

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

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Rider FCA

Franchise Cost Adjustment

Applicable to Service Classification Nos. 1, 2, and 3

This rider is applicable to customers taking service from the Company within the boundaries of a local governmental unit that has a franchise agreement or similar agreement with the Company. The purpose of this rider is to recover the cost of reduced rate service or monetary contribution provided by the Company solely from those customers residing within the boundaries of each local governmental unit receiving such rate or contribution. For the purposes of this rider, a "local governmental unit" means any county, municipality, township, special district, or unit designated as a unit of local government by law.

Franchise Cost Adjustment.

The Company has a franchise agreement or similar agreement with certain local governmental units that grant the Company the privilege of using the local governmental unit's public right(s)-of-way for the delivery of gas. The Company compensates such local governmental unit with reduced rate service or other monetary contribution. "Franchise costs" means the cost of such reduced rate service or other monetary contribution. The Company shall recover the franchise costs it pays to those local governmental units from those customers taking service from the Company within the boundaries of each such local governmental unit. The applicable Franchise Cost Adjustment, expressed as a monthly fixed dollar amount, shall be added to the customer's bill as a separate line item. The Franchise Cost Adjustment (FCA) for each local governmental unit shall be recomputed annually and shall be determined according to the following formula:

$$FCA = \frac{\text{Value}}{\text{Customers}} \div 12$$

Where:

FCA = Franchise Cost Adjustment, in \$ per customer for the monthly billing period.

Value = Value of reduced rate service or other monetary contribution, expressed in \$, provided by the Company to such local governmental unit during the previous calendar year as published in the Company's Form 21 ILCC Annual Report to the Commission.

Customers = The number of customers residing within such local governmental unit as of December 31 of the prior calendar year.

Date Issued: JANUARY 25, 2010

Date Effective: JANUARY 28, 2010

Asterisks not needed replacing sheet in its entirety.

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

Filed Pursuant to Order of Illinois Commerce Commission
Entered January 21, 2010 in Docket No. 09-0166

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A new Franchise Cost Adjustment shall be effective with the customer's first bill period with an issue date on or after May 1 of each year. The Company will file an information sheet with the Commission on or before April 20 each year specifying the FCA applicable to each local governmental unit to be effective during the subsequent twelve months. Such information sheet shall include work papers documenting that the computations of the Franchise Cost Adjustments are made in accordance with the applicable equation.

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