

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission	)	
On Its Own Motion	)	
	)	
v.	)	Docket No.: 25-1051
	)	
North Shore Gas Company	)	
	)	
Reconciliation of revenues collected under	)	
Coal Tar riders with prudent costs associated	)	
with Coal Tar clean up expenditures	)	

DIRECT TESTIMONY OF

PATRICK F. KENNY

1    Q.            Please state your name.

2    A.            My name is Patrick F. Kenny.

3    Q.            Please describe your background.

4    A.            I received a Bachelor of Agricultural Science degree in Environmental from

5                  University College Dublin, Ireland, in 2004 and a Master’s in Environmental

6                  Diagnostics from Imperial College London, UK, in 2005. I began my career as an

7                  Environmental Scientist consultant with URS where I remained employed until

8                  2010, leaving with the title of Project Manager. In 2011, I joined the URS Chicago,

9                  IL office where I remained until 2019, leaving with the title of Project Manager. In

10                 2019, I began employment with WEC Business Services LLC (“WBS”), a subsidiary

11                 of WEC Energy Group, Inc. (“WEC”), which The Peoples Gas Light and Coke

12                 Company (“Peoples”) and North Shore Gas Company (“North Shore”) are also a

13                 subsidiary, with the title of Senior Environmental Consultant. I became a Principal

14 Consultant in April 2022. In July 2024, I became WBS' Manager Remediation. In  
15 my current position with WBS, I oversee certain environmental activities for both  
16 Peoples and North Shore Gas Company along WEC's, other utility subsidiaries.

17 Q. What are your responsibilities as Manager Remediation?

18 A. As Manager Remediation, I now have responsibility for the management of  
19 environmental activities conducted for the Company by the Environmental Department. I  
20 have managed them exclusively beginning in July 2024 and am familiar with all such  
21 activities that took place during the four quarters beginning January 1, 2025 and ending  
22 December 31, 2025, the reconciliation year for purposes of this proceeding ("Fiscal Year  
23 2025").

24 Q. Please describe the environmental activities and responsibilities of the  
25 Environmental Department as they relate to the Company's former manufactured  
26 gas operations.

27 A. The Environmental Department has the primary responsibility for the  
28 oversight of the environmental operations of the Company. Personnel from the  
29 Environmental Department review and comment upon documents and technical  
30 materials that are prepared by the Company's environmental consultants and  
31 also review the invoices that those consultants submit to the Company for the  
32 work that they perform. In addition, personnel from the Environmental  
33 Department oversee and assist the Company's environmental consultants in  
34 conducting field investigations.

35 Q. What is the purpose of your testimony?

36 A. My testimony is given for the purpose of describing the environmental  
37 activities that have given rise to the incremental costs that were recorded by  
38 North Shore under its Rider 11, "Adjustment for Incremental Costs of

39 Environmental Activities," during Fiscal Year 2025.

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

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

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

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

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

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

56 Q. What standard does Company use in determining the prudence of the  
57 expenditures that it makes in complying with environmental laws and  
58 regulations?

59 A. In determining whether or not to make expenditures in complying with  
60 environmental laws and regulations, the Company uses the following standards:  
61 1) reasonable and appropriate business standards; 2) the requirements of  
62 other relevant state and/or federal authorities; 3) the minimization of costs to  
63 ratepayers in a manner that is consistent with safety, reliability and quality

64 assurance; and 4) the facts that are known to the Company at the time that the  
65 expenditures are made.

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

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

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

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

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

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

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

84 A. Coal, coke (an energy rich material converted from coal) and oil were the  
85 primary raw materials in the manufacturing processes. Depending upon the type  
86 of manufacturing process, coal or coke was loaded into ovens and heated,  
87 thereby producing a low-Btu gas. Oil was then added to enrich the heating value  
88 of the gas to the required level, which was approximately half the heating value

89 of the natural gas that is distributed today. At this point in the manufacturing  
90 process, the gas stream passed through a variety of purifying processes in order  
91 to make the gas suitable for distribution. The manufactured gas was then stored  
92 in vessels, called holders, until it was distributed.

