

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
North Shore Gas Company)	Docket No. 24-0773
)	
)	
Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

DIRECT TESTIMONY
OF
ALESE G. MAUERMANN

- 1 Q. Please state your name, position and business address.
- 2 A. My name is Alese G. Mauermann. My business address is WEC Energy
- 3 Group, Inc., 2830 S Ashland Avenue, Green Bay WI, 54304. I am the Manager
- 4 Gas Supply within the WEC Energy Group, Inc. (“WEC”), with related
- 5 responsibilities Peoples Gas Light and Coke Company (“Peoples”) and North
- 6 Shore Gas (“North Shore”).
- 7 Q. What are your primary duties and responsibilities as Manager Gas
- 8 Supply?
- 9 A. I am responsible for the daily operational oversight and balancing of the
- 10 distribution system. I am also responsible for: (i) developing gas supply and
- 11 storage capacity strategies to provide reliable and cost-effective natural gas
- 12 service to customers; (ii) developing and implementing short- and long-term gas

13 supply and capacity release strategies, including gas purchasing and hedging
14 strategies; (iii) administering gas supply, transportation and storage contracts as
15 prescribed by internal legal policies, procedures, and plans approved by the
16 applicable commission; and (iv) acquiring daily, monthly, and annual supplies to
17 meet system requirements. Additionally, I review and approve supply, storage,
18 and transportation invoices.

19 Q. Please summarize your educational background and experience.

20 A. I have a Bachelor's Degree in Mechanical Engineering from Michigan
21 Technological University in Houghton, Michigan. I have been employed by WBS
22 or its affiliates since 2009 in various positions related to engineering, project
23 management and gas supply.

24 Q. What is the purpose of your direct testimony?

25 A. The purpose of my testimony is to describe North Shore's 2024 supply
26 and capacity procurement practices, including negotiation of contracts and
27 related accounting and auditing practices. In addition, I discuss steps that North
28 Shore took to reduce gas price volatility. I also address the prudence of North
29 Shore's 2024 supply and capacity and the resulting gas costs that North Shore
30 billed to customers.

31 **2023 PROCUREMENT OVERVIEW**

32 Q. Please describe North Shore's 2024 gas supply procurement process.

33 A. WBS provides services to North Shore under an affiliated interest
34 agreement that the Illinois Commerce Commission ("Commission") approved. In
35 general, Gas Supply Department personnel and others, as appropriate,

36 developed specific gas supply recommendations and put those forward for
37 management approval. The Gas Supply Department was responsible for
38 entering into and administering contracts for gas supply and for purchases of
39 transportation and storage services.

40 Q. What procedure did North Shore follow in 2024 in order to select its
41 resource mix?

42 A. Prior to the start of the year, North Shore developed a number of
43 interconnected forecasts, including: a peak day forecast, a long-term demand
44 forecast, and a gas requirements forecast. These forecasts support the gas
45 dispatch model, which calculates daily gas requirements and balances the
46 normal year's daily requirements with available gas supply, including term
47 purchases, daily purchases, customer-owned deliveries and gas available for
48 withdrawal or injection. The gas dispatch model optimizes, from a full-year
49 perspective, the daily gas dispatching activities by forecasting the supply and
50 storage mix to meet the expected customer gas requirements for each day of the
51 forecast year.

52 Using the annual gas dispatch model as a starting point and just prior to
53 the start of each month, the Gas Supply Department computed at least three
54 potential gas forecasts for the coming month and met to address purchasing
55 decisions for the month. After establishing the monthly plan, Gas Supply
56 personnel, on a daily basis, as changing requirements and the market dictated,
57 addressed any changes to accommodate the need for additional or reduced
58 amounts of supply or capacity.

59 Q. Please describe North Shore's contractually available sources of firm gas
60 supply during the reconciliation period.

61 A. North Shore purchased firm gas supply from many parties under two
62 general forms: field baseload and field call.

63 Q. Please describe the field baseload form of purchases.

64 A. North Shore contracted for firm baseload supplies that it purchased at field
65 locations and transported to the citygate using its transportation. North Shore
66 made these purchases on a seasonal and month-to-month basis. The baseload
67 contracts called for North Shore to purchase the same quantity each day, and
68 most were priced using a first of the month ("FOM") index price.

69 Q. Please describe the field call form of purchases.

70 A. Field call purchases are firm supplies that were available at a daily index
71 price and, when purchased, were transported to the citygate using North Shore's
72 contracted transportation. North Shore made these purchases on a seasonal
73 basis. The quantity that North Shore could purchase each day could vary
74 between zero and the maximum quantity stated in the contract. Under these
75 contracts, the supplier had the obligation to deliver the gas, but North Shore had
76 no obligation to purchase any gas.

77 Q. Did North Shore have any other sources of gas available for system
78 supply?

79 A. Yes. North Shore purchased supply on the daily market. These
80 transactions were typically for less than one month and were often for only one
81 day or a few days. Once contracted, these sources were firm.

82 Also, a significant portion of North Shore’s gas needs includes deliveries
83 of customer-owned gas under North Shore’s Schedule of Rates. This gas was
84 another source available to North Shore for system supply. However, North
85 Shore did not know the quantity of customer-owned gas that it would receive until
86 customers and/or their suppliers scheduled it with the pipelines and North Shore
87 and the pipelines confirmed it.

88 Q. How many suppliers did North Shore purchase from during the
89 reconciliation period?

90 A. During 2024 North Shore purchased gas from 29 suppliers.

91 Q. Please describe North Shore’s contractual agreements for the purchase of
92 supply and capacity recovered through the monthly Gas Charge filings.

93 A. During 2024 North Shore purchased the majority of its supply under firm
94 contracts with suppliers. It made these purchases under the terms of the
95 contracts that North Shore had with each supplier. North Shore purchased a
96 portion of its total supply volumes as daily purchases from various suppliers. It
97 made daily purchases, on an as-needed basis, from suppliers under the terms of
98 the contracts that North Shore had with each supplier.

99 Most capacity (both pipeline storage and transportation) transactions are
100 subject to contracts with the pipelines and the pipelines’ Federal Energy
101 Regulatory Commission (“FERC”) Gas Tariffs. North Shore also had a
102 Commission-approved firm transportation service with Northern Illinois Gas
103 Company d/b/a Nicor Gas Company (“Nicor”) and a Commission-approved
104 storage service with Peoples Gas.

105 Q. Did North Shore purchase gas or release capacity under an asset
106 management arrangement during the reconciliation period?

107 A. No.

108

109 **REQUESTS FOR PROPOSALS**

110 Q. Did North Shore use a Request for Proposal (“RFP”) process for any of
111 the purchases identified above?

112 A. Yes. The RFP process allows the market to competitively bid to
113 determine the fair value of the products sought. North Shore issued RFPs, with
114 specific directions to bidders, for the types of firm supply it purchased. The goal
115 of the RFP process is to reach as broad a market of sellers that currently have
116 base agreements with North Shore to meet North Shore’s requirements. North
117 Shore attempted to be as clear as possible in what it was seeking and what it
118 would consider a conforming bid. This practice provided North Shore with
119 objective criteria to evaluate conforming bids.

