

**North Shore Gas Company**

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

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**Rider 2**

**Gas Charge**

**Applicable to All Service Classifications and  
Riders FST, SST, SST-T, P, P-T, CFY and AGG**

The Gas Charge, applicable to all service classifications and to Riders FST, SST, SST-T, P, P-T, CFY, and AGG, shall be determined in accordance with the provisions of this rider.

**Section A - Applicability**

Each month the Company shall determine the Gas Charge to be placed into effect with service rendered on and after the first day of the following month.

A general description for each Gas Charge and its applicability shall be as follows. The monthly charge for each Gas Charge shall be determined in accordance with Section F.

**Gas Charge**

<b>Factor</b>	<b>Description</b>
<b>GC</b>	<b>Gas Charge</b> - The sum of Factor CGC and Factor NCGC.
<b>CGC</b>	<b>Commodity Gas Charge</b> - A commodity related, per therm, gas cost recovery mechanism applied to all Company-supplied therms delivered or estimated to be delivered.
<b>NCGC</b>	<b>Non-Commodity Gas Charge</b> - A non-commodity related, per therm, gas cost recovery mechanism applied to all Company-supplied therms delivered or estimated to be delivered.
<b>DGC</b>	<b>Demand Gas Charge</b> - A non-commodity related, per demand therm, gas cost recovery mechanism applied to the contracted backup levels of transportation customers served under Riders FST and SST-T. This charge is the backup level based counterpart to the NCGC. Revenues arising through the application of this charge will be credited to the Factor NCGC.
<b>ABGC</b>	<b>Aggregation Balancing Gas Charge</b> – a non-commodity related, per therm, gas cost recovery mechanism applied to all therms delivered or estimated to be delivered by the Company to customers served under Rider CFY. This charge is equivalent to the NCGC less any costs not associated with balancing or storage. Revenues arising through the application of this charge will be credited to the Factor NCGC. The ABGC shall be determined monthly through the Filing Month of March, 2012, and be applicable to customers served under Rider CFY until April 30, 2012.

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130 East Randolph Drive, Chicago, Illinois 60601**

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**Section A – Applicability - continued**

**Gas Charge**

**Factor Description**

**SGC**      **Storage Gas Charge** – a non-commodity storage related, per therm of storage capacity, gas cost recovery mechanism applied to all storage capacity therms allocated to or subscribed by customers served under Riders CFY and SST. Revenues arising through the application of this charge will be credited to the Factor NCGC. The SGC shall be determined monthly with the initial SGC to be effective May 1, 2012.

A monthly report, in a format designated by the Commission postmarked by the twentieth day of the Filing Month, shall show determinations of the Gas Charge for the following Effective Month. A monthly report postmarked after that date but prior to the first day of the Effective Month will be submitted only if it corrects an error or errors from a timely filed report for the same Effective Month. Any other report postmarked after that date will be submitted only as a special permission request under the provisions of Section 9-201(a) of the Public Utilities Act.

**Section B - Definitions**

**Base Period** shall mean the Effective Month or the remaining months in the Reconciliation Year which includes the Effective Month.

**Effective Month** shall mean the month following the Filing Month, during which the Gas Charge will be in effect.

**Filing Month** shall mean the month in which the Gas Charge is determined by the Company and submitted to the Commission.

**Gas Used By the Company** shall mean all gas used by the Company except gas utilized in the manufacture of gas through a reforming process, and shall include gas furnished to municipalities or other governmental authorities without reimbursement in compliance with franchise, ordinance or similar requirements.

**Reconciliation Year** shall mean the 12-month period ending December 31, for which actual gas costs and associated revenues are to be reconciled as provided in Section G of this rider.

**System Average Cost of Gas** shall mean the weighted average cost per therm of gas estimated to be purchased, withdrawn from storage, and manufactured during the Base Period or Reconciliation Year.

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**Section C - Cost Basis**

Each Gas Charge shall represent the Company's estimate of recoverable gas costs (as prescribed in Section D) to be incurred during the Base Period, with an adjustment to such costs through use of Adjustment Factors (as prescribed in Sections E, F and G). Any Gas Charge established to recover commodity gas costs (separately or in conjunction with non-commodity gas costs) shall use an estimate of the recoverable costs to be incurred during the Effective Month. Any Gas Charge established to recover only non-commodity gas costs shall use an estimate of the recoverable costs to be incurred during the remaining months of the Reconciliation Year.

