

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	Docket No.: 23-0801
)	
North Shore Gas Company)	
)	
Reconciliation of revenues collected under)	
Coal Tar riders with prudent costs associated)	
with Coal Tar clean up expenditures)	

DIRECT TESTIMONY OF

NARENDRA M. PRASAD

1 Q. Please state your name.

2 A. My name is Narendra M. Prasad

3 Q. Please describe your background.

4 A. I received a Bachelor of Science degree in Civil Engineering from Northwestern

5 University in 1994 and a Master’s in Public Health from the University of Illinois at

6 Chicago in 1996. I began my career as an Environmental Engineer in 1996 with

7 the Chicago Department of Environment where I remained employed until 2004,

8 leaving with the title of Coordinator of Special Projects. In 2004 I began

9 employment with an environmental consulting firm where I remained until 2006

10 with the title of Project Manager. In 2006 I began employment with Peoples

11 Energy, then parent company of Peoples Gas Company (“Peoples”) and North

12 Shore Gas Company (“North Shore”), with the title of Senior Environmental

13 Engineer. On February 21, 2007, Integrys Energy Group, Inc. (“Integrys”),

14 acquired Peoples and its affiliates including North Shore Gas Company and then
15 formed Integrys Business Support, LLC (“IBS”) Peoples’ and North Shore’s
16 affiliate services provider company. I continued as Senior Environmental
17 Engineer when WEC Energy Group, Inc. (“WEC”) acquired Integrys and its
18 subsidiaries on June 29, 2016, WEC changed IBS’ name to WEC Business
19 Services LLC (“WBS”). I then became a Principal Engineer and in April 2019 I
20 became WBS’ Manager of Remediation, Waste, Recycling and Disposal.
21 I am current WBS’s Remediation Manager. In my current position with WBS I
22 oversee certain environmental activities for both Peoples and North Shore Gas
23 Company along with Integrys’, and now WEC’s, other utility subsidiaries.

24 Q. What are your responsibilities as Remediation Manager?

25 A. As Remediation Manager, I now have responsibility for the management
26 of environmental activities conducted for the Company by the Environmental
27 Department. I have managed them exclusively beginning in April 2019 and am
28 familiar with all such activities that took place during the four quarters beginning
29 January 1, 2023 and ending December 31, 2023, the reconciliation year for
30 purposes of this proceeding (“Fiscal Year 2023”).

31 Q. Please describe the environmental activities and responsibilities of the
32 Environmental Department as they relate to the Company's former manufactured
33 gas operations.

34 A. The Environmental Department has the primary responsibility for the
35 oversight of the environmental operations of the Company. Personnel from the
36 Environmental Department review and comment upon documents and technical
37 materials that are prepared by the Company's environmental consultants and
38 also review the invoices that those consultants submit to the Company for the

39 work that they perform. In addition, personnel from the Environmental
40 Department oversee and assist the Company's environmental consultants in
41 conducting field investigations.

42 Q. What is the purpose of your testimony?

43 A. My testimony is given for the purpose of describing the environmental
44 activities that have given rise to the incremental costs that were recorded by
45 North Shore under its Rider 11, "Adjustment for Incremental Costs of
46 Environmental Activities," during Fiscal Year 2023.

47 Q. What is the nature of the incremental costs that Company records under
48 Rider 11?

49 A. The incremental costs that North Shore records under its Rider 11 are the
50 costs that it incurs in connection with the environmental activities that are
51 required in order to comply with environmental laws and regulations. These
52 incremental costs relate to manufactured gas operations that were formerly
53 conducted by North Shore's corporate predecessors and affiliates.

54 Q. What is Company's policy on complying with environmental laws and
55 regulations?

56 A. It is North Shore's policy to comply fully with environmental laws and
57 regulations.

58 Q. What is North Shore's policy regarding the costs that are incurred as a
59 result of its policy to fully comply with environmental laws and regulations?

60 A. It is the policy of North Shore to control such costs to the fullest possible
61 extent. Because of this policy to control costs, North Shore will make
62 expenditures only when it is determined to be prudent to do so.

63 Q. What standard does Company use in determining the prudence of the

64 expenditures that it makes in complying with environmental laws and
65 regulations?

66 A. In determining whether or not to make expenditures in complying with
67 environmental laws and regulations, the Company uses the following standards:
68 1) reasonable and appropriate business standards; 2) the requirements of
69 other relevant state and/or federal authorities; 3) the minimization of costs to
70 ratepayers in a manner that is consistent with safety, reliability and quality
71 assurance; and 4) the facts that are known to the Company at the time that the
72 expenditures are made.

73 Q. How does North Shore control the costs it incurs in connection with
74 complying with environmental laws and regulations?

75 A. The most effective way for North Shore to control those costs is to be
76 actively involved in the determinations that are made regarding the timing, choice
77 and scope of environmental activities. This participation is necessary because of
78 North Shore's desire to keep the cost of its service competitive.

