on-bill financing.

Incremental costs include but are not limited to:

- (1) Fees, charges, billings or assessments related to the measures;
- (2) Costs or expenses associated with equipment, devices, or services that are purchased, provided, installed, operated, maintained or monitored for the measures;
- (3) Legal and consultant costs associated with the measures;
- (4) Wages, salaries and benefits of Company employees, excluding incentive compensation costs, and including direct and indirect incremental costs associated with such Company employees, who are hired for positions specifically related to the measures and that were created after the effective date of Sections 8-104 and 19-140 of the Act;
- (5) The revenue requirement equivalent of the return of and on a capital investment associated with the energy efficiency and/or on-bill financing measures, based on the most recent rate of return approved by the Commission;
- (6) Joint costs common to both gas and electric energy efficiency or on-bill financing programs allocated between the utility companies offering the joint programs; and
- (7) Expenses incurred by DCEO in relation to the Company's energy efficiency program.

Incremental costs are recoverable through this rider and exclude any such costs which are recovered pursuant to other approved rates.

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\* **Section C – Definitions** – continued

**On-Bill Financing Expenses (OEXP)** shall mean the amount of on-bill financing expenses accrued by the Company during the Previous Program Year.

**OBF Program** shall mean the on-bill financing program offered under Rider OBF of this rate schedule and Section 19-140 of the Act.

**On-Bill Financing Revenues (OREV)** shall mean the amount of billed on-bill financing revenues arising from application of the Effective Component determined in Section D (1) during the Previous Program Year.

**Previous Program Year** shall mean the most recently ended Program Year for which the Reconciliation Adjustment in Section D (2) is calculated.

**Program Year** shall mean the periods, for which the Effective Component in Section D (1) is calculated and such periods will be July 1, 2011 through May 31, 2012, for the first Program Year; June 1 through May 31 thereafter until June 1, 2016; June 1, 2016 through December 31, 2017 for the following Program Year; and January 1 through December 31 thereafter.

**Reconciliation Adjustment (RA)** shall mean a cents-per-therm charge or refund resulting from the annual reconciliation as described in Section D of this rider. Reconciliation Adjustments are amortized over nine months.

**Reconciliation Amortization Period** shall mean, until the Program Year beginning June 1, 2016, the period of September 1 through May 31 commencing on the September 1 following the Previous Program Year, during which the Reconciliation Adjustment in Section D (2) of this rider is recovered or refunded. For the Program Year from June 1, 2016 through December 31, 2017, and thereafter, the Reconciliation Amortization Period shall be the period of April 1 through December 31, during which the Reconciliation Adjustment in Section D (2) of this rider is recovered or refunded.

**Residential Programs** shall mean energy efficiency programs available to residential customers under the Company's most recently approved energy efficiency plan and the OBF Program.

**Transition Period** shall mean the seven-month period from June 1, 2017 through December 31, 2017.

**Section D – Determination of Adjustment**

The cents-per-therm EOA adjustment under this rider shall be the sum of the amounts determined pursuant to subsections (1), (2) and (3). The Residential Programs charges and adjustments shall be determined separately for Service Classification Nos. 1 and 2. The Commercial-Industrial Program charges and adjustments shall be determined on a combined basis for Service Classification Nos. 2, 4, 5 and 7.

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**Section D – Determination of Adjustment – continued**

- (1) **Effective Component** – The adjustment to be billed for each month during the Program Year is represented by the following formula:

$$\begin{aligned} & (\text{Res EBUD}_{\text{SEG}} / T_{\text{SEG}}) + \\ & (\text{C\&I EBUD}_{\text{SEG}} / T_{\text{SEG}}) + \\ & (\text{Res OBUD}_{\text{SEG}} / T_{\text{SEG}}) \end{aligned}$$

Where:

C&I represents Commercial-Industrial Programs. These programs are not applicable to Service Classification No. 1.

EBUD and OBUD represent the budgets for energy efficiency and on-bill financing for the Program Year for the initial calculation of Effective Component, and for the budget for the remainder of the Program Year for calculation of a revised Effective Component if needed.

T represents the forecast Factor T for the Program Year for the initial calculation of the Effective Component, and for the remaining months in the Program Year for calculation of a revised Effective Component if needed.

Res represents Residential Programs.

SEG represents the applicable service classification or group of service classifications.

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

$$\begin{aligned} & [(\text{Res ERA1}_{\text{SEG}} + \text{Res ERA2}_{\text{SEG}}) \times (1 + \text{Int}) / T_{\text{SEG}}] + \\ & [(\text{C\&I ERA1}_{\text{SEG}} + \text{C\&I ERA2}_{\text{SEG}}) \times (1 + \text{Int}) / T_{\text{SEG}}] + \\ & [(\text{Res ORA1}_{\text{SEG}} + \text{Res ORA2}_{\text{SEG}}) \times (1 + \text{Int}) / T_{\text{SEG}}] \end{aligned}$$

Where:

ERA1 represents (EEXP - EREV) for the Previous Program Year for energy efficiency.