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

96 A. No. The incremental costs that North Shore incurs are the result of  
97 various duties and obligations that are imposed by laws and regulations enacted  
98 long after North Shore discontinued manufactured gas operations. The  
99 manufactured gas operations of North Shore's corporate predecessors and  
100 affiliates were conducted in accordance with then-existing industry standards.  
101 We have found no indication that those operations violated any laws in existence  
102 at that time.

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

105 A. Costs have been incurred, and continue to be incurred, in connection with  
106 a variety of environmental activities that are related to former manufactured gas  
107 operations. These activities can generally be divided into four phases.

108 First, there are those activities, which are conducted before the actual  
109 study of a site begins. These activities may include negotiations with the United  
110 States Environmental Protection Agency ("USEPA") or the Illinois Environmental  
111 Protection Agency ("IEPA"), as well as with other potentially responsible parties  
112 ("PRPs"). A PRP is a party that is potentially liable for any contamination, or  
113 portion of any contamination that might be present at a site. Therefore, a PRP is

114 potentially liable for the cost of any necessary investigative and remedial work at  
115 the site. Costs which are associated with the negotiation of a consent decree or  
116 of any other formal agreement may also be incurred during the first phase.

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

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

122 Fourth, the remediation strategy is implemented and monitored.  
123 The activities that are conducted during each of these phases require a highly  
124 technical and specialized level of experience and expertise that is obtained from  
125 carefully chosen environmental engineers and consultants, laboratory and testing  
126 services, law firms, and contractors who perform field work during the  
127 investigative and remedial phases. Substantial costs are incurred by the  
128 Company as a result of the work that is performed by these vendors.

129 The Company may also incur costs because of the issuance of a  
130 judgment, or of an order entered by a court, or of a state or federal regulatory  
131 agency. In addition, costs may arise from activities related to the identification of  
132 PRPs and insurance carriers and in connection with cost recovery litigation  
133 against them.

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

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

138 Q. Does the Company incur any other types of costs in connection with

139 environmental activities at its sites?

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

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

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

163 Q. Does Company incur costs in connection with environmental activities that

164 it does not recover under Rider 11?

165 A. Yes. The in-house environmental consultants, engineers, attorneys and  
166 regulatory personnel of WBS, North Shore's corporate affiliate, are actively  
167 involved in the Company's environmental activities. The Company incurs costs  
168 for wages or salaries of these employees in connection with their environmental-  
169 related activities. These costs are not "incremental costs" under Rider 11, and  
170 therefore are not recoverable by the Company under Rider 11.

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

172 A. Company's NSG Exhibit 1.1 includes North Shore's verified report  
173 regarding its Incremental Costs of Environmental Activities, which was filed with  
174 the Illinois Commerce Commission on February 11, 2026 pursuant to the  
175 Commission's Order dated November 8, 1991 in Docket 91-0010 and Section D  
176 of Rider 11 of the Company's Schedule of Rates. Company's NSG Exhibit 1.1  
177 details the incremental costs of environmental activities that Company incurred  
178 during the quarter ended December 31, 2025, during Fiscal Year 2025, and  
179 cumulative through December 31, 2025. Also included in Company's NSG  
180 Exhibit 1.1 is the related certification by North Shore's independent public  
181 accountant, Deloitte & Touche, LLP, as required by the Company's Rider 11.

182 Page 6 of Company's NSG Exhibit 1.1 consists of a Statement of Activity  
183 in Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2025,  
184 Fiscal Year 2025, and Cumulative Through December 31, 2025. Line 1 of  
185 Column C shows that Company had a balance at the beginning of Fiscal Year  
186 2025 in Account 182.3 of \$2,433,900.98 which represents environmental costs  
187 incurred prior to Fiscal Year 2025 and which had yet to be recovered. Line 4 of  
188 Column C represents increase of \$2,576,323.51 which was incurred during

189 Fiscal Year 2025 as explained later in my testimony. Line 7 of Column C  
190 represents a decrease to the account of \$3,453,800.61 that was recovered from  
191 ratepayers during Fiscal Year 2025 through operation of Rider 11. Line 17 of  
192 Column C represents the Fiscal 2025 Year-end balance in the account of  
193 \$1,538,548.95. This balance will remain in the account until offset by future  
194 Settlement Fund recoveries or until recovered through rates.