79 Q. When did North Shore's corporate predecessors and affiliates conduct
80 manufactured gas operations?

81 A. In North Shore's territory, gas was first manufactured in the 1880's. The
82 changeover to natural gas began in 1947, when natural gas was made available
83 through the interstate pipeline system.

84 Q. Does North Shore currently conduct any manufactured gas operations?

85 A. No. The gas supply that North Shore currently distributes to its customers
86 is the natural gas obtained from the gas producing regions of the United States
87 and Canada that is transported to North Shore's service territory through the
88 intrastate and interstate pipeline systems.

89 Q. Please describe the process by which North Shore's corporate
90 predecessors and affiliates previously manufactured and stored gas.

91 A. Coal, coke (an energy rich material converted from coal) and oil were the
92 primary raw materials in the manufacturing processes. Depending upon the type
93 of manufacturing process, coal or coke was loaded into ovens and heated,
94 thereby producing a low-Btu gas. Oil was then added to enrich the heating value
95 of the gas to the required level, which was approximately half the heating value
96 of the natural gas that is distributed today. At this point in the manufacturing
97 process, the gas stream passed through a variety of purifying processes in order
98 to make the gas suitable for distribution. The manufactured gas was then stored
99 in vessels, called holders, until it was distributed.

100 Q. Do the costs that are recovered through Rider 11 arise because of a
101 failure to comply with laws in effect at the time the manufactured gas operations
102 were conducted?

103 A. No. The incremental costs that North Shore incurs are the result of
104 various duties and obligations that are imposed by laws and regulations enacted
105 long after North Shore discontinued manufactured gas operations. The
106 manufactured gas operations of North Shore's corporate predecessors and
107 affiliates were conducted in accordance with then-existing industry standards.
108 We have found no indication that those operations violated any laws in existence
109 at that time.

110 Q. Please describe the types of costs that North Shore has typically incurred
111 during the course of its environmental activities.

112 A. Costs have been incurred, and continue to be incurred, in connection with
113 a variety of environmental activities that are related to former manufactured gas

114 operations. These activities can generally be divided into four phases.

115 First, there are those activities, which are conducted before the actual
116 study of a site begins. These activities may include negotiations with the United
117 States Environmental Protection Agency ("USEPA") or the Illinois Environmental
118 Protection Agency ("IEPA"), as well as with other potentially responsible parties
119 ("PRPs"). A PRP is a party that is potentially liable for any contamination, or
120 portion of any contamination that might be present at a site. Therefore, a PRP is
121 potentially liable for the cost of any necessary investigative and remedial work at
122 the site. Costs which are associated with the negotiation of a consent decree or
123 of any other formal agreement may also be incurred during the first phase.

124 Second, an actual study of the site is conducted in order to determine the
125 nature and extent of the contamination that is present and to identify and develop
126 alternative remediation strategies.

127 Third, a remediation strategy is chosen which may entail public hearings
128 conducted by the USEPA or the IEPA.

129 Fourth, the remediation strategy is implemented and monitored.

130 The activities that are conducted during each of these phases require a
131 highly technical and specialized level of experience and expertise that is obtained
132 from carefully chosen environmental engineers and consultants, laboratory and
133 testing services, law firms, and contractors who perform field work during the
134 investigative and remedial phases. Substantial costs are incurred by the
135 Company as a result of the work that is performed by these vendors.

136 The Company may also incur costs because of the issuance of a
137 judgment, or of an order entered by a court, or of a state or federal regulatory
138 agency. In addition, costs may arise from activities related to the identification of

139 PRPs and insurance carriers and in connection with cost recovery litigation
140 against them.

141 Q. What is Company's policy with regard to PRPs and insurance carriers?

142 A. It is the Company's policy to make all reasonable efforts necessary to
143 vigorously pursue recovery of incremental costs from PRPs and insurance
144 carriers that are incurred as a result of environmental activity.

145 Q. Does the Company incur any other types of costs in connection with
146 environmental activities at its sites?

147 A. Yes. With respect to property acquired before October 1, 2005, the
148 Company has incurred and will continue to incur costs in connection with the
149 acquisition and subsequent ownership of all or a portion of a site. The purpose of
150 such an acquisition is to enable the Company to better control the timing and
151 extent of remediation of the property which it acquires and to eliminate or reduce
152 the potential for various types of claims associated with the property. The
153 Company bases its decision to purchase the property after evaluating some or all
154 of the following factors: (1) information about market value of the property without
155 consideration for environmental factors; (2) nature and extent of contamination;
156 (3) range of remedial levels and associated costs; (4) litigation costs and
157 potential litigation outcomes; (5) timing of remedial expenditures; (6) claims for
158 reimbursement of technical and legal fees associated with the review of
159 environmental reports; (7) claims for lease payments or access payments during
160 remediation; (8) claims for reimbursement of business interruption and relocation
161 costs; and (9) claims for reimbursement of costs associated with the
162 management of contaminated soil and groundwater remaining on the property
163 after remediation.

164

165 Q. What does the Company do with any income which it realizes in
166 connection with a property which it has acquired under the circumstances
167 described above?

168 A. In the event that the Company realizes income on a property which it has
169 acquired (through sale, lease or otherwise), it credits the income back to the
170 ratepayer under Rider 11.

