

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 3

* **Section A – Applicability and Purpose**

The adjustments developed pursuant to this rider are applicable to customers taking gas service from the Company under Service Classification Nos. 1, 2, and 3.

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 Uncollectible Accounts Expense amounts or the Actual Net Write-Off amount for a reporting year. Such adjustments are based on the incremental difference between actual Uncollectible Accounts Expense or the Actual Net Write-Off amount and the Commission-approved Uncollectible Accounts Expense amounts included in the Company's base rates, adjusted for any amounts billed under Rider UEA-GC. This rider operates pursuant to Section 19-145 of the Public Utilities Act.

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

Adjustment amounts are determined pursuant to this rider for delivery service provided under Service Classification Nos. 1, 2, and 3, and Riders 1, 11, EEP, EOA, VBA, FCA, GCA and SSC; gas supply service provided under Rider 2; and for transportation service provided under Riders CFY, FST, SST, SST-T, AGG, P and P-T. The adjustment amounts for each service type (delivery service, gas supply service, and transportation service) shall be designated as the IDUA, ISUA, and ITUA, respectively, and shall be computed separately for each service classification (C). For adjustments to be effective June 1, 2013 and thereafter, there shall be no adjustment amounts determined for the ITUA and any Reconciliation Adjustment amounts pertaining to the ITUA shall be included in the IDUA.

The adjustments determined under this rider shall be included in the monthly customer charge. The adjustment applicable to sales customers shall be the sum of the IDUA and the ISUA. For adjustments effective prior to June 1, 2013, the adjustment applicable to transportation customers shall be the sum of the IDUA and the ITUA. Effective June 1, 2013, the adjustment applicable to transportation customers shall be the IDUA. If there is an insufficient number of sales or transportation customers in any service classification, the Company may group all customers together under a single service type for the purposes of determining an adjustment.

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* **Section B - Description of Incremental Uncollectible Adjustments - continued**

For the 2009 reporting year, and for subsequent reporting years, the adjustment amounts shall charge or credit customers for the difference between the actual Uncollectible Accounts Expense amounts for Account 904 or the Actual Net Write-Off Amount, as reported in the Company's Form 21 report to the Illinois Commerce Commission (Form 21) for the reporting year, and the Uncollectible Accounts Expense amounts included in the Company's base rates, and amounts billed under Rider UEA-GC of this rate schedule that were in effect for such reporting year. Prior to the 2013 reporting year, the actual Uncollectible Accounts Expense amount for purposes of this rider shall be the amount recorded in Account 904. For the 2013 reporting year and thereafter, the actual Uncollectible Accounts Expense amount for purposes of this rider shall be the Actual Net Write-Off amount for the reporting year. The adjustment shall be applied to the applicable tariff customer charge component during the following twelve-month effective period, beginning June 1 (June 1, 2010 for the 2009 reporting year) and extending through May 31.

The delivery services uncollectible adjustment (IDUA) amount shall be applied to the applicable customer charge component on the monthly bill. The supply services uncollectible adjustment (ISUA) amount shall be applied to the applicable customer charge component for those customers also being billed for the Company's purchased gas supply charges under Rider 2. The transportation uncollectible adjustment (ITUA) amount shall be applied to the applicable customer charge component for those customers also being billed for the Company's transportation programs under Rider CFY, FST, SST or SST-T or being supported by services provided under Rider AGG, P or P-T. Effective June 1, 2013 and thereafter, there shall be no adjustment amounts determined for the ITUA.

The "Uncollectible Accounts Expense amounts included in the Company's base rates" shall be:

1. For the period January 1, 2008, through February 13, 2008: \$814,000;
2. For the period February 14, 2008, through January 27, 2010: \$1,981,000;
3. For the period January 28, 2010 through January 20, 2012: \$1,653,000; and
4. For the period January 21, 2012 until the date rates become effective following the Company's next rate case: \$491,599 which excludes amounts recoverable under Rider UEA-GC.

The "Company's next rate case" means the first rate case that the Company files subsequent to Docket Nos. 11-0280 and 11-0281 (cons.). Effective January 21, 2012, the Uncollectible Accounts Expense amount for gas supply service shall be recovered under Rider UEA-GC of this rate schedule.

* **Section C - Determination of Allocation Factors**

Unless determined otherwise in the Company's base rates, allocation factors shall be used to allocate the Uncollectible Accounts Expense amounts reflected in the Company's base rates and the actual Account 904 Uncollectible Accounts Expense amounts or Actual Net Write-Off amounts, as applicable, reported in the Company's Form 21, for each service classification and for each service type. The allocation factors and their determinations are described below.

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* **Section C - Determination of Allocation Factors - continued**

1. Rate Allocation Factor

A Rate Allocation Factor (RAF) shall be applicable 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.