120 Q. You stated that North Shore tried to be as clear as possible when it
121 structured its RFPs. Please explain what you mean.

122 A. One of North Shore’s goals is to receive bids that are in an identical format
123 so that it can make fair comparisons. In its RFPs, it specifies all the key
124 commercial terms of service to focus on variables important to North Shore that it
125 must consider in evaluating bids. For example, a typical RFP would specify the
126 location(s) at which North Shore would take delivery of supply; whether the
127 supply would be baseload or call and the conditions under which North Shore

128 may call on the supply; acceptable pricing structures, such as based on specific
129 FOM or daily indices and whether demand charges would be acceptable; and
130 any quantity limitations, such as bids must be in increments of 2,500 dth¹/day. In
131 addition, the RFP specifies the credit terms that will apply to the winning bidder,
132 and bidders must be parties to a master contract that will govern the transaction.
133 Generally, the supplier need only select an acceptable delivery location from
134 among those specified, specify a daily contract quantity and bid a price in the
135 required form. For example, an addition to or subtraction from a pricing index that
136 North Shore identified in the RFP. North Shore can then perform an apples-to-
137 apples comparison among the conforming bids and promptly notify the winning
138 bidder(s).

139 Q. What RFP process did North Shore use for summer purchases?

140 A. For its summer purchases (the months of April through October), North
141 Shore purchased firm supply on a monthly basis through a blast-type instant
142 message request process to several suppliers. It sent the instant message to at
143 least 10 suppliers each month. Like the RFP process described above, the
144 content of the instant message stated the location where North Shore was
145 seeking baseload supply tied to the FOM index at the point(s). As a check on the
146 market, North Shore's traders had access to Intercontinental Exchange Inc.
147 ("ICE"), an electronic trading platform, which provided real time trading
148 information at the relevant locations.

149 Q. Why did North Shore use this process?

¹ "dth" means dekatherm. "Mdth" means one thousand dekatherms.

150 A. The monthly baseload purchase process allows North Shore to move the
151 purchases around to avoid the restrictions and limit the need to reconfigure or
152 otherwise renegotiate the baseload agreement with the seller.

153 Q. Were all the RFPs used to obtain the supplies discussed above completed
154 in the reconciliation year?

155 A. No. North Shore completed one RFP prior to 2024 for gas that flowed in
156 2024 with cost recovery through the Gas Charge. The types of supply procured
157 under this RFP were baseload supply and calls.

158 Q. What criteria did North Shore use in reviewing these RFP responses and
159 awarding contracts?

160 A. The award criteria were conforming bids, credit and lowest price first and,
161 where applicable, secondary considerations. Secondary considerations were the
162 nomination deadline and the pipeline on which the supply was to be delivered.
163 Another criterion was vendor diversity to ensure reliable supply to our customers,
164 where applicable. Vendor diversity is important to ensure reliable service to our
165 customers. In addition, for the non-baseload RFP supplies, North Shore used a
166 bid valuation model to evaluate call supply products with varying price, term and
167 quantity attributes on an equal footing.

168 Q. Did North Shore issue RFPs in 2024 for gas that flowed in 2024?

169 A. Yes. North Shore completed nine RFPs in 2024 for gas that flowed in
170 2024. The types of supply procured under those RFPs were summer 2024
171 baseload, winter 2023-2024 baseload and call gas supplies. The seven summer
172 supply RFPs are discussed above.

173 Q. What criteria did North Shore use in reviewing these RFP responses and
174 awarding contracts?

175 A. The award criteria were conforming bids, credit, and lowest price first and,
176 where applicable, secondary considerations. Secondary considerations were the
177 nomination deadline and the pipeline on which the supply was to be delivered.
178 Another criterion was vendor diversity to ensure reliable supply to our customers,
179 where applicable. Also, for the winter season call RFP supplies, North Shore
180 used a bid valuation model to evaluate call supply products with varying price,
181 term, and quantity attributes on an equal footing.

182 Q. Did North Shore purchase all its gas through the RFP process?

183 A. No. North Shore purchased all its daily gas pursuant to bilateral
184 discussions with suppliers or through trades on ICE.

185 **CITYGATE PURCHASES**

186 Q. Did North Shore purchase gas at the citygate in 2024?

187 A. Yes. North Shore bought Citygate gas on five days in 2024.

188 **SUPPLY INTERRUPTIONS**

189 Q. Did North Shore experience any supply interruptions in 2024?

190 A. Yes. Some of North Shore's suppliers failed to deliver the quantity of gas
191 that was requested. North Shore did not incur any overrun or penalty charges as
192 a result of these failures. Also, as discussed later, pipeline restrictions and
193 outages occurred that affected nominated gas flow.

194 **PIPELINE TRANSPORTATION AND STORAGE CAPACITY**

195 Q. Did any significant changes to North Shore's transportation and storage
196 capacity portfolio affect the 2024 portfolio?

197 A. No.

198 Q. Did any pipeline outages, interruptions, or restrictions affect North Shore
199 during 2024?

200 A. Yes. Natural experienced outages and imposed restrictions during 2024.

201 Q. Did North Shore receive reservation charge credits associated with any of
202 these outages?

203 A. No.

204 Q. Did North Shore incur any overrun charges or other pipeline charges
205 associated with the outages, cuts restrictions or other reasons?

206 A. Yes. North Shore incurred \$1,088.98 of ANR overrun charges.

207 Q. How did North Shore's planned and actual use of storage compare in
208 2024?

209 A. North Shore begins each season with an established storage plan based
210 on normal weather, estimated customer-owned gas deliveries and assumptions
211 for other factors not precisely known at the time it creates the plan. North Shore
212 cannot reasonably plan for other storage activity, notably balancing. As a result,
213 actual storage use will never exactly match planned storage use for a given
214 month, and North Shore may need to revise storage plans for future months to
215 accommodate these differences. During 2024, actual storage withdrawals of
216 7,992 Mdth were approximately 753 Mdth (8.6%) less than planned. A warm

217 December and balancing activities throughout the year lead to the less than
218 planned withdrawals.

219 Q. Is Peoples Gas' storage field, Manlove Field, part of North Shore's storage
220 plan?

221 A. Yes. Through a Commission-approved contract with Peoples Gas, North
222 Shore purchased a storage service. This storage accounts for 14% of North
223 Shore's peak day demand and about 11% of the capacity in its annual storage
224 capacity portfolio.

225 Q. Does North Shore own and operate an LP facility?

226 A. Yes.

227 Q. Please describe North Shore's use of the LP facility in 2024.

228 A. The LP facility was not used in 2024 to support daily or hourly deliveries.

229 **RESERVE MARGIN**

230 Q. What was North Shore's design day reserve margin in 2024?

231 A. North Shore's 2024 design day reserve margin for physical supply was
232 approximately 3.00%. North Shore describes its design day calculation in detail
233 in the response to Staff data request ENG 1.17. In general, North Shore defines
234 its design day as the demand expected to occur on a January weekday with a
235 temperature of -19 degrees Fahrenheit (equivalent to 84 degree days) and an
236 average wind speed of 22 miles per hour ("mph") following a day with a
237 temperature of -2 degrees Fahrenheit and an average wind speed of 17 mph.
238 The temperature and wind data are based on a weighted average of two weather
239 stations (O'Hare and Waukegan).