171 Q. Does Company incur costs in connection with environmental activities that
172 it does not recover under Rider 11?

173 A. Yes. The in-house environmental engineers, attorneys and regulatory
174 personnel of WBS, North Shore's corporate affiliate, are actively involved in the
175 Company's environmental activities. The Company incurs costs for wages or
176 salaries of these employees in connection with their environmental-related
177 activities. These costs are not "incremental costs" under Rider 11, and therefore
178 are not recoverable by the Company under Rider 11.

179 Q. Please describe Company's NSG Exhibit 1.1.

180 A. Company's NSG Exhibit 1.1 includes North Shore's verified report
181 regarding its Incremental Costs of Environmental Activities, which was filed with
182 the Illinois Commerce Commission on February 12, 2024 pursuant to the
183 Commission's Order dated November 8, 1991 in Docket 91-0010 and Section D
184 of Rider 11 of the Company's Schedule of Rates. Company's NSG Exhibit 1.1
185 details the incremental costs of environmental activities that Company incurred
186 during the quarter ended December 31, 2023, during Fiscal Year 2023, and
187 cumulative through December 31, 2023. Also included in Company's NSG
188 Exhibit 1.1 is the related certification by North Shore's independent public

189 accountant, Deloitte & Touche, LLP, as required by the Company's Rider 11.

190 Page 7 of Company's NSG Exhibit 1.1 consists of a "Statement of Activity
191 in Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2023,
192 Fiscal Year 2023, and Cumulative Through December 31, 2023." Line 1 of
193 Column C shows that Company had a balance at the beginning of Fiscal Year
194 2023 in Account 182.3 of \$4,237,164.20 which represents environmental costs
195 incurred prior to Fiscal Year 2023 and which had yet to be recovered. Line 4 of
196 Column C represents increase of \$2,476,608.58 which was incurred during
197 Fiscal Year 2023 as explained later in my testimony. Line 7 of Column C
198 represents a decrease to the account of \$4,473,113.64 that was recovered from
199 ratepayers during Fiscal Year 2023 through operation of Rider 11. Line 17 of
200 Column C represents the Fiscal 2023 Year-end balance in the account of
201 \$2,201,659.30. This balance will remain in the account until offset by future
202 Settlement Fund recoveries or until recovered through rates.

203 Page 8 of Company's NSG Exhibit 1.1 consists of a "Statement of Activity
204 in the Settlement Fund, Quarter Ended December 31, 2023, Fiscal Year 2023
205 and Cumulative Through December 31, 2023."

206 Page 9 consists of a "Summary of Incremental Costs, Quarter Ended
207 December 31, 2023, Fiscal Year 2023, and Cumulative through December 31,
208 2023." Column D shows the Fiscal Year 2023 a total of \$2,476,608.58 shown in
209 Line 11, broken down by site credits and costs, or by other category for those
210 costs and credits that are not attributable to a specific site.

211 Q. Please describe the Settlement Fund.

212 A. On February 26, 1999, the Commission, in Docket R-18957, granted
213 North Shore's Request for Special Permission to revise Rider 11 to add

214 provisions relating to amounts received from insurance carriers or other entities
215 in settlement of the Company's claims where the payments apply to future costs.
216 The occasion for the Company's filing was the receipt of a substantial payment
217 by an insurance carrier in settlement of claims made in a pending lawsuit. The
218 Commission approved North Shore's proposal to establish a settlement fund to
219 identify and track the amounts arising from settlements with insurance carriers or
220 other entities that are available to pay costs otherwise recoverable under Rider
221 11. Beginning with incremental costs incurred in December 1998, 50% of such
222 costs are recovered through the settlement fund and 50% through Rider 11.

223 Q. Did any Settlement Fund recoveries occur during Fiscal Year 2023?

224 A. There was a total of \$38,999.84 of Settlement Fund recoveries during
225 2023 as a result of insurance settlements.

226 Q. Company's NSG Exhibit 1.1 shows that during Fiscal Year 2023,
227 Company incurred a total of \$257,007.01 in incremental costs for environmental
228 activities related to the North Plant. Please describe the activities that resulted in
229 North Shore incurring incremental costs related to the North Plant during Fiscal
230 Year 2023.

231 A. These incremental costs are primarily attributable to investigation activities
232 performed by the Company's outside environmental consultants. In addition, a
233 payment was made to the USEPA. Costs were also incurred for real estate
234 taxes accrued on the property previously purchased under the Rider prior to
235 October 1, 2005 and for paying the surety to meet the financial assurance
236 requirements under USEPA orders.

237 Q. Company's NSG Exhibit 1.1 shows that during Fiscal Year 2023,
238 Company incurred a total of \$42,960.76 associated with environmental activities

239 related to the Waukegan Coke Plant. Please describe the activities that resulted
240 in North Shore incurring incremental costs related to the Waukegan Coke Plant
241 during Fiscal Year 2023.