195 Page 7 of Company's NSG Exhibit 1.1 consists of a "Statement of Activity  
196 in the Settlement Fund, Quarter Ended December 31, 2025, Fiscal Year 2025  
197 and Cumulative Through December 31, 2025."

198 Page 8 consists of a "Summary of Incremental Costs, Quarter Ended  
199 December 31, 2025, Fiscal Year 2025, and Cumulative through December 31,  
200 2025." Column D shows the Fiscal Year 2025 a total of \$2,576,323.51 shown in  
201 Line 11, broken down by site credits and costs, or by other category for those  
202 costs and credits that are not attributable to a specific site.

203 Q. Please describe the Settlement Fund.

204 A. On February 26, 1999, the Commission, in Docket R-18957, granted  
205 North Shore's Request for Special Permission to revise Rider 11 to add  
206 provisions relating to amounts received from insurance carriers or other entities  
207 in settlement of the Company's claims where the payments apply to future costs.  
208 The occasion for the Company's filing was the receipt of a substantial payment  
209 by an insurance carrier in settlement of claims made in a pending lawsuit. The  
210 Commission approved North Shore's proposal to establish a settlement fund to  
211 identify and track the amounts arising from settlements with insurance carriers or  
212 other entities that are available to pay costs otherwise recoverable under Rider  
213 11. Beginning with incremental costs incurred in December 1998, 50% of such

214 costs are recovered through the settlement fund and 50% through Rider 11.

215 Q. Did any Settlement Fund recoveries occur during Fiscal Year 2025?

216 A. There was a total of \$17,874.93 of Settlement Fund recoveries  
217 during 2025 as a result of insurance settlements.

218 Q. Company's NSG Exhibit 1.1 shows that during Fiscal Year 2025,  
219 Company incurred a total of \$204,388.96 in incremental costs for environmental  
220 activities related to the North Plant. Please describe the activities that resulted in  
221 North Shore incurring incremental costs related to the North Plant during Fiscal  
222 Year 2025.

223 A. These incremental costs are primarily attributable to investigation  
224 activities performed by the Company's outside environmental consultants and for  
225 professional services supervised by the USEPA. Costs were also incurred for real  
226 estate taxes accrued on the property previously purchased under the Rider prior  
227 to October 1, 2005 and for paying the surety to meet the financial assurance  
228 requirements under USEPA orders.

229 Q. Company's NSG Exhibit 1.1 shows that during Fiscal Year 2025,  
230 Company incurred a total of \$46,502.79 associated with environmental activities  
231 related to the Waukegan Coke Plant. Please describe the activities that resulted  
232 in North Shore incurring incremental costs related to the Waukegan Coke Plant  
233 during Fiscal Year 2025.

234 A. These incremental costs were primarily incurred for paying the surety to  
235 meet the financial assurance requirements under USEPA orders and for  
236 monitoring activities performed by the Company's outside environmental  
237 consultants. The Company continues to expect to be reimbursed for GM's ½  
238 share from the surety bond funds.

239 Q. Company's NSG Exhibit 1.1 shows that during Fiscal Year 2025,  
240 Company incurred a total of \$2,257,155.85 in incremental costs for  
241 environmental activities related to the South Plant. Please describe the activities  
242 that resulted in North Shore incurring incremental costs related to the South Plant  
243 during Fiscal Year 2025.

244 A. Costs were incurred primarily in connection with  
245 remediation activities performed by the Company's outside environmental  
246 consultants as well as a payment under a settlement agreement with Waukegan  
247 Port District. Costs were also incurred for paying the surety to meet the financial  
248 assurance requirements under USEPA orders. Additional costs were incurred for  
249 real estate taxes accrued on the property previously purchased under the Rider  
250 prior to October 1, 2005 and for transportation and disposal of environmental  
251 waste material by an outside waste disposal company.