ERA2 represents the reconciliation of ERA1 for the Previous Program Year for energy efficiency.

T represents the forecast Factor T for the Reconciliation Amortization Period.

\*\*

Int represents the interest rate established by the Commission under 83 Ill. Adm. Code 280 and in effect when each adjustment under this section is calculated, adjusted for the number of months in the Reconciliation Amortization Period.

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**Asterisks (\*\*)** indicates moved from prior page.

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**Section D – Determination of Adjustment – continued**

ORA1 represents (OEXP - OREV) for the Previous Program Year for on-bill financing.

ORA2 represents the reconciliation of ORA1 for the Previous Program Year for on-bill financing.

SEG represents the applicable service classification or group of service classifications.

The first Reconciliation Adjustment shall be calculated for the Program Year ending May 31, 2012 and the first Reconciliation Amortization Period shall be the nine-month period commencing September 1, 2012. Positive Reconciliation Adjustments are charges and negative values are refunds.

- (3) **Commission Ordered Adjustments** – The Commission Ordered Adjustment, O, represents an adjustment, in dollars, to be refunded to or recovered from customers as a result of the reconciliation described in this Section D. The adjustment shall be refunded or recovered in the manner determined by the Commission in the annual reconciliation proceeding.

If an adjustment computes to 0.01¢ or more, any fraction of 0.01¢ in the computed adjustment amount shall be dropped if less than 0.005¢ or, if 0.005¢ or more, shall be rounded up to the next full 0.01¢.

The Company may revise an EOA Charge at any time during the Program Year if the Company determines a revised EOA Charge would result in a better match between EOA revenues and applicable incremental costs. The Company must file with the Commission a revised Information Sheet no later than the 20th day of the month immediately preceding the monthly billing period during which such revised EOA becomes effective. The revised EOA Charge is determined in accordance with Section D (1).

\* **Section E – Reports and Reconciliations**

**Filing of Effective Component**

The Company shall file annually with the Commission, no later than June 20, 2011, for the first Program Year and May 20 thereafter until the Transition Period, a report showing the determination of the Effective Component to be in effect during the Program Year. The Company may file a revised Effective Component in accordance with Section D of this rider. A report showing the determination of a revised Effective Component shall be filed with the Commission by the 20th day of the month prior to the month that the revised Effective Component will become effective. The revised Effective Component shall be in effect through the end of the Program Year. For the Effective Component for the Transition Period, a report filed by May 22, 2017, shall be in effect from June 1, 2017 through December 31, 2017. For those Program Years beginning on or after January 1, 2018, the Company will file by December 20, a report showing the determination of the Effective Component to be in effect during the Program Year.

**Filing of Reconciliation Adjustment**

The Company shall file the reconciliation adjustments annually with the Commission no later than August 31 for those Program Years prior to June 1, 2016.

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\* **Section E – Reports and Reconciliations – continued**

**Filing of Reconciliation Adjustment – continued**

For the Program Year beginning June 1, 2016 and extending through December 31, 2017, the Reconciliation Adjustment shall be filed no later than March 31, 2018.

For the Program Years beginning on or after January 1, 2018, the Reconciliation Adjustment shall be filed no later than March 31, after the Previous Program Year that is the subject of the Reconciliation Adjustment.

**Quarterly Status Reports**

The Company shall provide to the Commission within 45 days after each quarter ending August 31, November 30, February 28 or 29, and May 31, status reports tracking implementation of and expenditures for the Company's portfolio of energy efficiency measures and DCEO's portfolio of energy efficiency measures.

The Company shall provide to the Commission status reports tracking implementation of and expenditures for the Company's portfolio of energy efficiency measures and DCEO's portfolio of energy efficiency measures during the Transition Period. The first report, reflecting program activities in June, July and August 2017 shall be filed by October 16, 2017. The second report, reflecting program activities in September, October, November and December 2017 shall be filed by February 15, 2018.

For the Program Years beginning after January 1, 2018, the Company shall provide to the Commission within 45 days after each quarter ending March 31, June 30, September 30 and December 31.

\* **Annual Audit**

The Company shall file annually with the Manager of the Accounting Department of the Commission's Financial Analysis Division, an internal audit report that determines whether the EOA Charge and information provided in Section D of this rider have been calculated in accordance with this rider. For the Program Year June 1, 2016 through December 31, 2017, an internal audit shall be filed by August 1 of the following year. All internal audits conducted under this rider shall include at least the following tests:

- (1) A test that costs recovered through Rider EOA are not recovered through other approved tariffs;
- (2) A test of customer bills to confirm that all Rider EOA Adjustments are being properly billed to customers in the correct time periods;
- (3) A test that Rider EOA revenues are properly stated;
- (4) A test that actual costs are being identified and recorded properly to be reflected in the calculation of the annual reconciliation completed under this rider; and
- (5) A test for the annual reconciliation in the final year of the planning period that demonstrates that amounts recovered through Rider EOA are at or below the statutory cap defined in Section B of this rider.

**Section F – 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.

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