242 A. These incremental costs were primarily incurred for paying the surety to
243 meet the financial assurance requirements under USEPA orders and for
244 monitoring activities performed by the Company's outside environmental
245 consultants. In addition, a payment was made to the USEPA. Offsetting these
246 costs was a reimbursement from a surety bond that General Motors ("GM")
247 posted for ½ share of costs incurred under a Consent Decree. The Company
248 continues to expect to be reimbursed for GM's ½ share from the surety bond
249 funds.

250 Q. Company's NSG Exhibit 1.1 shows that during Fiscal Year 2023,
251 Company incurred a total of \$2,126,819.25 in incremental costs for
252 environmental activities related to the South Plant. Please describe the activities
253 that resulted in North Shore incurring incremental costs related to the South Plant
254 during Fiscal Year 2023.

255 A. Costs were incurred primarily in connection with investigation and
256 remediation activities performed by the Company's outside environmental
257 consultants as well as a payment under a settlement agreement with Waukegan
258 Port District. In addition, a payment was made to the USEPA. Costs were also
259 incurred for paying the surety to meet the financial assurance requirements
260 under USEPA orders. Additional costs were incurred for real estate taxes
261 accrued on the property previously purchased under the Rider prior to October 1,
262 2005..

263 Q. Were there any Insurance-Related Costs and Recoveries during Fiscal

264 Year 2023?

265 A. Yes, there were insurance-related recoveries during 2023. The Company
266 received two payments totaling \$175,396.41 from an Home Insurance &
267 Westchester Fire Insurance Co Trust. The payment resulted from a negotiated
268 claim settlement concerning the Company's MGP sites. \$123,499.51 of the net
269 payment represents the recovery of past costs incurred by the Company. The
270 \$38,999.84 remainder of the settlement representing future costs was applied to
271 the Settlement Fund.

272 Q. Company's NSG Exhibit 1.1, page 9, Column D, Line 9 shows that during
273 Fiscal Year 2023, Company incurred \$17,101.14 of General and Unallocated
274 Costs under Rider 11 for environmental activities. Please describe the activities
275 that gave the General and Unallocated Costs.

276 A. The General and Unallocated Costs reflected in NSG Exhibit 1.1 were
277 primarily incurred for miscellaneous charges.

278 Q. According to Company's NSG Exhibit 1.1, Company incurred \$156,219.93
279 in Carrying Charges. Please explain.

280 A. Pursuant to Company's Rider 11 and the Commission's Order on Remand
281 in Consolidated Dockets 91-0080, *et al.*, Company is entitled to recover carrying
282 charges on its unrecovered balance of incremental costs of environmental
283 activities. The amount represents the cost of carrying amounts in the deferred
284 account before recovery through the Settlement Fund and application of the
285 adjustments determined under Rider 11. The \$156,219.93 was calculated and
286 recorded pursuant to Rider 11.

287 Q. In the Initiating Order for this proceeding, the Commission ordered the
288 Company to include as part of its filing cumulative totals of recoveries by

289 customer class. Has the Company provided this data?

290 A. Yes. Company's NSG Exhibit 1.2 presents by customer class. Note, to
291 better align Rider 11 recoveries with the appropriate North Shore Gas tariffs,
292 customer categories are divided as follows: Small Residential served as Service
293 Classification 1, Small Commercial and Industrial ("Small C&I"), served as
294 Service Classifications 2 and 8, and Large Commercial and Industrial ("Large
295 C&I") served under Service Classification 4. The cumulative total of recoveries
296 through rates of \$93,261,223.36 is summarized in Line 7, Column D, Page 7 of
297 NSG Exhibit 1.1.

298 Q. In Ordering Paragraph No. (8) in the Final Order entered in Docket No. 04-
299 0111, the Commission directed the Company to provide information in its direct
300 testimony regarding the status of all properties for which purchase costs were
301 previously recovered through Rider 11. Has the Company provided this data?

302 A. Yes. Company's NSG Exhibit 1.3 presents all land acquisitions for
303 environmental remediation purposes that were made prior to October 1, 2005
304 and for which recovery was allowed under Rider 11.

305 Q. Once again, since October 1, 2005, has the Company made any
306 additional land acquisitions for environmental remediation purposes?

307 A. No.

308 Q. How does the Company plan to treat any costs associated with land
309 acquisitions for environmental remediation purposes incurred after October 1,
310 2005?

311 A. Pursuant to the Commission's Order, as outlined in Ordering Paragraph
312 No. 6 in the Final Order entered in Docket 04-0111, if any land purchases are
313 made, any costs associated with land acquisitions for environmental remediation

314 purposes shall be treated as a rate base asset in a rate case.

315 Q. In the Initiating Order for this proceeding the Commission ordered the
316 Company to provide notice of its filing in the manner that notice be made for a
317 general rate increase prescribed under Part 255 of the Illinois Administrative
318 Code. Will the Company comply with those filing requirements?