**Section D - Recoverable Gas Costs**

- (a) Costs recoverable through the Gas Charge shall include the following:
- (1) Costs of natural gas and any solid, liquid or gaseous hydrocarbons purchased for injection into the gas stream or purchased as feedstock or fuel for the manufacture of gas, or delivered under exchange agreements;
  - (2) Costs for storage services purchased;
  - (3) Transportation costs related to such natural gas and any solid, liquid or gaseous hydrocarbons and any storage services; and
  - (4) Other out-of-pocket direct non-commodity costs, related to hydrocarbon procurement, transportation, supply management, or price management, net of any associated proceeds, and Federal Energy Regulatory Commission approved charges required by pipeline suppliers to access supplies or services described in subsections (a)(1) through (3) of this Section.
- (b) Determinations of the Gas Charge shall exclude the actual cost of gas to be used by the Company. Gas Used By the Company will be provided for by purchasing supplies separately from supplies purchased for customers.
- (c) The cost of gas estimated to be withdrawn from storage during the Base Period shall be included in the Gas Charge.
- (d) Recoverable gas costs shall be offset by the revenues derived from transactions at rates that are not subject to the Gas Charge if any of the associated costs are recoverable gas costs as prescribed by subsection (a) of this Section. This subsection shall not apply to transactions subject to rates contained in tariffs on file with the Commission, or in contracts entered into pursuant to such tariffs, unless otherwise specifically provided for in the tariff.

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**Section D - Recoverable Gas Costs - continued**

- (e) Revenues from penalty charges or imbalance charges, which the Commission has previously approved to prevent unauthorized actions of customers, shall offset gas costs.
- (f) Revenues arising from gas sold by the Company pursuant to provisions in Riders AGG, FST, SST, SST-T, P and P-T shall offset recoverable gas costs. Costs arising from gas purchased by the Company pursuant to provisions in Riders AGG, FST, SST, SST-T, P and P-T shall be treated as gas costs recoverable under this Section.

**Section E - Adjustments to Gas Costs**

- (a) The Adjustment Factor (Factor A) shall be treated as an addition to or an offset against actual gas costs. This Adjustment Factor shall include the total of the following items:
  - (1) Refunds, directly billed pipeline surcharges, unamortized balances of adjustments in effect as of the Company's implementation date, and other separately designated adjustments;
  - (2) The difference between actual recoverable gas costs and gas cost recoveries for the months preceding the Filing Month; and
  - (3) The unamortized portion of any Adjustment Factors included in prior determinations of the Gas Charge.
- (b) If the Company determines the need to amortize the Adjustment Factor over a period longer than the Base Period, this Adjustment Factor shall be amortized over a period not to exceed 12 months. The Company shall, in the monthly filing in which Factor A is first amortized, include an amortization schedule showing the Adjustment Factor amount to be included in the Base Period. The associated carrying charge established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) and in effect when the Adjustment Factor is first amortized shall be applied to each month's unamortized balance and included within Factor A.

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**Section F - Determination of Gas Charge**

(a) Each month the Company shall determine under this Section the Commodity Gas Charge (CGC), Non-Commodity Gas Charge (NCGC), the Demand Gas Charge (DGC), the Aggregation Balancing Gas Charge (ABGC) and the Storage Gas Charge (SGC) to be placed into effect for service rendered during the Effective Month.

(b) Each type of Gas Charge shall be determined in accordance with the following formula:

$$GC = \left[ \frac{G \pm A \pm O}{T} \right] \times 100$$

Where: GC = The Gas Charge for the applicable type of gas cost in cents per therm rounded to the nearest 0.01¢; any fraction of 0.01¢ shall be dropped if less than 0.005¢ or, if 0.005¢ or more, shall be rounded up to the next full 0.01¢.

G = Factor G, as defined for each type of Gas Charge determined by the Company under this Section.

A = Factor A, as defined for each type of Gas Charge determined by the Company under this Section.

O = Factor O, as defined for each type of Gas Charge determined by the Company under this Section including interest charged at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) from the end of the Reconciliation Year to the order date in the reconciliation proceeding. If the Commission determines it is necessary to amortize the additional over or under recovery, additional interest shall be charged in the same manner as that prescribed in subsection (b) of Section E.

T = Factor T, as defined for each type of Gas Charge determined by the Company under this Section.

Determination of Gas Charge (Factor GC):

Factor GC shall be the sum of Factors CGC and NCGC.

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**Section F - Determination of Gas Charge - continued**

Determination of Commodity Gas Charge (Factor CGC):

Factor CGC shall be determined according to the Gas Charge formula as defined in subsection (b) of Section F, and shall utilize a Base Period equal to the Effective Month.

- Where:
- G = The sum of the commodity-related gas costs as specified in subsection (a) through subsection (f) of Section D, less commodity-related costs of gas injected into storage for the Base Period.
  - A = The sum of commodity-related adjustments to gas costs as specified in subsection (a) and subsection (b) of Section E.
  - O = The amount of the over or under recovery of commodity-related gas costs as ordered by the Commission.
  - T = The estimated therms sold by the Company of gas associated with service to be rendered during the Base Period.