240 The reserve margin is intended to ensure that North Shore will be able to
241 serve its customers under extreme conditions. Because of the serious effects on
242 public health and safety of a gas outage, in addition to the difficulties of restoring
243 gas service, it is imperative that North Shore plans for extreme conditions. Firm
244 gas supply and deliverability to North Shore's distribution system were thus set at
245 levels that provide a margin over North Shore's projected peak day requirements.
246 This reserve margin was necessary to accommodate, among other things, the
247 fact that North Shore is located near the end of Natural's and ANR facilities, the
248 possibility of deliverability shortfalls in connection with storage and flow gas, and
249 the fact that requirements could exceed design day projections.

250 **PRICE RISK MANAGEMENT**

251 Q. Please describe the steps taken to address price volatility, including any
252 hedging strategies.

253 A. North Shore took several steps to address price volatility. During the year,
254 North Shore followed a price protection program which was specifically designed
255 to mitigate the effects of gas price volatility. This program protected a significant
256 portion of North Shore's purchases using approved financial derivative tools
257 including: futures, fixed price swaps, call options, synthetic calls, or consumer
258 collars (purchasing call options and selling put options simultaneously). These
259 purchases were either hedged physically through fixed forward purchases
260 directly with a supplier or through the use of financial derivative instruments.
261 Under the plan, North Shore began executing its hedges nineteen months prior
262 to the start of each season (*i.e.*, winter or summer). The timing of the transaction

263 execution follows a time driven matrix approach and results in 100% of the
264 planned hedges in place prior to the start of the season. Under normal weather
265 conditions, North Shore would expect to hedge between 25% and 50% of its
266 annual purchases under this plan with a target of 37.5%.

267 Q. Please describe storage assets used to address price volatility.

268 A. North Shore's supply portfolio also contained contractual storage assets
269 that allowed it to use the natural physical hedge that seasonal storage provides.
270 North Shore also purchased gas supplies from a variety of parties and from
271 different producing regions to protect against regional price anomalies. It injects
272 this supply into the storage accounts for withdrawal at a later date.

273 Q. How much of its annual purchases did North Shore hedge under its plan?

274 A. For the reconciliation period, 39.3% of actual annual purchases were
275 financially hedged.

276 Q. What is a "time driven matrix" approach?

277 A. The "time driven matrix" approach means that North Shore executed its
278 hedge transactions on a defined schedule. This contrasts with, for example,
279 purchasing all of the hedges eighteen months prior or waiting until one month
280 prior to the hedged period to purchase the hedges.

281 Q. Were there any changes made to this plan that affected the reconciliation
282 period?

283 A. No.

284 Q. Were there any significant deviations from this plan?

285 A. No.

286 Q. Please describe the impact on the Gas Charge of the hedging strategies.

287 A. North Shore's purchases under its price protection programs partially
288 insulated customers against price volatility. By taking fixed price positions on a
289 large portion of the anticipated baseload purchases, North Shore can dampen
290 the effect that large swings in gas prices have on its total gas costs. This leads
291 to more stable prices for North Shore's customers. In the absence of this
292 program, customers would be exposed to the full risk of market fluctuations.
293 North Shore's price protection strategies were not aimed at guaranteeing the
294 lowest possible price for gas. The purpose is to mitigate volatility.

295 **INTERSTATE SERVICES**

296 Q. Did North Shore enter into any off-system gas sales for resale during
297 2024?

298 A. No.

299 Q. Did North Shore release any capacity in 2024?

300 A. Yes. North Shore released 16,114 dth/day of Natural FT from Natural's
301 interconnect with Rockies Express Pipeline (Rex) for the term November 1, 2024
302 – March 31, 2025. These capacity releases helped bring North Shore's 2024
303 Design Peak Day Reserve Margin closer to its targeted level of 3%. Unless
304 otherwise stated, all capacity releases were recallable.

305 Q. Did North Shore acquire any capacity through a capacity release in 2024?

306 A. No.

307 **AFFILIATE TRANSACTIONS**

308 Q. Did North Shore enter into any transactions with any affiliate that affected
309 its Gas Charge?

310 A. Yes. North Shore purchased a storage service from Peoples Gas under a
311 Commission-approved agreement.

312 **PRUDENCE OF 2024 GAS COSTS**

313 Q. Were North Shore's incurred expenditures for 2024 gas supply prudent?

314 A. Yes. The 2024 incurred gas supply expenditures reflected North Shore's
315 continuing efforts to minimize the cost of its gas supply consistent with

316 operational and contractual constraints and the statutory obligation to provide

317 adequate and reliable service to customers throughout the year. In particular,

318 following RFP processes, North Shore purchased supply from a diverse pool of

319 suppliers to fill its storage services and to supply its customers. It purchased

320 supply at the citygate and utilizing its own pipeline capacity, which both

321 diversifies the pricing applicable to those purchases and enhances reliability. It

322 met a large portion of its peak day and seasonal requirements from storage. It

323 also used storage to help it balance its system on a daily and intra-day basis.

324 Finally, it hedged a significant portion of its annual purchases, which helps to

325 mitigate price volatility for customers.

326 Q. Has North Shore made other efforts to ensure that pipelines serving it

327 provide reliable services on a best-cost basis?

328 A. Yes. North Shore made efforts to maintain adequate, reliable services

329 from pipeline transporters and to keep gas costs to a minimum by active

330 participation in its pipeline transporters' rate and certificate proceedings and

331 other matters before the FERC. North Shore monitored the filings of its pipeline
332 suppliers of storage and transportation services -- Natural Gas Pipeline Company
333 of America ("Natural"), Northern Border and ANR. In addition, North Shore
334 monitored FERC rulemaking and policy proceedings.

335 Based on its review of pipeline filings, North Shore intervened in
336 significant proceedings. North Shore also continued to participate actively as a
337 member of the American Gas Association in FERC rulemakings and other
338 generic proceedings affecting its customers.

339 **MEASUREMENT AND MONITORING OF PIPELINE DELIVERIES**

340 Q. Please describe the control procedures and monitoring related to contract
341 enforcement for North Shore's pipeline purchases.

342 A. The control procedures and monitoring related to enforcement of contracts
343 for gas delivered by pipelines interconnecting with North Shore were as follows:

344 1. Gas that Natural delivered to North Shore is registered by North
345 Shore's electronic flow measurement ("EFM") equipment located at three
346 locations (excluding direct pipeline supplied customer locations), with a combined
347 total of seven meters. The quantities of gas received and delivered by Natural
348 were measured in accordance with the General Terms and Conditions of its
349 FERC Gas Tariff. North Shore has access to Natural's measurement equipment
350 at the receipt and delivery points under the tariff provisions to verify flow
351 calculations. The Gas Control Department reviewed and monitored the accuracy
352 of energy that was billed at all seven of those meters. If the Gas Control
353 Department's measurement review indicated a discrepancy, the Gas Control

354 Department would contact Natural to resolve the discrepancy. Natural also
355 calibrates its EFM equipment periodically. A North Shore representative may be
356 present at these calibrations. North Shore's representative is present for
357 physical changes (e.g., orifice plate inspection or replacement) involving a meter.