319 A. Yes.

320 Q. Does this conclude your direct testimony?

321 A. Yes, it does.

February 12, 2024

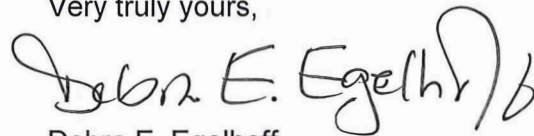
Ms. Stephanie Cook
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Dear Ms. Cook:

Pursuant to the Commission's Order dated November 8, 1991 in Docket 91-0010, Special Permission No. R-18957 dated February 26, 1999 and Section D of Rider 11 of the Company's Schedule of Rates (Ill. C. C. No. 17) for Gas Service, the Company hereby files the enclosed verified report regarding its Incremental Costs of Environmental Activities for the quarter ended December 31, 2023.

Enclosed is an additional copy of this letter for your convenience in acknowledging receipt.

Very truly yours,



Debra E. Egelhoff
Manager, State Regulatory
Compliance & Advocacy

Enclosure

North Shore Gas Company
Report To Illinois Commerce Commission
With Respect To Operation Of Rider 11, Adjustment
For Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2023
And Fiscal Year 2023

North Shore Gas Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2023 And Fiscal Year 2023

This report addresses the operation of the Company's Rider 11, Adjustment For Incremental Costs of Environmental Activities, during the quarter ended December 31, 2023, and during Fiscal Year 2023.

Section D of the Company's Rider 11, Adjustment for Incremental Costs of Environmental Activities, requires that the Company file quarterly reports with the Commission. Rider 11 further requires that each such report contain: a statement of activity in the Deferred Account for the quarter and for the fiscal year through the quarter; a statement of activity in the Settlement Fund for the quarter and for the fiscal year through the quarter; a statement of adjustments that were terminated during the quarter; a summary of the incremental costs incurred during the quarter and for the fiscal year through the quarter; and a description of the environmental activities in which the Company was involved during the quarter. Cumulative incremental costs and recoveries through December 31, 2023 are also included in these reports.

Statement Of Activity In The Deferred Account

Under its Rider 11, the Company recorded \$708,253.90 in the Deferred Account during the quarter ended December 31, 2023, the fourth quarter of fiscal 2023. This amount represents the incremental costs that were incurred in connection with the environmental activities that were conducted by the Company during the quarter ended December 31, 2023.

During the quarter ended December 31, 2023, the Company recognized \$942,103.95 in revenues arising from the application of the adjustments determined under Rider 11.

Page 6 of this report presents the "Statement Of Activity In Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2023, Fiscal Year 2023 And Cumulative Through December 31, 2023".

Statement of Activity in Settlement Fund

On February 26, 1999, the Commission approved the changes in Rider 11, including the establishment of the Settlement Fund, by Special Permission No. R-18957. The revision to the rider provides that the lesser of 50% of the incremental costs incurred or the Settlement Fund balance are recovered monthly through the Settlement Fund. At December 31, 2022 the Settlement Fund balance was \$0.00. In the fourth quarter 2023, the Company received money as a result of insurance settlements. All transactions were recorded after income taxes. All settlements received by the Company were completely depleted as of December 31, 2023, which results from a deduction of \$27,882.94, a portion (less than 50%) of the quarter's net incremental costs less income tax benefits.

North Shore Gas Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2023 And Fiscal Year 2023

Page 7 of this report presents the “Statement of Activity in the Settlement Fund, Quarter Ended December 31, 2023, Fiscal Year 2023 And Cumulative Through December 31, 2023”.

Summary Of Incremental Costs

The Company experienced \$708,253.90 in incremental costs relative to the environmental activities that were conducted during the quarter ended December 31, 2023. Of this amount, \$51,986.32 is attributable to North Plant; \$19,470.09 is attributable to the former Waukegan Coke Plant; \$715,264.53 is attributable to South Plant; a credit of \$123,499.51 is attributable to Insurance Related Costs and Recoveries; \$7,805.75 is attributable to General and Unallocated Costs; and \$37,226.72 is attributable to Carrying Charges. A pre-tax credit of \$38,999.84 representing recovery from the Settlement Fund, a portion of net incremental costs, excluding carrying charges, is also shown on this summary.

Page 8 of this report presents the "Summary Of Incremental Costs, Quarter Ended December 31, 2023, Fiscal Year 2023 And Cumulative Through December 31, 2023".

Description Of Environmental Activities

North Plant:

During the quarter ended December 31, 2023, the Company incurred \$51,986.32 in incremental costs associated with the environmental activities that were conducted relative to North Plant. Costs were primarily incurred for investigation activities performed by the Company’s outside environmental consultants. Additional costs were incurred for real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005 and for paying the surety to meet the financial assurance requirements under USEPA orders.

Waukegan Coke Plant:

During the quarter ended December 31, 2023, the Company incurred \$19,470.09 in incremental costs associated with the environmental activities that were conducted relative to the Waukegan Coke Plant. Costs were incurred for paying the surety to meet the financial assurance requirements under USEPA orders and for monitoring activities performed by the Company’s outside environmental consultants. Offsetting these costs was a reimbursement from a surety bond that General Motors (“GM”) posted for ½ share of costs incurred under a Consent Decree. The Company continues to expect to be reimbursed for GM’s ½ share from the surety bond funds.