252 Q. Were there any Insurance-Related Costs and Recoveries during Fiscal  
253 Year 2025?

254 A. Yes, there were insurance-related recoveries during 2025. The  
255 Company received a net payment of \$81,249.68 from an insurance carrier. The  
256 payment resulted from a negotiated claim settlement concerning the Company's  
257 MGP sites. \$63,374.75 of the net payment represents the recovery of past  
258 costs incurred by the Company. The \$17,874.93 remainder of the settlement  
259 representing future costs was applied to the Settlement Fund.

260 Q. Company's NSG Exhibit 1.1, Page 8, Column D, Line 9 shows that  
261 during Fiscal Year 2025, Company incurred \$19,465.55 of General and  
262 Unallocated Costs under Rider 11 for environmental activities. Please describe  
263 the activities that gave the General and Unallocated Costs.

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

266 Q. According to Company's NSG Exhibit 1.1, Company incurred \$112,185.11.  
267 in Carrying Charges. Please explain.

268 A. Pursuant to Company's Rider 11 and the Commission's Order on Remand  
269 in Consolidated Dockets 91-0080, *et al.*, Company is entitled to recover carrying  
270 charges on its unrecovered balance of incremental costs of environmental  
271 activities. The amount represents the cost of carrying amounts in the deferred  
272 account before recovery through the Settlement Fund and application of the  
273 adjustments determined under Rider 11. The \$112,185.11 was calculated and  
274 recorded pursuant to Rider 11.

275 Q. In the Initiating Order for this proceeding, the Commission ordered the  
276 Company to include as part of its filing cumulative totals of recoveries by  
277 customer class. Has the Company provided this data?

278 A. Yes. Company's NSG Exhibit 1.2 presents by customer class. Note, to  
279 better align Rider 11 recoveries with the appropriate North Shore Gas tariffs,  
280 customer categories are divided as follows: Small Residential served as Service  
281 Classification 1, Small Commercial and Industrial ("Small C&I"), served as  
282 Service Classifications 2 and 8, and Large Commercial and Industrial ("Large  
283 C&I") served under Service Classification 4. The cumulative total of recoveries  
284 through rates of \$99,414,835.31 is summarized in Line 7, Column D, Page 6 of  
285 NSG Exhibit 1.1.

286 Q. In Ordering Paragraph No. (8) in the Final Order entered in Docket No. 04-  
287 0111, the Commission directed the Company to provide information in its direct  
288 testimony regarding the status of all properties for which purchase costs were

289 previously recovered through Rider 11. Has the Company provided this data?

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

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

295 A. No.

296 Q. How does the Company plan to treat any costs associated with land  
297 acquisitions for environmental remediation purposes incurred after October 1,  
298 2005?

299 A. Pursuant to the Commission's Order, as outlined in Ordering Paragraph  
300 No. 6 in the Final Order entered in Docket 04-0111, if any land purchases are  
301 made, any costs associated with land acquisitions for environmental remediation  
302 purposes shall be treated as a rate base asset in a rate case.

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

307 A. Yes.

308 Q. Does this conclude your direct testimony?

309 A. Yes, it does.

**North Shore Gas Company**  
200 East Randolph Street  
Chicago, IL 60601  
[www.northshoregasdelivery.com](http://www.northshoregasdelivery.com)

February 11, 2026

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

Dear Ms. Cook:

Pursuant to the Commission's Order dated November 8, 1991 in Docket 91-0010, Special Permission No. R-18957 dated February 26, 1999 and Section D of Rider 11 of the Company's Schedule of Rates (Ill. C. C. No. 17) for Gas Service, the Company hereby files the enclosed verified report regarding its Incremental Costs of Environmental Activities for the quarter ended December 31, 2025.

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

Very truly yours,



Debra E. Egelhoff  
Manager, State Regulatory  
Compliance & Advocacy

Enclosure

North Shore Gas Company  
Report To Illinois Commerce Commission  
With Respect To Operation Of Rider 11, Adjustment  
For Incremental Costs Of Environmental Activities  
Quarter Ended December 31, 2025  
And Fiscal Year 2025

**North Shore Gas Company**  
**Operation Of Rider 11, Adjustment For**  
**Incremental Costs Of Environmental Activities**  
**Quarter Ended December 31, 2025 And Fiscal Year 2025**

This report addresses the operation of the Company's Rider 11, Adjustment For Incremental Costs of Environmental Activities, during the quarter ended December 31, 2025, and during Fiscal Year 2025.