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. 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, representing the period each set of rates was in effect during such Reporting Year. For the 2012 Reporting Year and thereafter, and for charges to be effective June 1, 2013 and thereafter, the BRR shall be Total Base Rate Revenues excluding any revenues recovered under Rider UEA-GC of this rate schedule.

2. Percentage of Uncollectible Accounts Expense Allocation Factor

The Percentage of Uncollectible Accounts Expense Allocation Factor (PUAF) shall be used to allocate to each applicable service classification the Uncollectible Accounts Expense amounts reflected in the Company's base rates and actual Account 904 Uncollectible Accounts Expense or Actual Net Write-Off amounts, as applicable, as reported in the Company's Form 21. Y, A and B shall be as defined under Rate Allocation Factor in Section C(1). The PUAF shall be determined for each service classification as follows:

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* **Section C - Determination of Allocation Factors - continued**

If the base rates in effect at the beginning of the Reporting Year were the same as the base rates in effect at the end of the Reporting Year:

$PUAF_{Yc} =$ The percentage of the total Uncollectible Accounts Expense amount that was allocated to service classification C in base rates that were in effect for the Reporting Year.
 $\sum PUAF_{Yc}$ shall equal 100%.

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:

$PUAF_{YAc} =$ The percentage of the total Uncollectible Accounts Expense amount that was allocated to service classification C in base rates that were in effect at the beginning of the Reporting Year. $\sum PUAF_{YAc}$ shall equal 100%.

$PUAF_{YBc} =$ The percentage of the total Uncollectible Accounts Expense amount that was allocated to service classification C in base rates that were in effect at the end of the Reporting Year. $\sum PUAF_{YBc}$ shall equal 100%.

$PUAF_{Yc} =$ The weighted average percentage of the total Uncollectible Accounts Expense amount that was allocated to service classification C in base rates that were in effect for the entire year which shall be determined as follows:

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

$\sum PUAF_{Yc}$ shall equal 100%.

3. Uncollectible Accounts Expense Factor

The Uncollectible Accounts Expense Factor (UF) is the Uncollectible Accounts Expense percentage for each service classification, and shall be used to allocate Account 904 Uncollectible Accounts Expense or Net Write-Off amounts, as applicable, reflected in the Company's base rates for each service type within each service classification. PUA, Y, A, B and C shall be as defined in Sections B and C of this rider. The UF shall be determined as follows:

If the base rates in effect at the beginning of the Reporting Year were the same as the base rates in effect at the end of the Reporting Year:

$$UF_{Yc} = \frac{TUE_Y \times PUAF_{Yc}}{TR_{Yc}}$$

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Section C - Determination of Allocation Factors - continued

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:

$$UF_{YAc} = \frac{TUE_{YA} \times PUA_{FYAc}}{TR_{YAc}}$$

$$UF_{YBc} = \frac{TUE_{YB} \times PUA_{FYBc}}{TR_{YBc}}$$

Where:

- TUE_Y = Total Uncollectible Accounts Expense amount reflected in the Company's base rates for the Reporting Year.
- TUE_{YA} = Total Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period A.
- TUE_{YB} = Total Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period B.
- TR_{Yc} = Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates for the Reporting Year.
- TR_{YAc} = Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period A.
- TR_{YBc} = Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period B.

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* **Section D - Determination and Allocation of Baseline Uncollectible Accounts Expense Amounts Reflected in the Company's Base Rates**

Uncollectible Accounts Expense amounts for the Reporting Year shall be determined separately for the Company's delivery, gas supply and transportation services, and shall be designated as DUR, SUR, and TUR, respectively. UF, RAF, Y, A, B and C shall be as defined in Sections B and C of this rider. If the base rates in effect at the beginning of the Reporting Year are the same as 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 and for each service type shall be determined as follows:

$$DUR_{Yc} = BDR_{Yc} \times UF_{Yc}$$

$$SUR_{Yc} = SRR_{Yc} \times UF_{Yc}$$

$$TUR_{Yc} = TRR_{Yc} \times UF_{Yc}$$

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 and for each service type shall be determined as follows:

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

$$SUR_{Yc} = (SRR_{YAc} \times UF_{YAc} \times RAF_{YA}) + (SRR_{YBc} \times UF_{YBc} \times RAF_{YB})$$

$$TUR_{Yc} = (TRR_{YAc} \times UF_{YAc} \times RAF_{YA}) + (TRR_{YBc} \times UF_{YBc} \times RAF_{YB})$$

Where:

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

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

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

Effective January 21, 2012, the DUR for each Service Classification, C, for each reporting year, Y, shall be equal to the Commission-approved Uncollectible Accounts Expense amount included in the Company's base rates as established in the Company's most recent rate case proceeding, excluding any amounts that are recovered under Rider UEA-GC of this rate schedule.