North Shore Gas Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2023 And Fiscal Year 2023

South Plant:

During the quarter ended December 31, 2023, the Company incurred \$715,264.53 in incremental costs associated with the environmental activities that were conducted relative to South Plant. Costs were primarily incurred for remediation activities performed by the Company's outside environmental consultants and for paying the surety to meet the financial assurance requirements under USEPA orders. Additional costs were incurred for real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005.

Insurance Related Costs and Recoveries

During the quarter ended December 31, 2023, the Company received a net payment of \$162,499.35 from an insurance carrier. The payment is the result of a negotiated settlement claim for remediation work on the Company's environmental sites. \$123,499.51 of the net payment represents the recovery of past costs incurred by the Company. The \$38,999.84 remainder of the settlement was for future costs and applied to the Settlement Fund.

General and Unallocated Costs:

During the quarter ended December 31, 2023, the Company incurred \$7,805.75 in general and unallocated costs which are not associated with any one particular site. The costs were incurred for miscellaneous charges.

Carrying Charges:

During the quarter ended December 31, 2023, the Company incurred \$37,226.72 in carrying charges. This amount represents the cost of carrying amounts in the deferred account before recovery through the Settlement Fund and application of adjustments determined under Rider 11.

Cost Recoveries from Settlement Fund

During the quarter ended December 31, 2023, the Company recovered \$38,999.84 before income taxes through the Settlement Fund. This amount represents a portion (less than 50%) of the net incremental costs, excluding carrying charges, incurred by the Company for the quarter ended December 31, 2023. The Settlement Fund was completely depleted as of December 31, 2023.

North Shore Gas Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2023 And Fiscal Year 2023

Adjustments:

Page 9 of this report presents the “Adjustments Under Rider 11 Terminated During Quarter Ended December 31, 2023”. Three adjustments were terminated during the quarter ended December 31, 2023.

NORTH SHORE GAS COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS
QUARTER ENDED DECEMBER 31, 2023, FISCAL YEAR 2023, AND
CUMULATIVE THROUGH DECEMBER 31, 2023

Line No.	Description (A)	Quarter Ended 12/31/2023 (B)	Fiscal Year 2023 (C)	Cumulative Through 12/31/2023 (D)
1	Balance at Beginning of Period	\$ 2,474,509.19	\$ 4,237,164.20	\$ -
2	Plus Costs Incurred:			
3	Quarter (Page 8, Line 11, Col. C)	708,253.90	-	-
4	Fiscal Year (Page 8, Line 11, Col. D)	-	2,476,608.58	-
5	Cumulative (Page 8, Line 11, Col. E)	-	-	104,070,297.66
6	Sub-total	\$ 3,182,763.09	\$ 6,713,772.78	\$ 104,070,297.66
7	Less Costs Recovered Through Rates	942,103.95	4,473,113.64	93,261,223.36
8	Less Recovery Through Settlement Fund:			
9	Quarter (Page 8, Line 13, Col. C)	38,999.84	-	-
10	Fiscal Year (Page 8, Line 13, Col. D)	-	38,999.84	-
11	Cumulative (Page 8, Line 13, Col. E)	-	-	8,610,828.50
12	Add Settlement Fund Adjustment			
13	to Incremental Costs: (1)			
14	Quarter (Page 8, Line 15, Col. C)	-	-	-
15	Fiscal Year (Page 8, Line 15, Col. D)	-	-	-
16	Cumulative (Page 8, Line 15, Col. E)	-	-	3,413.50
17	Balance at End of Period	\$ <u>2,201,659.30</u>	\$ <u>2,201,659.30</u>	\$ <u>2,201,659.30</u>

(1) Adjustments reflect correction to November 2006 filing on Deferred Account for Incremental Costs of Environmental Activities.

NORTH SHORE GAS COMPANY
STATEMENT OF ACTIVITY IN THE SETTLEMENT FUND
QUARTER ENDED DECEMBER 31, 2023, FISCAL YEAR 2023 AND
CUMULATIVE THROUGH DECEMBER 31, 2023