358 2. ANR operates EFM equipment at its station near Paris, Wisconsin.
359 ANR calibrates its EFM equipment once a month. North Shore's representatives
360 may be present at these calibrations. North Shore's representative is present for
361 physical changes (e.g., orifice plate inspections or replacement) involving a
362 meter. The quantities of gas received and delivered by ANR were measured in
363 accordance with the General Terms and Conditions of its FERC Gas Tariff.
364 North Shore has access to ANR's measurement equipment at the receipt and
365 delivery points under the tariff provisions for verification of flow calculations. The
366 Gas Control Department reviews and monitors the accuracy of energy that is
367 billed from ANR's meters. If this review identified a discrepancy, Gas Control
368 would contact ANR and resolve the discrepancy.

369 3. If the Gas Control Department's measurement verification between the
370 EFM equipment and nomination systems (North Shore's and pipelines'
371 nomination websites) indicates a discrepancy, the Gas Control Department will
372 contact the pipeline to resolve the discrepancy. Once Gas Control has resolved
373 all discrepancies, the Gas Supply Department will verify the amount of gas
374 nominated to the Gas Supply transaction tracking database. The Fuel and
375 Supply Accounting Department confirms the data with the pipelines' invoices.

376 4. ANR uses onsite chromatographs at its meter stations to determine
377 gas quality and heating value. Natural uses chromatographs at a point on its
378 system near Joliet, Illinois and at Peoples Gas' Manlove Field to determine gas
379 quality and heating value. North Shore uses chromatographs it owns at the
380 Busse and Tonne Road stations to independently monitor gas quality and
381 heating value. These chromatographs are calibrated on a regular basis.

382 5. Internal Audit Services examines the accuracy and performance of
383 procedures that management identified as SOX controls annually during its
384 Sarbanes-Oxley Act of 2002, Section 404, testing to support management's
385 assertion that the internal control structure is operating as designed. These tests
386 include examination of the various records and reports that the North Shore used
387 to record volumetric and pricing information including the various reconciliations
388 to source measurement and pipeline information.

389 Q. Please describe the control procedures and monitoring programs related
390 to enforcement of North Shore's contracts for purchases from suppliers.

391 A. The gas that North Shore purchased from each supplier was invoiced
392 based on quantities delivered at the agreed delivery points. Each month North
393 Shore verified that suppliers used the appropriate unit prices in their invoicing to
394 North Shore, and it also confirmed that suppliers delivered volumes based on the
395 agreed to delivery point on the pipeline invoices.

396 Q. Please describe the control procedures and monitoring programs that
397 North Shore used with respect to its gas transportation contracts.

398 A. The control procedures and monitoring related to the enforcement of the
399 transportation contracts and point operator agreements with ANR, Northern
400 Border and Natural were as follows:

401 1. Each of these pipelines rendered monthly statements of the quantity of
402 gas received on behalf of North Shore from each supplier at each receipt point
403 and the quantity of gas each transporter delivered to North Shore. The quantities
404 of gas received and delivered were measured in accordance with the General
405 Terms and Conditions of its respective FERC Gas Tariff. North Shore has
406 access to measurement equipment at the receipt and delivery points under the
407 tariff provisions. North Shore verified the accuracy of each monthly statement
408 based on records maintained by the Gas Supply area in coordination with each
409 transporting pipeline.

410 2. Pipeline charges for each receipt point include a percentage retained
411 by the pipeline from gas received for North Shore's account to compensate for
412 the compressor fuel and lost-and-unaccounted-for gas. North Shore reviewed for
413 accuracy the quantities that the pipeline retained against published tariffs and
414 contracts.

415 Q. Does this conclude your direct testimony?

416 A. Yes, it does.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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On Its Own Motion)	
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v.)	
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North Shore Gas Company)	
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Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

DIRECT TESTIMONY
OF
SAM ADDISON

- 1 Q. Please state your name and business address
- 2 A. Sam Addison, 200 East Randolph Street, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. WEC Business Services LLC.
- 5 Q. What position do you hold with WEC Business Services LLC?
- 6 A. I am a Project Specialist III in Regulatory Affairs.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for performing activities related to regulatory research,
- 9 rate and tariff administration, billing and rate impact studies, accounting, and
- 10 reporting requirements for The Peoples Gas Light and Coke Company ("Peoples
- 11 Gas" or the "Company") and its sister utility North Shore Gas Company ("North
- 12 Shore"). I also have managed and coordinated the preparation and review of

13 testimonies and exhibits pertaining to rate case filings for Peoples Gas and North
14 Shore pursuant to provisions of Part 285, 286, and 287 of the Commission's
15 rules (83 Ill. Admin. Code Parts 285, 286, and 287).

16 Q. Please summarize your educational background and experience.

17 A. I received a Bachelor of Science in Finance from the Driehaus College of
18 Business at DePaul University in 2013. I was hired by Integrys Business Services
19 in 2014 on the Finance team, where I worked 6 years across multiple positions of
20 increased responsibility, including support of the 2020 North Shore Gas Rate
21 Case. In January 2022, I left WEC energy group to join ComEd as a Senior
22 Financial Analyst supporting Financial Operations. In October 2022, I rejoined
23 WBS as a Project Specialist 3 on the Regulatory Affairs team.

24 Q. Please give a brief description of the operations and status of North Shore.

25 A. North Shore is a corporation organized and existing under the laws of the
26 State of Illinois, having its principal office at 200 East Randolph Street, Chicago,
27 Illinois 60601. It is engaged in the business of purchasing, distributing and
28 selling natural gas to approximately 163,000 customers in Cook and Lake
29 Counties, Illinois. North Shore is a public utility within the meaning of the Public
30 Utilities Act.

31 Q. Please describe the subject matter of this proceeding.

32 A. Pursuant to Section 9-220 of the Public Utilities Act, on October 17, 2024,
33 the Illinois Commerce Commission ("Commission") entered a citation order
34 ("order") directed to Illinois gas utilities, including North Shore. The order
35 requires North Shore to present evidence to the Commission at a public hearing

36 in Docket No. 24-0773 reconciling revenue collected under the purchased gas
37 adjustment clause (Rider 2, Gas Charge, of North Shore's Schedule of Rates)
38 with the actual costs prudently incurred and recoverable under Rider 2, for the
39 twelve months ended December 31, 2024. The order also requires North
40 Shore's filing to reflect fifteen specified data for each of its Gas Charges. The
41 order further requires that North Shore make notice of the filing of this evidence
42 under the requirements of 83 Illinois Administrative Code Part 255.

43 Q. Please describe the notice of the filing that North Shore gave in this case.

44 A. When North Shore made its filing in this proceeding, it placed copies of the
45 filed evidence, available for public inspection, in each of its offices. It also posted
46 public notice of the filing in each of these offices. Further, North Shore will cause
47 notice of the filing to be published in the Lake County News-Sun, a secular
48 newspaper of general circulation in North Shore's service territory, under the
49 requirements of 83 Illinois Administrative Code Part 255.