Determination of Non-Commodity Gas Charge (Factor NCGC):

Factor NCGC shall be determined according to the Gas Charge formula as defined in subsection (b) of Section F and shall utilize a Base Period equal to the remaining months of the Reconciliation Year, including the Effective Month.

- Where:
- G = The sum of non-commodity-related gas costs estimated for the Base Period as specified in subsection (a) through subsection (f) of Section D. Such costs shall be reduced by the total Demand Gas Charge revenue arising from the application of Factor DGC and the total Aggregation Balancing Gas Charge revenue arising from the application of Factor ABGC and the total Storage Gas Charge revenue arising from the application of Factor SGC.
  - A = The sum of non-commodity-related adjustments to gas costs as specified in subsection (a) and subsection (b) of Section E.
  - O = The amount of the over or under recovery of non-commodity-related gas costs as ordered by the Commission.
  - T = The estimated therms sold by the Company associated with service to be rendered during the Base Period.

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**Section F - Determination of Gas Charge** – continued  
Determination of Demand Gas Charge (Factor DGC):

Factor DGC is applicable to standby gas service as provided in Riders FST and SST-T. Factor DGC shall be determined according to the Gas Charge formula as defined in subsection (b) of Section F and shall utilize a Base Period equal to the remaining months of the Reconciliation Year including the Effective Month.

Where: G = The sum of non-commodity-related gas costs estimated for the Base Period as specified in subsection (a) through subsection (f) of Section D.

A = The sum of non-commodity-related adjustments to gas costs as specified in subsection (a) and subsection (b) of Section E.

O = The amount representing the over or under recovery of non-commodity-related gas costs as ordered by the Commission.

T = System supply design peak day requirements stated in therms multiplied by the number of remaining months in the Reconciliation Year.

Determination of Aggregation Balancing Gas Charge (Factor ABGC):

Until April 30, 2012, Factor ABGC is applicable to all therms delivered or estimated to be delivered to customers by the Company under Rider CFY. Factor ABGC shall be determined according to the Gas Charge formula as defined in subsection (b) of Section F and shall utilize a Base Period equal to the remaining months of the Reconciliation Year, including the Effective Month.

Where: G = The sum of non-commodity-related gas costs estimated for the Base Period as specified in subsection (a) through subsection (f) of Section D, excluding any costs that do not support the Company's storage and balancing services.

A = The sum of non-commodity-related adjustments to gas costs as specified in subsection (a) and subsection (b) of Section E.

O = The amount of the over or under recovery of non-commodity-related gas costs as ordered by the Commission.

T = The estimated therms sold by the Company associated with service to be rendered during the Base Period plus the estimated therms delivered to customers served under Rider CFY during the Base Period.

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**Section F - Determination of Gas Charge – continued**

Determination of Storage Gas Charge (Factor SGC):

Effective May 1, 2012, Factor SGC is applicable to all storage capacity therms allocated to or subscribed by transportation customers served under Riders CFY and SST. Factor SGC shall be determined according to the Gas Charge formula as defined in subsection (b) of Section F and shall utilize a Base Period equal to the remaining months of the Reconciliation Year, including the Effective Month.

- Where:
- G = The sum of non-commodity-related gas costs estimated for the Base Period as specified in subsections (a) through subsection (f) of Section D, excluding any costs that do not support the Company's storage and balancing services.
  - A = The sum of non-commodity-related adjustments to gas costs as specified in subsection (a) and subsection (b) of Section E.
  - O = The amount of the over or under recovery of non-commodity-related gas costs as ordered by the Commission.
  - T = The sum of the total estimated Company storage capacity therms for the Base Period including owned and purchased storage capacity therms.

**Section G - Annual Reconciliation**

- (a) In conjunction with a docketed reconciliation proceeding, the Company shall file with the Commission an annual reconciliation statement, which shall be certified by independent public accountants and verified by a Company officer. This statement shall show the difference between the following:
  - (1) The costs recoverable through the Gas Charge during the Reconciliation Year, as adjusted by Factor A and Factor O, and
  - (2) The revenues arising through the application of the Gas Charge to applicable therms during the Reconciliation Year.
- (b) If, after hearing, the Commission finds that the Company has not shown all costs to be prudently incurred or has made errors in its reconciliation statement for such Reconciliation Year, the difference determined by the Commission shall be refunded or recovered, as appropriate, under the Ordered Reconciliation Factor (Factor O), along with any interest or other carrying charge authorized by the Commission.

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