Line No.		Quarter Ended 12/31/2023	Fiscal Year 2023	Cumulative Through 12/31/2023
1	Balance at Beginning of Period	\$ -	\$ -	\$ -
2	Add: Settlements with insurance carriers			
3	Or other entities (after tax)	27,882.94	27,882.94	4,166,560.80
4	Deduct: 50% of the amount available for net			
5	incremental costs, Less income tax benefit (See note)	27,882.94	27,882.94	5,198,585.23
6	Add: Interest (after-tax)	<u>-</u>	<u>-</u>	<u>1,032,024.43</u>
7	Balance at end of period	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Note:	Incremental costs, excluding carrying charges	\$ 794,526.69	\$ 2,495,785.06	\$ 100,603,917.58
	Less: Incremental costs recovered from insurance carriers or other entities for past costs	<u>175,396.41</u>	<u>175,396.41</u>	<u>8,815,426.14</u>
	Net incremental costs	<u>\$ 619,130.28</u>	<u>\$ 2,320,388.65</u>	<u>\$ 91,788,491.44</u>
	50% of net incremental costs	\$ 309,565.14	\$ 1,160,194.33	\$ 45,894,245.73
	Less: Amount not available from fund	<u>270,565.30</u>	<u>1,121,194.49</u>	<u>37,283,417.23</u>
	Amount to recover through settlement fund	38,999.84	38,999.84	8,610,828.50
	Less: Income tax benefit calculated at State and Federal Rate of 39.667% through 12-31-04	-	-	2,251,501.03
	Less: Income tax benefit calculated at State and Federal Rate of 39.745% through 12-31-10	-	-	1,057,689.82
	Less: Income tax benefit calculated at State and Federal Rate of 41.175% through 12-31-14	-	-	60,291.72
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 40.0375%	-	-	22,568.72
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 41.17500%	-	-	-
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 28.50500% **	<u>11,116.90</u>	<u>11,116.90</u>	<u>20,191.98</u>
	Total	<u>\$ 27,882.94</u>	<u>\$ 27,882.94</u>	<u>\$ 5,198,585.23</u>

**Effective January 1, 2018 @ 28.50500%

NORTH SHORE GAS COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
SUMMARY OF INCREMENTAL COSTS (1)
QUARTER ENDED DECEMBER 31, 2023, FISCAL YEAR 2023 AND
CUMULATIVE THROUGH DECEMBER 31, 2023

Line No.	Site or Other Category of Costs (A)	Recorded in GL Account (B)	Quarter Ended 12/31/2023 (C)	Fiscal Year 2023 (D)	Cumulative Through 12/31/2023 (E)
1	Deerfield Station	182021088	\$ -	\$ -	\$ 410.00
2	North Plant	182021088	51,986.32	257,007.01	37,873,822.87
3	Waukegan Coke Plant	182021088	19,470.09	42,960.76	30,519,936.22
4	South Plant	182021088	715,264.53	2,126,819.25	27,050,375.92
5	Spring Street	182021088	-	-	29,382.00
6	Waukegan Tar Pit	182021088	-	-	1,745,092.98
7	Community Relations Program	182021088	-	-	147,722.62
8	Insurance-Related Costs and Recoveries	182021088	(123,499.51)	(123,499.51)	1,442,296.73
9	General and Unallocated Costs	182021088	7,805.75	17,101.14	1,102,658.85
10	Carrying Charges	182021085	<u>37,226.72</u>	<u>156,219.93</u>	<u>4,158,599.47</u>
11	Total		\$ 708,253.90	\$ 2,476,608.58	\$ 104,070,297.66
12	Less: Recovery from				
13	Settlement Fund (Page 7, Note)	182021088	38,999.84	38,999.84	8,610,828.50
14	Add: Settlement Fund Adjustment				
15	to Incremental Costs (2)	182021088	<u>-</u>	<u>-</u>	<u>3,413.50</u>
16	Net Total after Settlement				
17	Fund recovery		<u>\$ 669,254.06</u>	<u>\$ 2,437,608.74</u>	<u>95,462,882.66</u>

- (1) Recorded in Account 182.3, Other Regulatory Assets
(2) Adjustments reflect correction to November 2006 filing on Deferred Account for Incremental Costs of Environmental Activities.

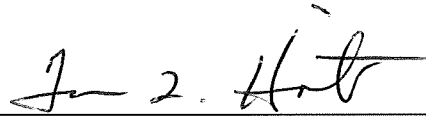
NORTH SHORE GAS COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
ADJUSTMENTS UNDER RIDER 11 TERMINATED
DURING QUARTER ENDED DECEMBER 31, 2023

Adjustments Effective Beginning:	Amount Reflected in Determination of Adjustment	Amount Recovered Through Rates	Difference (1)
(A)	(B)	(C)	(D)
October 1, 2022	\$110,896.15	\$100,914.80	\$9,981.35
November 1, 2022	\$120,095.59	\$102,846.51	\$17,249.08
December 1, 2022	\$654,686.35	\$635,897.77	\$18,788.58

(1) Maintained in deferred account for inclusion in subsequent determination of an adjustment.

STATE OF ILLINOIS)
)
COUNTY OF COOK) SS

Torrence L. Hinton, being first duly sworn, deposes and says that he is President; that he has read the foregoing Report to the Illinois Commerce Commission with respect to Operation of Rider 11, Adjustment for Incremental Costs of Environmental Activities, for the Quarter ended December 31, 2023 and knows the contents thereof; and that the facts therein stated are true to the best of his knowledge, information and belief.



Torrence L. Hinton

SUBSCRIBED and SWORN TO before me this 6 th day of February, 2024.



Notary Public

My Commission Expires:

03/14/2027



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of North Shore Gas Company:

Opinion

We have audited the accompanying Report to the Illinois Commerce Commission on Incremental Costs of Environmental Activities - Statement of Activity in Account 182.3, Other Regulatory Assets and Report to the Illinois Commerce Commission on Incremental Costs of Environmental Activities - Statement of Activity in Settlement Fund (collectively, the "Statements") of North Shore Gas Company (the "Company") for the year ended December 31, 2023.