50 Q. Please describe NSG Ex. 2.1.

51 A. NSG Ex. 2.1 includes a copy of the audit report of North Shore's
52 independent public accountants, Deloitte & Touche LLP, and the verification by
53 North Shore's President Maria Bocanegra. The audit report includes a copy of
54 North Shore's Statement to Illinois Commerce Commission - Determination of
55 Reconciliation Balance for Gas Charge for the Year Ended December 31, 2023
56 ("2024 Statement") and Independent Auditors' Report, as described in Rider 2,
57 Section G, of North Shore's Schedule of Rates.

58 Q. Was the 2024 Statement prepared by you or under your supervision and
59 direction?

60 A. Yes, it was.

61 Q. Are the verification and the audit report true and correct copies of Ms.
62 Bocanegra's verification and the independent public accountants' audit report?

63 A. Yes, they are.

64 Q. What are the types of Gas Charges that North Shore files pursuant to its
65 Rider 2 and what costs do the Gas Charges recover?

66 A. Each month, North Shore files a Commodity Gas Charge ("CGC"), a Non-
67 Commodity Gas Charge ("NCGC"), a Demand Gas Charge ("DGC"), and a
68 Storage Gas Charge ("SGC"). The sum of the CGC and NCGC is the Gas
69 Charge, which applies to all North Shore-supplied terms except standby terms
70 supplied to transportation customers.

71 The standby commodity charge applies to standby terms. North Shore
72 uses published price indices prescribed in the riders to determine the standby
73 commodity charge.

74 The CGC recovers commodity-related costs. The NCGC recovers non-
75 commodity related costs. The DGC also recovers non-commodity related costs
76 but from transportation customers. North Shore credits revenues arising from the
77 application of the DGC against the non-commodity related costs used in
78 computing the NCGC.

79 The SGC recovers non-commodity related costs from customers served
80 under Riders CFY and SST. The SGC applies to all storage capacity terms

81 allocated to or subscribed by customers served under these riders. North Shore
82 credits revenues arising from the application of the SGC against the non-
83 commodity related costs used in computing the NCGC. Given that the NCGC,
84 DGC, and SGC all recover non-commodity related costs, North Shore jointly
85 reconciles revenues recovered under these charges with such costs.

86 Q. The Commission's order requires North Shore to include certain data from
87 the prior reconciliation year in its determination of the current year's
88 reconciliation. Please specify any unamortized balance at December 31, 2023.

89 A. The unamortized balance at December 31, 2023, for each Gas Charge is
90 shown on Page 2, Line 1, of NSG Ex. 2.1. North Shore's unamortized Factor A
91 balance at December 31, 2023, reflects a refundable balance of \$249,488.11 for
92 the CGC and a recoverable balance of \$520,890.40 for the NCGC, DGC, and
93 SGC, for a total recoverable amount of \$271,402.29. These amounts are also
94 shown on Page 2, Line 12, of North Shore's Statement to Illinois Commerce
95 Commission, Determination of reconciliation Balance for Gas Charge for the
96 Year Ended December 31, 2023 ("2023 Statement"). North Shore filed this
97 document as NSG Ex. 2.1 with Sonia Holler's direct testimony in Docket 23-
98 0759, reconciliation of revenues collected under gas adjustment charges with
99 actual costs prudently incurred for the period January 1, 2023 through December
100 31, 2023.

101 Q. Please specify the total adjustments to gas costs (that is, Factor A) that
102 were amortized to Schedule I in North Shore's 2023 monthly filings but were not

103 yet reconciled through Schedule II of North Shore's monthly filings at December
104 31, 2023.

105 A. Total unreconciled adjustments to gas costs (Factor A) reflect a refundable
106 amount of \$356,070.79 for the CGC and a recoverable amount of \$215,006.73
107 for the NCGC, DGC and SGC, for a total refundable balance of \$141,064.06.
108 These adjustments, for the reported months of November and December 2023,
109 were not yet reconciled at December 31, 2023. However, they are reflected in
110 the respective Gas Charges for the effective months of January and February
111 2024. These amounts are shown on Page 2, Line 2, of NSG Ex. 2.1. They are
112 also shown on Page 2, Line 13, of North Shore's 2023 Statement.

113 Q. What was North Shore's refundable or recoverable balance for the year
114 ended December 31, 2023?

115 A. North Shore's refundable or recoverable balance for the year ended
116 December 31, 2023, which is the sum of the amounts on Page 2, Lines 1 through
117 3, of NSG Ex. 2.1, reflects an over-recovery of \$605,558.90 for the CGC and an
118 under-recovery of \$735,897.13 for the NCGC, DGC and SGC, for a total under-
119 recovery of \$130,338.23. These amounts are shown on Page 2, Line 4, of NSG
120 Ex. 2.1. They are also shown on Page 2, Line 11 and Line 15, of North Shore's
121 2023 Statement.

122 Q. What are North Shore's 2024 recoverable gas costs and revenues?

123 A. Recoverable gas costs and revenues are summarized and shown on Page
124 2, Line 5 and Line 6, respectively, of NSG Ex. 2.1. Recoverable gas costs
125 summarized and shown on Page 2, Line 5, of NSG Ex. 2.1 are \$50,254,862.73

126 for the CGC and \$28,909,264.40 for the NCGC, DGC and SGC for a total of
127 \$79,164,127.13 to be recovered under the Gas Charge. Revenues arising
128 through the application of each Gas Charge summarized and shown on Page 2,
129 Line 6, of NSG Ex. 2.1 are \$47,178,499.87 for the CGC and \$30,568,752.95 for
130 the NCGC, DGC and SGC, for a total of \$77,747,252.82 recovered under the
131 Gas Charge. Recoverable gas costs and revenues are shown in more detail on
132 Pages 3 and 4 of NSG Ex. 2.1 for the CGC, and the NCGC, DGC and SGC,
133 respectively.

134 Q. Please specify the pipeline refunds or surcharges that North Shore
135 separately reported in 2024 monthly Gas Charge filings.

136 A. North Shore's 2024 monthly Gas Charge filings included no separately
137 reported pipeline refunds or surcharges.

138 Q. Please specify any other adjustments that North Shore separately reported
139 in 2024.

140 A. North Shore's 2024 monthly Gas Charge filings included no other
141 separately reported adjustments.

142 Q. Please specify the interest, calculated under Section 525.50 of the
143 Commission's rules, for inclusion in Adjustments to Gas Costs (Factor A).

144 A. Interest, calculated under Section 525.50, for inclusion in Adjustments for
145 Gas Costs (Factor A) is shown on Page 2, Line 9, of NSG Ex. 2.1, and reflects a
146 refundable amounts of \$2,882.00 for the CGC and a recoverable amount of
147 \$17,674.47 for the NCGC, DGC and SGC, for a total recoverable amount of
148 \$14,792.47.