Section D of the Company's Rider 11, Adjustment for Incremental Costs of Environmental Activities, requires that the Company file quarterly reports with the Commission. Rider 11 further requires that each such report contain: a statement of activity in the Deferred Account for the quarter and for the fiscal year through the quarter; a statement of activity in the Settlement Fund for the quarter and for the fiscal year through the quarter; a statement of adjustments that were terminated during the quarter; a summary of the incremental costs incurred during the quarter and for the fiscal year through the quarter; and a description of the environmental activities in which the Company was involved during the quarter. Cumulative incremental costs and recoveries through December 31, 2025 are also included in these reports.

**Statement Of Activity In The Deferred Account**

Under its Rider 11, the Company recorded \$638,404.33 in the Deferred Account during the quarter ended December 31, 2025, the fourth quarter of fiscal 2025. This amount represents the incremental costs that were incurred in connection with the environmental activities that were conducted by the Company during the quarter ended December 31, 2025.

During the quarter ended December 31, 2025, the Company recognized \$1,108,834.06 in revenues arising from the application of the adjustments determined under Rider 11.

Page 5 of this report presents the "Statement Of Activity In Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2025, Fiscal Year 2025 And Cumulative Through December 31, 2025".

**Statement Of Activity in Settlement Fund**

On February 26, 1999, the Commission approved the changes in Rider 11, including the establishment of the Settlement Fund, by Special Permission No. R-18957. The revision to the rider provides that the lesser of 50% of the incremental costs incurred or the Settlement Fund balance are recovered monthly through the Settlement Fund. At December 31, 2024 the Settlement Fund balance was \$0.00. No settlement funds were received during the fourth quarter of 2025.

Page 6 of this report presents the "Statement of Activity in the Settlement Fund, Quarter Ended December 31, 2025, Fiscal Year 2025 And Cumulative Through December 31, 2025".

**North Shore Gas Company**  
**Operation Of Rider 11, Adjustment For**  
**Incremental Costs Of Environmental Activities**  
**Quarter Ended December 31, 2025 And Fiscal Year 2025**

**Summary Of Incremental Costs**

The Company experienced \$638,404.33 in incremental costs relative to the environmental activities that were conducted during the quarter ended December 31, 2025. Of this amount, \$88,514.25 is attributable to North Plant; \$24,699.63 is attributable to the former Waukegan Coke Plant; \$484,648.43 is attributable to South Plant; \$10,541.35 is attributable to General and Unallocated Costs; and \$30,000.67 is attributable to Carrying Charges.

Page 7 of this report presents the "Summary Of Incremental Costs, Quarter Ended December 31, 2025, Fiscal Year 2025 And Cumulative Through December 31, 2025".

**Description Of Environmental Activities**

**North Plant:**

During the quarter ended December 31, 2025, the Company incurred \$88,514.25 in incremental costs associated with the environmental activities that were conducted relative to North Plant. Costs were primarily incurred for investigation activities performed by the Company's outside environmental consultants and for an accrual for U.S. Environmental Protection Agency ("USEPA") for environmental oversight costs. Additional costs were incurred for real estate taxes accrued on the property purchased under the Rider prior to October 1, 2005.

**Waukegan Coke Plant:**

During the quarter ended December 31, 2025, the Company incurred \$24,699.63 in incremental costs associated with the environmental activities that were conducted relative to the Waukegan Coke Plant. Costs were incurred for amortization of the payment to the surety to meet the financial assurance requirements under USEPA orders and for monitoring activities performed by the Company's outside environmental consultants. Additional costs were incurred for an accrual reversal for USEPA environmental oversight costs. The Company continues to expect to be reimbursed for GM's ½ share from the surety bond funds.

