

**North Shore Gas Company**

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

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**Rider UEA  
Uncollectible Expense Adjustment  
Applicable to Service Classification Nos. 1, 2 and 4**

**Section A – Applicability and Purpose**

The adjustments developed under this rider are applicable to customers taking service from the Company under Service Classification Nos. 1 (separately for Service Classification No. 1 Heating and Non-Heating), 2, and 4.

The purpose of this rider is to provide for monthly adjustments to customer bills for any over- or under-recoveries of the Company's Actual Net Write-Off amount for a reporting year. Such adjustments are based on the incremental difference between the Actual Net Write-Off amount and the Commission-approved Uncollectible Accounts Expense amount included in the Company's base rates, adjusted for any amounts billed under Rider UEA-GC and the POR Amount. This rider operates under Section 19-145 of the Public Utilities Act.

"Sales Customers" are customers who take service solely under a Service Classification and do not also take transportation service under Rider CFY, FST or SST.

"Transportation Customers" are customers who take service under a Service Classification and under Rider CFY, FST or SST and, as used in this rider, excludes POR Transportation Customers.

"POR Amount" means an amount reserved through the application of the discount factors on POR Supplier Charges under Rider POR of this rate schedule.

"POR Supplier Charges" means charges for which the Company purchased receivables under Rider POR of this rate schedule.

"POR Transportation Customers" means customers included in an LDC POR Billing Option Pool, as those terms are defined in Rider POR of this rate schedule.

\* **Section B – Description of Incremental Uncollectible Adjustments**

Adjustment amounts are determined under this rider for delivery service provided under Service Classification Nos. 1 (separately for Service Classification No. 1 Heating and Non-Heating), 2 and 4, and Riders 1, 11, EOA, ICTA, VBA, FCA, GCA, SSC, CFY, FST, SST, AGG, P, gas supply service provided under Rider 2, and POR Supplier Charges. The adjustment amounts for each service type (delivery service, gas supply service for Sales Customers, and POR Supplier Charges for POR Transportation Customers) shall be designated as the IDUA, ISUA and IPUA, respectively, and shall be computed separately for each service classification.

The adjustment applicable to Sales Customers shall be the sum of the IDUA and the ISUA. The adjustment applicable to Transportation Customers shall be the IDUA. The adjustment applicable to POR Transportation

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\* and \*\* **Section B – Description of Incremental Uncollectible Adjustments – continued**

Customers shall be the sum of the IDUA and the IPUA. If there is an insufficient number of Sales or Transportation Customers or POR Transportation Customers in any service classification, the Company may group these customers and adjustment amounts together under a service type for the purposes of determining an adjustment.

The adjustment amounts shall charge or credit customers for the difference between the Actual Net Write-Off amount, as reported in the Company's Form 21 report to the Commission (Form 21) for the reporting year, and the Uncollectible Accounts Expense amount included in the Company's base rates, amounts billed under Rider UEA-GC of this rate schedule, and the POR Amount, that were in effect for such reporting year. The adjustments shall be included in the customer charge component during the following twelve-month effective period, beginning June 1 and extending through May 31.

The "Uncollectible Accounts Expense amount for delivery service included in the Company's base rates" shall be:

1. For the period January 21, 2012, through June 26, 2013: \$491,599;
2. For the period June 27, 2013, through December 31, 2013: \$803,000;
3. For the period January 1, 2014, through January 27, 2015: \$804,000;
4. For the period January 28, 2015, through February 25, 2015: \$498,000; and
5. For the period February 26, 2015, until the date rates filed in a subsequent rate case become effective: \$497,000.

The baseline Uncollectible Accounts Expense amount for gas supply service shall be recovered under Rider UEA-GC of this rate schedule. The baseline Uncollectible Accounts Expense amount for POR Supplier Charges for POR Transportation Customers shall be recovered through the POR Amount.