149 Q. What was North Shore's over- or under- recovery for 2024?

150 A. North Shore's over- or under-recovery for 2024 is shown on Page 2, Line
151 10, of NSG Ex. 2.1. The over- or under-recovery for each Gas Charge can be
152 determined by deducting the amount on Line 6 (revenues arising through the
153 application of each Gas Charge) from the amount on Line 5 (costs recoverable
154 through each Gas Charge) and adding the amounts on Line 7 (separately
155 reported pipeline refunds or surcharges), Line 8 (separately reported other
156 adjustments), and Line 9 (interest). Using this calculation, North Shore's over- or
157 under-recovery for 2024 reflects an under-recovery of \$3,073,480.86 for the CGC
158 and an over-recovery of \$1,641,814.08 for the NCGC, DGC and SGC, for a total
159 under-recovery of \$1,431,666.78.

160 Q. Please specify the cumulative recovery balance for the reconciliation year.

161 A. The cumulative recovery balance for the reconciliation year, which reflects
162 the sum of the (refundable)/recoverable balances for prior periods and for the
163 year ended December 31, 2024, for each respective Gas Charge, is shown on
164 Page 2, Line 11, of NSG Ex. 2.1. This amount, which can be determined by
165 summing the amounts on Line 4 (prior period balance) and Line 10 (2024
166 balance), reflects an under-recovery of \$2,467,921.96 for the CGC and an over-
167 recovery of \$905,916.95 for the NCGC, DGC and SGC, for a total under-
168 recovery of \$1,562,005.01.

169 These amounts are also shown on line 15 and equal the sum of the
170 amounts shown on lines 12 (unamortized balance at the end of 2024), 13
171 (unreconciled adjustments to gas costs), and 14 (Factor O amounts).

172 Q. Please specify any unamortized balance at the end of 2024.

173 A. The unamortized balance at the end of 2024 is shown on Page 2, Line 12,
174 of NSG Ex. 2.1. North Shore's unamortized balance at the end of reflects a
175 recoverable balance of \$987,044.995 for the CGC and a refundable balance of
176 \$799,661.32 for the NCGC, DGC, and SGC, for a total recoverable amount of
177 \$187,383.63.

178 Q. Please specify any adjustments to gas costs that were not yet reconciled
179 through Schedule II of North Shore's monthly filings at December 31, 2024.

180 A. Total unreconciled adjustments to gas costs, which are shown on Page 2,
181 Line 13, of NSG Ex. 2.1, reflect a recoverable amount of \$1,480,877.01 for the
182 CGC and a refundable amount of \$106,255.63 for the NCGC, DGC and SGC, for
183 a total recoverable balance of \$1,374,621.38. The unreconciled adjustments to
184 gas costs (Factor A), for the reported months of November and December 2024,
185 are not yet reconciled at the end of 2024. However, they are reflected in the
186 respective Gas Charges for the effective months of January and February, 2025.

187 Q. Please specify any Factor O amounts requested by North Shore for 2024.

188 A. North Shore is not requesting any Factor O amounts for 2024.

189 Q. Does NSG Ex. 2.1 include other reports that support the summary
190 amounts shown on Page 2?

191 A. Yes. NSG Ex. 2.1 includes a summary of the detailed Schedule II,
192 Adjustments to Gas Costs (Factor A) reports that North Shore filed as part of its
193 monthly Gas Charge reports for 2024. Pages 5 and 6 of NSG Ex. 2.1 reflect
194 Schedule II reports filed for the CGC, and the NCGC, DGC and SGC,

195 respectively. These reports reflect the monthly reconciliation of recoverable gas
196 costs and Gas Charge revenues, adjustments to gas costs (Factor A), refunds
197 and other adjustments, Factor A amortizations and unamortized balances, Factor
198 O amortizations and unamortized balances, and interest determined for each
199 Gas Charge. Finally, Page 7 of NSG Ex. 2.1 contains notes that explain Gas
200 Charge reconciliation summary items noted on Page 2 of NSG Ex. 2.1.

201 Q. Does this conclude your direct testimony?

202 A. Yes, it does.

Page 1 of 7

North Shore Gas Company

STATEMENT TO ILLINOIS COMMERCE COMMISSION

DETERMINATION OF RECONCILIATION BALANCE

FOR GAS CHARGE

FOR THE YEAR ENDED DECEMBER 31, 2024

North Shore Gas Company
Statement to Illinois Commerce Commission - Determination of Reconciliation Balance (1)
For the Year Ended December 31, 2024

<u>Line</u>		<u>Commodity Gas Charge</u> (CGC)	<u>Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge</u> (NCGC, DGC and SGC)	<u>Total Gas Charge</u>
Year Ended December 31, 2023				
1	Unamortized Balance at December 31, 2023 (Refund)/Recovery (2)	(\$249,488.11)	\$520,890.40	\$271,402.29
2	Factor A Adjustments unreconciled at December 31, 2023 (Refund)/Recovery (3)	(356,070.79)	215,006.73	(141,064.06)
3	Factor O to be (Refunded)/Recovered	0.00	0.00	0.00
4	Cumulative (Refundable)/Recoverable December 31, 2023 (Line 1 + Line 2 + Line 3)	(605,558.90)	735,897.13	130,338.23
Year Ended December 31, 2024				
5	Costs Recoverable through the Gas Charge (4)	50,254,862.73	28,909,264.40	79,164,127.13
6	Revenues Arising through Application of the Gas Charge (5)	47,178,499.87	30,568,752.95	77,747,252.82
7	Separately Reported Pipeline Refunds or Surcharges	0.00	0.00	0.00
8	Separately Reported Other Adjustments	0.00	0.00	0.00
9	Interest	(2,882.00)	17,674.47	14,792.47
10	(Over)/Under Recovery For Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	3,073,480.86	(1,641,814.08)	1,431,666.78
11	Cumulative (Over)/Under Recovery Balance For Reconciliation Year (Line 4 + Line 10)	2,467,921.96	(905,916.95)	1,562,005.01
12	Unamortized Balance at December 31, 2024 (Refund) / Recovery (Line 11 - Line 13) (6)	\$987,044.95	(\$799,661.32)	\$187,383.63
13	Factor A Adjustments unreconciled at December 31, 2024 (Refund)/Recovery (7)	1,480,877.01	(106,255.63)	1,374,621.38
14	Factor O to be (Refunded)/Recovered in Future Periods	\$0.00	\$0.00	\$0.00
15	Cumulative (Over)/Under Recovery Balance For Reconciliation Year (Line 12 + Line 13 + Line 14) = Line 11	2,467,921.96	(905,916.95)	1,562,005.01

North Shore Gas Company

**STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE
FOR THE COMMODITY GAS CHARGE
FOR THE YEAR ENDED DECEMBER 31, 2024**