Effective January 21, 2012, the SUR for each Service Classification, C, for each reporting year, Y, shall be equal to the amount billed in the applicable reporting year under Rider UEA-GC of this rate schedule.

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Section E – Allocation of Actual Account 904 Uncollectible Accounts Expense or Actual Net Write-Off Amounts Reported in the Company’s Form 21

Actual Account 904 Uncollectible Accounts Expense, or Actual Net Write-Off amounts, as applicable, reported in Form 21 shall be allocated to (1) each of the Company’s applicable service classifications and (2) each service type. The Actual Account 904 Uncollectible Accounts Expense or Actual Net Write-Off amounts allocated for delivery, gas supply and transportation services shall be designated as 904DUR, 904SUR and 904TUR, respectively. Effective with the 2013 reporting year, 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. For periods prior to the 2013 reporting year, these amounts, shall be determined as described below. Y and C shall be as defined in Sections B and C of this rider.

1. Service Classification Allocation

Actual Account 904 Uncollectible Accounts Expense (904ATUE) reported in Form 21 shall be allocated among each of the Company’s applicable service classifications (904TUE_{Yc}) as follows:

$$904TUE_{Yc} = 904ATUE_Y \times PUA_{F_{Yc}}$$

Where:

904ATUE_Y = Actual Account 904 Uncollectible Expense reported in the Company’s Form 21 for the Reporting Year.

PUA_{F_{Yc}} = The amount determined pursuant to Section C of this rider.

2. Service Type Allocations

The actual Account 904 Uncollectible Accounts Expense allocated to each applicable service classification pursuant to section E(1) shall be allocated to each service type by multiplying an Uncollectible Accounts Expense Factor (UF) as determined below, to the Company’s delivery, gas supply and transportation services revenues as follows:

$$UF_{Yc} = \frac{904TUE_{Yc}}{TR_{Yc}}$$

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Section E – Allocation of Actual Account 904 Uncollectible Accounts Expense or Actual Net Write-Offs Amounts Reported in the Company’s Form 21 - continued

Service Type Allocations - continued

$$904DUR_{Yc} = UF_{Yc} \times BDR_{Yc}$$

$$904SUR_{Yc} = UF_{Yc} \times SRR_{Yc}$$

$$904TUR_{Yc} = UF_{Yc} \times TRR_{Yc}$$

Where:

UF_{Yc} = The Uncollectible Accounts Expense percentage for service classification C which is used to allocate the actual Account 904 Uncollectible Accounts Expense amount to each service type.

$904TUE_{Yc}$ = Actual Uncollectible Accounts Expense ($904ATUE_Y$) for the Reporting Year, allocated to service classification C pursuant to Section E(1).

TR_{Yc} = Actual total revenues for service classification C for the Reporting Year.

BDR = Actual delivery service revenues for the Reporting Year.

SRR = Actual gas supply service revenues for the Reporting Year.

TRR = Actual transportation service revenues for the Reporting Year.

Section F - Determination of Incremental Uncollectible Adjustments

1. Delivery Service Uncollectible Adjustments

The delivery service uncollectible adjustment charge or credit to be included in the monthly customer charge component of the Company’s monthly bill for the effective period shall be determined as follows:

$$IDUA_{EPc} = \frac{904DUR_{Yc} - DUR_{Yc} + RA_c + O_c}{Custs_{EPc}}$$

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Section F - Determination of Incremental Uncollectible Adjustments - continued

Delivery Service Uncollectible Adjustments - continued

Where:

- IDUA_{EPc} = Incremental Delivery Uncollectible Amount, in dollars (\$), rounded to two decimals, applicable to service classification C as described in Section B of this rider during the effective period (EP) for which the computed IDUA is applicable. The IDUA may be modified during an effective period due to Commission ordered adjustment amounts.
- 904DUR_{Yc} = Delivery Services Uncollectible Costs, in dollars (\$) as determined in Section E of this rider for service classification C.
- DUR_{Yc} = Delivery Services Uncollectible Costs, in dollars (\$) as determined in Section D of this rider for service classification C.
- Custs_{EPc} = Sum of the forecasted number of delivery service customer billing periods for the effective period (EP) for service classification C.
- RA_c = Reconciliation Adjustment, in dollars (\$), which shall be determined annually for service classification C by subtracting actual booked IDUA revenues from expected IDUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the IDUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an IDUA is billed under this rider, through March 31, 2011.
- O_c = Commission ordered adjustment amount, in dollars (\$), for service classification C, 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 under 83 Ill. Adm. Code 280.70(e)(1). 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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Uncollectible Expense Adjustment