\* **Section C – Determination of Rate Allocation Factor**

Unless determined otherwise in the Company's base rates, a Rate Allocation Factor (RAF) shall apply if different base rates were in effect during the reporting year and shall be determined as follows:

$$\text{RAF}_{YA} = \frac{\text{BRR}_{YA}}{\text{BRR}_{Y(A+B)}}$$
$$\text{RAF}_{YB} = \frac{\text{BRR}_{YB}}{\text{BRR}_{Y(A+B)}}$$

Where:

Y = Reporting Year

A = The portion of the Reporting Year when base rates at the beginning of the Reporting Year were in effect.

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\* and \*\* **Section C – Determination of Rate Allocation Factor** – continued

- B = The portion of the Reporting Year when base rates at the end of the Reporting Year were in effect.
- BRR = Total Base Rate Revenues, in dollars, equal to the amount booked in the applicable Reporting Year in accordance with the application of base rate charges in effect during such year, and excluding any revenues recovered under Rider UEA-GC and the POR Amount under this rate schedule. If different rates were in effect during a Reporting Year, the BRR value will be expressed separately for the portion of the year that each set of base rates was in effect, and shall be noted as part A or part B.

This Section C illustrates how to determine rate allocation factors when two sets of base rates were in effect during the Reporting Year. If more than two sets of base rates were in effect during the Reporting Year then additional rate allocation factors will be determined for the portion of the Reporting Year that they were in effect.

\* **Section D – Determination and Allocation of Baseline Uncollectible Accounts Expense Amount Reflected in the Company's Base Rates**

Uncollectible Accounts Expense amount for the Reporting Year shall be determined separately for the Company's delivery services, gas supply services and POR Supplier Charges, and shall be designated as DUR, SUR and PUR, respectively. RAF, Y, A, and B shall be as defined in Section C of this rider.

Effective January 21, 2012, the DUR for each Service Classification for each Reporting Year shall be equal to the Commission-approved Uncollectible Accounts Expense amount included in the Company's base rates as defined in Section B of this rider.

If the base rates in effect at the beginning of the Reporting Year were different than the base rates in effect at the end of the Reporting Year, the Uncollectible Accounts Expense amounts set in base rates for each service classification shall be determined as follows:

$$DUR_{Yc} = (BDR_{YAc} \times RAF_{YA}) + (BDR_{YBc} \times RAF_{YB})$$

Where:

BDR = Delivery Service revenues which underlie the determination of Uncollectible Accounts Expense amounts reflected in base rates for the Reporting Year.

C = Service Classification

This Section D illustrates the calculation when two sets of base rates were in effect during the Reporting Year. If more than two sets of base rates were in effect, then additional calculations will be performed for the portion of the Reporting Year that they were in effect.

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\* **Section D – Determination and Allocation of Baseline Uncollectible Accounts Expense Amount Reflected in the Company’s Base Rates – continued**

Effective January 21, 2012, the SUR for each service classification for each Reporting Year shall be equal to the amount billed in the applicable reporting year under Rider UEA-GC of this rate schedule.

The PUR for each service classification for the Reporting Year shall be equal to the POR Amount.

\* **Section E – Allocation of Actual Net Write-Off Amounts Reported in the Company’s Form 21**

The Actual Net Write-Off amounts for delivery services, gas supply services for Sales Customers and POR Supplier Charges for POR Transportation Customers shall be designated as NWODUR, NWOSUR and NWOPUR respectively. Y and C shall be as defined in Sections C and D of this rider.

The Actual Net Write-Off amounts for the delivery service type shall be determined for each service classification by multiplying Actual Net Write-Off amounts by the historical three-year average ratio as follows:

$$NWODUR_{Yc} = 3yr\ Avg \times ANWO_{Yc}$$

The Actual Net Write-Off amounts for each service classification for the gas supply service type shall be determined as follows:

$$NWOSUR_{Yc} = ANWO_{Yc} - NWODUR_{Yc}$$

Where:

$ANWO_{Yc}$  = Actual Net Write-Off Uncollectible Accounts Expense Amount for the Reporting Year.

$3yr\ Avg$  = Historical three-year average ratio of delivery to total revenues.

The Actual Net Write-Off amounts for each service classification for the POR Supplier Charges, NWOPUR, shall be zero until commencement of service under Rider POR.