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
	ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2024			
1.	Gas Costs by Type:			
	a. Purchases	\$ 54,592,812.58		
	b. Liability For Redelivery of Customer-Owned Gas	<u>(1,481,498.21)</u>		
2.	TOTAL GAS COSTS		\$ 53,111,314.37	Sum Lines 1a - 1b
3.	Less: Franchise Gas	\$ (302,931.20)		
4.	a. Add: Gas Withdrawn from Storage	20,780,497.40		
	b. Less: Gas Injected into Storage	(23,033,847.70)		
5.	Less: Off-System Transaction Revenues	0.00		
6.	Less: Penalty / Imbalance Charge Revenues	(205,236.00)		
7.	a. Less: "Cash-Out" Schedule Revenues	(178,139.50)		
	b. Add: "Cash-Out" Schedule Costs	<u>83,205.36</u>		
8.	TOTAL OTHER COSTS / REVENUES		<u>(2,856,451.64)</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 50,254,862.73	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Commodity Gas Charge Revenues		<u>47,178,499.87</u>	
11.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
12.	Interest		(2,882.00)	
13.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>3,073,480.86</u>	Line 9 - Line 10 + Line 11 + Line 12

North Shore Gas Company

**STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE
FOR THE NON-COMMODITY GAS CHARGE, DEMAND GAS CHARGE AND STORAGE GAS CHARGE
FOR THE YEAR ENDED DECEMBER 31, 2024**

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
	ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2024			
1.	Gas Costs by Type:			
	a. Transportation	\$ 8,563,970.92		
	b. Storage	26,257,369.78		
	c. Demand Gas Charge Revenues	(2,406,358.92)		
	d. Storage Gas Charge Revenues	<u>(3,100,927.13)</u>		
2.	TOTAL GAS COSTS		\$ 29,314,054.65	Sum Lines 1a - 1d
3.	Less: Franchise Gas	\$ (47,769.92)		
4.	a. Add: Gas Withdrawn from Storage	3,276,924.59		
	b. Less: Gas Injected into Storage	<u>(3,633,944.92)</u>		
5.	Less: Off-System Transaction Revenues	0.00		
6.	Less: Penalty / Imbalance Charge Revenues	0.00		
7.	a. Less: "Cash-Out" Schedule Revenues	0.00		
	b. Add: "Cash-Out" Schedule Costs	<u>0.00</u>		
8.	TOTAL OTHER COSTS / REVENUES		<u>(404,790.25)</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 28,909,264.40	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Non-Commodity Gas Charge Revenues	30,456,962.12		
	b. Excess Bank Charge	111,790.83		
	c. Storage and Balancing Charges	<u>0.00</u>		
11.	TOTAL REVENUES		<u>30,568,752.95</u>	Sum Lines 10a - 10c
12.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
13.	Interest		17,674.47	
14.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>(1,641,814.08)</u>	Line 9 - Line 11 + Line 12 + Line 13

North Shore Gas Company
Statement to Illinois Commerce Commission - Determination of Reconciliation Balance
Commodity Gas Charge

Summary of Schedule II
For the Year Ended December 31, 2024

Line	Effective Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
		Reported Month	November 2023	December	January 2024	February	March	April	May	June	July	August	September	October	November	December	
	January 2024	February	March	April	May	June	July	August	September	October	November	December	January 2025	February			
1	Actual Recoverable Costs - Reported Month	7,009,459.93	8,804,247.16	13,999,966.33	7,157,524.46	5,036,692.37	1,598,159.20	663,335.68	1,040,670.27	1,246,954.48	908,405.62	899,791.80	2,218,286.60	4,840,642.12	10,644,433.80	50,254,862.73	1
2	Actual Recoveries - Reported Month	6,128,021.81	8,531,892.84	11,277,358.90	7,277,713.05	6,074,413.06	3,219,017.50	1,321,915.41	976,649.51	1,095,379.63	670,065.77	628,339.37	1,348,702.35	4,698,882.63	8,590,062.69	47,178,499.87	2
3	Under/(Over) Recovery - Reported Month	881,438.12	272,354.32	2,722,607.43	(120,188.59)	(1,037,720.69)	(1,620,858.30)	(658,579.73)	64,020.76	151,574.85	238,339.85	271,452.43	869,584.25	141,759.49	2,054,371.11	3,076,362.86	3
4	Factor A Included in Reported Month	(323,864.03)	(359,378.71)	(179,247.07)	(176,823.72)	1,329,322.80	671,957.99	58,441.00	(142,256.76)	(204,557.08)	(220,075.01)	(253,240.42)	(621,443.20)	2,561.14	67,824.57	332,464.24	4
5	Factor O Included in Reported Month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5
6	Adjusted (Over)/Under Recovery - Reported Month	557,574.09	(87,024.39)	2,543,360.36	(297,012.31)	291,602.11	(948,900.31)	(600,138.73)	(78,236.00)	(52,982.23)	18,264.84	18,212.01	248,141.05	144,320.63	2,122,195.68	3,408,827.10	6
7	Refunds/Pipeline Surcharges/Other Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7
8	Unamortized Balance Including Previous Interest	(1,073,427.55)	(338,149.17)	(249,488.11)	968,970.30	0.00	234,229.77	(575,037.34)	(975,067.66)	(837,047.61)	(639,708.04)	0.00	15,722.60	196,937.59	208,906.79		8
9	Total Adjustments Before Amortization	(515,853.46)	(425,173.56)	2,293,872.25	671,957.99	291,602.11	(714,670.54)	(1,175,176.07)	(1,053,303.66)	(890,029.84)	(621,443.20)	18,212.01	263,863.65	341,258.22	2,331,102.47		9
10	Total Amortization	(179,247.07)	(176,823.72)	1,329,322.80	671,957.99	58,441.00	(142,256.76)	(204,557.08)	(220,075.01)	(253,240.42)	(621,443.20)	2,561.14	67,824.57	133,131.90	1,347,745.11	2,169,412.04	10
11	Unamortized Balance - Factor A	(336,606.39)	(248,349.84)	964,549.45	0.00	233,161.11	(572,413.78)	(970,618.99)	(833,228.65)	(636,789.42)	0.00	15,650.87	196,039.08	208,126.32	983,357.36		11
12	Unamortized Balance - Factor O	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		12
13	Total Unamortized Balances	(336,606.39)	(248,349.84)	964,549.45	0.00	233,161.11	(572,413.78)	(970,618.99)	(833,228.65)	(636,789.42)	0.00	15,650.87	196,039.08	208,126.32	983,357.36		13
14	Interest	(1,542.78)	(1,138.27)	4,420.85	0.00	1,068.66	(2,623.56)	(4,448.67)	(3,818.96)	(2,918.62)	0.00	71.73	898.51	780.47	3,687.59	(2,882.00)	14
15	Unamortized Balance Including Interest	(338,149.17)	(249,488.11)	968,970.30	0.00	234,229.77	(575,037.34)	(975,067.66)	(837,047.61)	(639,708.04)	0.00	15,722.60	196,937.59	208,906.79	987,044.95		15

North Shore Gas Company
Statement to Illinois Commerce Commission - Determination of Reconciliation Balance
Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge