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

Section F - Determination of Incremental Uncollectible Adjustments - continued

2. Gas Supply Service Uncollectible Adjustments

The gas supply service uncollectible adjustment charge or credit to be included in the monthly customer charge component of the Company's monthly bill for the effective period shall be determined as follows:

$$ISUA_{EPC} = \frac{904SUR_{Yc} - SUR_{Yc} + RA_c + O_c}{Custs_{EPC}}$$

Where:

- $ISUA_{EPC}$ = Incremental Gas Supply Service Uncollectible Amount, in dollars (\$), rounded to two decimals, applicable to service classification C as described in Section B of this rider during the effective period (EP) for which the computed ISUA is applicable. The ISUA may be modified during an effective period due to Commission ordered adjustment amounts.
- $904SUR_{Yc}$ = Gas Supply Related Uncollectible Costs, in dollars (\$) as determined in Section E of this rider for service classification C.
- SUR_{Yc} = Gas Supply Related Uncollectible Costs, in dollars (\$) as determined in Section D of this rider for service classification C.
- $Custs_{EPC}$ = Sum of the forecasted number of gas supply service customer billing periods for the effective period (EP) for service classification C.
- RA_c = Reconciliation Adjustment, in dollars (\$), which shall be determined annually for service classification C by subtracting actual booked ISUA revenues from expected ISUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the ISUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an ISUA is billed under this rider, through March 31, 2011.
- O_c = Commission ordered adjustment amount, in dollars (\$), for service classification C, 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 under 83 Ill. Adm. Code 280.70(e)(1). 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. Transportation Service Uncollectible Adjustments

The transportation service uncollectible adjustment charge or credit to be included in the monthly customer charge component of the Company's monthly bill for the effective period shall be determined as follows:

$$ITUA_{EPc} = \frac{904TUR_{Yc} - TUR_{Yc} + RA_c + O_c}{Custs_{EPc}}$$

Where:

- $ITUA_{EPc}$ = Incremental Transportation Service Uncollectible Amount, in dollars (\$), rounded to two decimals, applicable to service classification C as described in Section B of this rider during the effective period (EP) for which the computed ITUA is applicable. The ITUA may be modified during an effective period due to Commission ordered adjustment amounts.
- $904TUR_{Yc}$ = Transportation Service Related Uncollectible Costs, in dollars (\$) as determined in Section E of this rider for service classification C.
- TUR_{Yc} = Transportation Service Related Uncollectible Costs, in dollars (\$) as determined in Section D of this rider for service classification C.
- $Custs_{EPc}$ = Sum of the forecasted number of transportation service customer billing periods for the effective period (EP) for service classification C.
- RA_c = Reconciliation Adjustment, in dollars (\$), which shall be determined annually for service classification C by subtracting actual booked ITUA revenues from expected ITUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the ITUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an ITUA is billed under this rider, through March 31, 2011.
- O_c = Commission ordered adjustment amount, in dollars (\$), for service classification C, 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 under 83 Ill. Adm. Code 280.70(e)(1). 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 ITUA.

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* **Section G – Informational Filings**

The Company shall file with the Commission annually on or before the twentieth (20th) day of the Filing Month, 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 the Filing Month. 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)]. "Filing Month" shall mean the month in which the Company determines adjustments and submits them to the Commission and, except for the initial filing under this rider, shall be May. "Effective Period" shall mean the period for which the adjustments are calculated, and except for the initial filing under this rider, shall be the period commencing June 1 and ending the following May 31.

* **Section H – Annual Audit**

Annually, subsequent to completion of IDUA, ISUA and ITUA 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 ITUA amounts are being properly billed to customers; 3) revenues or credits resulting from application of IDUA, ISUA and ITUA 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 uncollectible costs in Account 904 or Actual Net Write-Off amounts are properly recorded and reported in Form 21; and 7) effective January 21, 2012, that the SUR component accurately reflects amounts billed under Rider UEA-GC 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 must be submitted to the Commission in an informational filing, with copies provided to the Manager of the Staff's Accounting Department by August 31. Such report must be verified by an officer of the Company. The first such audit shall be submitted no later than August 31, 2011, covering the 2008 and 2009 Form 21 reporting years.

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**** Section I - Annual Reconciliation**

The Company shall file a petition annually with the Commission no later than August 31, seeking initiation of an annual review to reconcile all uncollectible amounts included in rates, plus amounts accrued pursuant to this rider with the actual uncollectible amount for the reporting year. The information submitted shall allow the Commission to verify that the Company collects the actual Uncollectible Accounts Expense amounts as provided for in each applicable Form 21 reporting year. The first such petition shall be filed no later than August 31, 2011, covering the 2008 and 2009 Form 21 reporting years.

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