Effective with the first Rider UEA filing after commencement of service under Rider POR, Actual Net Write-off amounts will be determined and allocated by service classification and service type consistent with the underlying data supporting the Actual Net Write-Off amounts. The Company will provide the Commission with analysis supporting the allocations.

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**Section F – Determination of Incremental Uncollectible Adjustments**

**1. Delivery Service Uncollectible Adjustments**

The delivery service uncollectible adjustment charge or credit for the effective period shall be determined as follows, with Y and C as defined in Sections C and D of this rider:

$$IDUA_{EPc} = \frac{NWODUR_{Yc} - DUR_{Yc}}{Custs_{EPc}} + \frac{RA_c + O_c}{Custs_{EPc}}$$

Where:

$IDUA_{EPc}$  = Incremental Delivery Service Uncollectible Amount, in dollars, rounded to two decimals, applicable to each service classification during the effective period (EP). The IDUA may be modified during an effective period due to reconciliation or Commission ordered adjustment amounts.

$NWODUR_{Yc}$  = Amount determined in Section E of this rider for each service classification.

$DUR_{Yc}$  = Amount determined in Section D of this rider for each service classification.

$Custs_{EPc}$  = Sum of the forecasted number of delivery service customer billing periods for the effective period (EP) for each service classification.

$RA_c$  = Reconciliation Adjustment, in dollars, which shall be determined annually for each service classification by subtracting actual booked IDUA revenues from expected IDUA revenues. Expected IDUA revenues shall be calculated based upon the previous effective period's IDUA adjustment multiplied by forecasted number of delivery service customer billing periods as filed for the prior June 1 through May 31 period. The reconciliation component shall be collected over 9 months, from September through May, and shall be supported by a Commission filing made annually on or before August 31. No reconciliation component shall be included in the June through August period.

$O_c$  = Commission ordered adjustment amount, in dollars, for each service classification, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission for deposits under 83 Ill. Adm. Code 280. Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the IDUA.

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**Section F – Determination of Incremental Uncollectible Adjustments – continued**

**2. Gas Supply Service Uncollectible Adjustments**

The gas supply service uncollectible adjustment charge or credit for the effective period shall be determined as follows, with Y and C as defined in Sections C and D of this rider:

$$ISUA_{EPc} = \frac{NWOSUR_{Yc} - SUR_{Yc}}{Custs_{EPc}} + \frac{RA_c + O_c}{Custs_{EPc}}$$

Where:

$ISUA_{EPc}$  = Incremental Gas Supply Service Uncollectible Amount, in dollars, rounded to two decimals, applicable to each service classification during the effective period (EP). The ISUA may be modified during an effective period due to reconciliation or Commission ordered adjustment amounts.

$NWOSUR_{Yc}$  = Amount determined in Section E of this rider for each service classification.

$SUR_{Yc}$  = Amount determined in Section D of this rider for each service classification.

$Custs_{EPc}$  = Sum of the forecasted number of gas supply service customer billing periods for the effective period (EP) for each service classification.

$RA_c$  = Reconciliation Adjustment, in dollars, which shall be determined annually for each service classification by subtracting actual booked ISUA revenues from expected ISUA revenues. Expected ISUA revenues shall be calculated based upon the previous effective period's ISUA adjustment multiplied by forecasted number of gas supply service customer billing periods as filed for the prior June 1 through May 31 period. The reconciliation component shall be collected over 9 months, from September through May, and shall be supported by a Commission filing made annually on or before August 31. No reconciliation component shall be included in the June through August period.

$O_c$  = Commission ordered adjustment amount, in dollars, for each service classification resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission for deposits under 83 Ill. Adm. Code 280. Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the ISUA.