In our opinion, the Statements referred to above, present fairly, in all material respects, the information set forth therein for the year ended December 31, 2023, in accordance with the financial reporting provisions of Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

The Statements were prepared by the Company on the basis of the financial reporting provisions of Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Statements

Management is responsible for the preparation and fair presentation of the Statements in accordance with the financial reporting provisions of Section D of the Company's Rider 11, in effect and on file with the Illinois Commerce Commission, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of the Company and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Milwaukee, Wisconsin
March 29, 2024

NSG Exhibit 1.2 23-0801 North Shore Gas Company
Rider 11 Recoveries by Customer Class

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
1992*	*	*	*	\$ 956,618.10
1993	\$ 1,282,820.57	\$ 520,192.97	\$ 364,106.51	2,167,120.05
1994	299,109.89	126,095.69	95,615.96	520,821.54
1995	123,542.80	52,345.34	44,950.94	220,839.08
1996	958,269.31	331,261.11	300,527.92	1,590,058.34
1997	743,062.64	226,488.21	188,312.77	1,157,863.62
1998	313,348.16	143,357.79	111,817.03	568,522.98
1999	622,909.61	265,879.75	134,276.44	1,023,065.80
2000	324,760.56	141,893.43	76,543.00	543,196.99
2001	558,422.52	209,746.82	106,872.82	875,042.16
2002	459,531.44	194,433.32	78,774.52	732,739.28
2003	501,797.63	208,355.24	93,451.40	803,604.27
2004	720,937.61	335,091.52	122,394.29	1,178,423.42
2005	1,101,550.70	544,639.21	216,824.66	1,863,014.57
2006	1,227,311.57	624,514.86	213,450.29	2,065,276.72
2007	1,167,108.43	592,805.30	183,947.60	1,943,861.33
2008	2,824,845.19	1,474,805.58	515,571.29	4,815,222.06
2009	3,598,662.31	1,819,515.77	562,401.99	5,980,580.07
2010	4,729,010.76	2,462,880.04	787,295.96	7,979,186.76
2011	3,552,176.84	1,814,878.14	577,418.87	5,944,473.85
2012	(238,641.87)	(167,415.92)	(63,826.97)	(469,884.76)
2013	1,211,314.44	544,018.10	269,292.33	2,024,624.87
2014	9,550,377.41	4,594,460.42	2,660,409.99	16,805,247.82
2015	6,019,785.98	2,904,204.69	1,666,142.66	10,590,133.33
2016	890,528.66	443,747.14	301,267.68	1,635,543.48
2017	<u>590,459.57</u>	<u>133,512.92</u>	<u>587,188.38</u>	<u>1,311,160.87</u>
Total	<u>\$ 43,133,002.73</u>	<u>\$ 20,541,707.44</u>	<u>\$ 10,195,028.33</u>	<u>\$ 74,826,356.60</u>

NSG Exhibit 1.2 23-0801 North Shore Gas Company
Rider 11 Recoveries by Customer Class

	<u>Small Residential</u>	<u>Small C&I</u>	<u>Large C&I</u>	<u>Total</u>
2018	\$802,169.29	\$288,578.58	\$248,875.86	\$1,339,623.73
2019	\$547,299.67	\$306,707.41	\$144,864.88	\$998,871.96
2020	\$1,215,210.29	\$652,585.41	\$374,247.64	\$2,242,043.34
2021	\$1,506,484.83	\$822,433.07	\$431,881.46	\$2,760,799.36
2022	\$3,574,683.40	\$2,034,146.87	\$1,011,584.46	\$6,620,414.73
2023	\$2,462,387.46	\$1,411,537.03	\$599,189.15	\$4,473,113.64
			Total	\$93,261,223.36

Small Residential: Service Classification Number 1

Small C&I (Commercial and Industrial): Service Classification Number 2 and Service Classification 8

Large C&I (Commercial and Industrial): Service Classification Number 4

Property Acquired in Fiscal Year	Property Description	PIN's	Current Ownership/Lease
2002	South Plant - Alloy Parcel	08-21-421-030-	NSG Owns
2003	South Plant - McKinney	08-21-421-027-	NSG Owns
	North Plant	08-15-300-030 08-15-300-021	NSG Owns

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
North Shore Gas Company)	
)	Docket No. 23-0801
)	
)	
)	
Reconciliation of revenues)	
collected under coal tar riders)	
with prudent costs associated with)	
coal tar clean-up expenditures)	

NOTICE OF FILING AND CERTIFICATE OF SERVICE

I hereby certify that North Shore Gas Company filed its **Direct Testimony and Exhibits** on the Illinois Commerce Commission’s e-docket system and served by electronic mail upon each person designated in the official service list compiled in this proceeding, Docket No. 23-0801, in accordance with requirements of the Commission’s Rules of Practice.

Dated at Chicago, Illinois, this 29th day of March, 2024.

By: /S/ KOBY BAILEY

Koby Bailey
An Attorney for
North Shore Gas
Company