Summary of Schedule II
For the Year Ended December 31, 2024

Line	Reported Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
		November 2023	December	January 2024	February	March	April	May	June	July	August	September	October	November	December	Total 2024	
	Effective Month	January 2024	February	March	April	May	June	July	August	September	October	November	December	January 2025	February		
1	Actual Recoverable Costs - Reported Month	3,236,571.07	3,894,822.78	4,464,313.85	4,102,604.73	3,465,973.96	1,608,869.12	1,280,214.22	1,022,309.13	1,416,417.19	1,520,097.92	1,493,399.71	1,854,175.84	3,000,016.03	3,680,872.70	28,909,264.40	1
2	Actual Recoveries - Reported Month	3,364,356.40	4,819,633.29	5,757,635.99	3,553,008.16	3,056,168.72	2,182,772.61	992,395.54	713,478.43	762,524.62	634,880.24	726,674.58	1,510,562.89	3,438,224.02	7,240,427.15	30,568,752.95	2
3	Under/(Over) Recovery - Reported Month	(127,785.33)	(924,810.51)	(1,293,322.14)	549,596.57	409,805.24	(573,903.49)	287,818.68	308,830.70	653,892.57	885,217.68	766,725.13	343,612.95	(438,207.99)	(3,559,554.45)	(1,659,488.55)	3
4	Factor A Included in Reported Month	566,796.26	1,217,689.18	83,153.57	131,853.16	(118,261.60)	16,201.02	33,363.56	(15,575.79)	7,453.49	25,105.79	72,884.46	354,092.06	929,279.05	2,164,039.87	3,683,588.64	4
5	Factor O Included in Reported Month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5
6	Adjusted (Over)/Under Recovery - Reported Month	439,010.93	292,878.67	(1,210,168.57)	681,449.73	291,543.64	(557,702.47)	321,182.24	293,254.91	661,346.06	910,323.47	839,609.59	697,705.01	491,071.06	(1,395,514.58)	2,024,100.09	6
7	Refunds/Pipeline Surcharges/Other Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7
8	Unamortized Balance Including Previous Interest	0.00	357,488.37	520,890.40	(573,633.73)	92,034.88	351,820.11	(191,178.81)	123,111.63	393,054.03	986,014.24	1,549,314.28	1,466,334.86	0.00	405,273.93		8
9	Total Adjustments Before Amortization	439,010.93	650,367.04	(689,278.17)	107,816.00	383,578.52	(205,882.36)	130,003.43	416,366.54	1,054,400.09	1,896,337.71	2,388,923.87	2,164,039.87	491,071.06	(990,240.65)		9
10	Total Amortization	83,153.57	131,853.16	(118,261.60)	16,201.02	33,363.56	(15,575.79)	7,453.49	25,105.79	72,884.46	354,092.06	929,279.05	2,164,039.87	87,311.23	(193,566.86)	3,362,326.28	10
11	Unamortized Balance - Factor A	355,857.36	518,513.88	(571,016.57)	91,614.98	350,214.96	(190,306.57)	122,549.94	391,260.75	981,515.63	1,542,245.65	1,459,644.82	0.00	403,759.83	(796,673.79)		11
12	Unamortized Balance - Factor O	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		12
13	Total Unamortized Balance	355,857.36	518,513.88	(571,016.57)	91,614.98	350,214.96	(190,306.57)	122,549.94	391,260.75	981,515.63	1,542,245.65	1,459,644.82	0.00	403,759.83	(796,673.79)		13
14	Interest	1,631.01	2,376.52	(2,617.16)	419.90	1,605.15	(872.24)	561.69	1,793.28	4,498.61	7,068.63	6,690.04	0.00	1,514.10	(2,987.53)	17,674.47	14
15	Unamortized Balance Including Interest	357,488.37	520,890.40	(573,633.73)	92,034.88	351,820.11	(191,178.81)	123,111.63	393,054.03	986,014.24	1,549,314.28	1,466,334.86	0.00	405,273.93	(799,661.32)		15

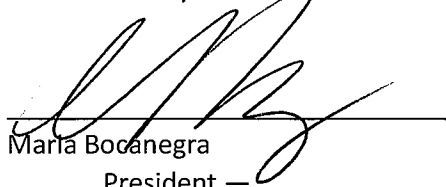
North Shore Gas Company
Statement to Illinois Commerce Commission
Determination of Reconciliation Balance for Gas Charge
For the Year Ended December 31, 2024

Notes

- (1) North Shore Gas Company (the “Company”) maintains its financial books and records in accordance with accounting principles generally accepted in the United States of America. This Statement to Illinois Commerce Commission – Determination of Reconciliation Balance for Gas Charge has been prepared from the financial books and records of the Company on the basis of Section G of the Company’s Rider 2, 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, to comply with the financial reporting provisions of the Illinois Commerce Commission.
- (2) Unamortized (refundable)/recoverable balance at December 31, 2023. For the Commodity Gas Charge, see Page 5, Line 15, Column B. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 6, Line 15, Column B.
- (3) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective January 1, 2024 and February 1, 2024 and not yet reconciled for the reporting months of November 2023 and December 2023, respectively. For the Commodity Gas Charge, see Page 5, Line 10 and sum the amounts in Column A and Column B. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 6, Line 10 and sum the amounts in Column A and Column B.
- (4) Detail of costs recoverable through the Commodity Gas Charge provided on Page 3. Detail of costs recoverable through the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge provided on Page 4.
- (5) Revenue arising through the application of the Gas Charge including the Adjustment for Gas Costs (Factor A). Detail of revenue arising from the Commodity Gas Charge provided on Page 3. Detail of revenue arising from the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge provided on Page 4.
- (6) Unamortized (refundable)/recoverable balance at December 31, 2024. For the Commodity Gas Charge, see Page 5, Line 15, Column N. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 6, Line 15, Column N.
- (7) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective January 1, 2025 and February 1, 2025 and not yet reconciled for the reporting months of November 2024 and December 2024, respectively. For the Commodity Gas Charge, see Page 5, Line 10 and sum the amounts in Column M and Column N. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 6, Line 10 and sum the amounts in Column M and Column N.

CERTIFICATION

Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure, the undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies aforesaid that she verily believes the same to be true.

A handwritten signature in black ink, appearing to read 'MB', is written over a horizontal line.

Maria Bocanegra

President —

North Shore Gas Company and

The Peoples Gas Light and Coke Company

April 17, 2025

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 Determination of Reconciliation Balance for Gas Charge of North Shore Gas Company (the "Company") for the year ended December 31, 2024, and the related notes (the "Statement").

In our opinion, the Statement referred to above, presents fairly, in all material respects, the information set forth therein of the Company for the year ended December 31, 2024, in accordance with the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the Illinois Commerce Commission ("ICC").

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 Statement 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

We draw attention to Note (1) to the Statement, which describes the basis of accounting. The Statement was prepared by the Company on the basis of the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the ICC, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the Statement may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the ICC, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is 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 Statement.

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 Statement, 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 Statement.
- 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 Statement.
- 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 ICC and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Milwaukee, Wisconsin
April 17, 2025

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
North Shore Gas Company)	
)	Docket No. 24-0773
)	
)	
)	
Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

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. 24-0773, in accordance with requirements of the Commission’s Rules of Practice.

Dated at Chicago, Illinois, this 17th day of April, 2025.

By: /S/ KOBY BAILEY

Koby Bailey
An Attorney for
North Shore Gas Company