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**Section F – Determination of Incremental Uncollectible Adjustments – continued**

**3. POR Supplier Charges Uncollectible Adjustments**

The POR Supplier Charges uncollectible adjustment charge or credit for the effective period shall be determined as follows, with Y and C as defined in Sections C and D of this rider:

$$IPUA_{EPc} = \frac{NWOPUR_{Yc} - PUR_{Yc}}{Custs_{EPc}} + \frac{RA_c + O_c}{Custs_{EPc}}$$

Where:

$IPUA_{EPc}$  = Incremental POR Supplier Charges Uncollectible Amount, in dollars, rounded to two decimals, applicable to each service classification during the effective period (EP). The IPUA may be modified during an effective period due to reconciliation or Commission ordered adjustment amounts.

$NWOPUR_{Yc}$  = Amount determined in Section E of this rider for each service classification.

$PUR_{Yc}$  = Amount determined in Section D of this rider for each service classification.

$Custs_{EPc}$  = Sum of the forecasted number of POR Transportation Customers billing periods for the effective period (EP) for each service classification.

$RA_c$  = Reconciliation Adjustment, in dollars, which shall be determined annually for each service classification by subtracting actual booked IPUA revenues from expected IPUA revenues. Expected IPUA revenues shall be calculated based upon the previous effective period's IPUA adjustment multiplied by forecasted number of POR Transportation Customers billing periods as filed for the prior June 1 through May 31 period. The reconciliation component shall be collected over 9 months, from September through May, and shall be supported by a Commission filing made annually on or before August 31. No reconciliation component shall be included in the June through August period.

$O_c$  = Commission ordered adjustment amount, in dollars, for each service classification resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission for deposits under 83 Ill. Adm. Code 280. Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the IPUA.

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**Section G – Informational Filings**

The Company shall file with the Commission annually, on or before May 20, an information sheet that specifies the adjustments to be effective under this rider for the Effective Period. The Company shall file any corrections from a timely filed information sheet on or before the last day of May. Any filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9- 201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)]. “Effective Period” shall mean the period for which the adjustments are calculated, and shall be the period commencing June 1 and ending the following May 31. In conjunction with the reconciliation filing (Section I of this rider), a new Information Sheet may be filed adjusting the then effective charges or credits under this rider for the amount to be reconciled.

**Section H – Annual Audit**

Annually, subsequent to completion of IDUA, ISUA, and IPUA adjustments for a reporting year, the Company shall conduct an internal audit of its costs and recoveries of such costs pursuant to this rider. The internal audit shall determine and test if and to what extent: 1) adjustments recovered or credited through this rider are appropriately calculated pursuant to the provisions of this rider; 2) IDUA, ISUA and IPUA amounts are being properly billed to customers; 3) revenues or credits resulting from application of IDUA, ISUA, and IPUA adjustments are properly recorded in appropriate accounts; 4) the uncollectible costs recovered through this rider are not being recovered through other provisions of this rate schedule; 5) the incremental charge is properly billed; 6) the Actual Net Write-Off amounts are properly recorded and reported in Form 21; 7) the SUR component accurately reflects amounts billed under Rider UEA-GC of this rate schedule for the applicable reporting period; and 8) the PUR component accurately reflects the POR Amount of this rate schedule for the applicable reporting period. The above list of determinations and tests does not limit the scope of the audit. Such internal audit report must be submitted to the Commission in an informational filing, with a copy provided to the Manager of the Staff's Accounting Department, by February 1. Such report must be verified by an officer of the Company.

**Section I – Annual Reconciliation**

The Company shall file a petition annually with the Commission no later than August 31, seeking initiation of an annual reconciliation process. The petition shall include a reconciliation that will compare revenues collected under this rider during the effective period with the expected revenues plus or minus Reconciliation and Commission Ordered Adjustments. Supporting documentation or work papers affecting the information presented in the Company's reconciliation petition shall be provided to the Commission's Accounting Staff at the time of this filing of the reconciliation. In conjunction with the reconciliation filing, a new Information Sheet may be filed adjusting the then effective charges or credits under this rider for the amount to be reconciled. For the 2015 filing, the reconciliation will include the 14 months through May 2015, and thereafter all reconciliations will be for the twelve-month reconciliation period June through May. The reconciling amount from such proceeding (Factor O) shall be recovered in the manner determined by the Commission in the annual reconciliation proceeding.

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**Asterisks not needed; replacing sheet in its entirety.**