**South Plant:**

During the quarter ended December 31, 2025, the Company incurred \$484,648.43 in incremental costs associated with the environmental activities that were conducted relative to South Plant. Costs were primarily incurred for remediation activities performed by the Company's outside environmental consultants and for an accrual for USEPA environmental oversight costs. Additional costs were incurred for amortization of the payment to the surety to meet the financial assurance requirements under USEPA orders. Costs were also incurred for real estate taxes accrued on the property purchased under the Rider prior to

**North Shore Gas Company**  
**Operation Of Rider 11, Adjustment For**  
**Incremental Costs Of Environmental Activities**  
**Quarter Ended December 31, 2025 And Fiscal Year 2025**

October 1, 2005 and for transportation and disposal of environmental waste material by an outside waste disposal company.

**General and Unallocated Costs:**

During the quarter ended December 31, 2025, the Company incurred \$10,541.35 in general and unallocated costs which are not associated with any one particular site. The costs were incurred for miscellaneous charges and for professional services provided by outside legal counsel.

**Carrying Charges:**

During the quarter ended December 31, 2025, the Company incurred \$30,000.67 in carrying charges. This amount represents the cost of carrying amounts in the deferred account before recovery through the Settlement Fund and application of adjustments determined under Rider 11.

**Adjustments:**

Page 8 of this report presents the "Adjustments Under Rider 11 Terminated During Quarter Ended December 31, 2025". Three adjustments were terminated during the quarter ended December 31, 2025.

**NORTH SHORE GAS COMPANY**  
**INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES**  
**STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS**  
**QUARTER ENDED DECEMBER 31, 2025, FISCAL YEAR 2025, AND**  
**CUMULATIVE THROUGH DECEMBER 31, 2025**

Line No.	Description (A)	Quarter Ended 12/31/2025 (B)	Fiscal Year 2025 (C)	Cumulative Through 12/31/2025 (D)
1	Balance at Beginning of Period	\$ 2,008,978.68	\$ 2,433,900.98	\$ -
2	Plus Costs Incurred:			
3	Quarter (Page 7, Line 11, Col. C)	638,404.33	-	-
4	Fiscal Year (Page 7, Line 11, Col. D)	-	2,576,323.51	-
5	Cumulative (Page 7, Line 11, Col. E)	-	-	109,578,674.19
6	Sub-total	\$ 2,647,383.01	\$ 5,010,224.49	\$ 109,578,674.19
7	Less Costs Recovered Through Rates	1,108,834.06	3,453,800.61	99,414,835.31
8	Less Recovery Through Settlement Fund:			
9	Quarter (Page 7, Line 13, Col. C)	-	-	-
10	Fiscal Year (Page 7, Line 13, Col. D)	-	17,874.93	-
11	Cumulative (Page 7, Line 13, Col. E)	-	-	8,628,703.43
12	Add Settlement Fund Adjustment			
13	to Incremental Costs: (1)			
14	Quarter (Page 7, Line 15, Col. C)	-	-	-
15	Fiscal Year (Page 7, Line 15, Col. D)	-	-	-
16	Cumulative (Page 7, Line 15, Col. E)	-	-	3,413.50
17	Balance at End of Period	<u>\$ 1,538,548.95</u>	<u>\$ 1,538,548.95</u>	<u>\$ 1,538,548.95</u>

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

**NORTH SHORE GAS COMPANY**  
**STATEMENT OF ACTIVITY IN THE SETTLEMENT FUND**  
**QUARTER ENDED DECEMBER 31, 2025, FISCAL YEAR 2025 AND**  
**CUMULATIVE THROUGH DECEMBER 31, 2025**

Line No.		Quarter Ended 12/31/2025	Fiscal Year 2025	Cumulative Through 12/31/2025
1	Balance at Beginning of Period	\$ -	\$ -	\$ -
2	Add: Settlements with insurance carriers			
3	Or other entities (after tax)	-	12,779.68	4,179,340.48
4	Deduct: 50% of the amount available for net			
5	incremental costs, Less income tax benefit (See note)	-	12,779.68	5,211,364.91
6	Add: Interest (after-tax)	-	-	1,032,024.43
7	Balance at end of period	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Note:	Incremental costs, excluding carrying charges	\$ 608,403.66	\$ 2,527,513.15	\$ 105,923,109.94
	Less: Incremental costs recovered from insurance carriers or other entities for past costs	-	63,374.75	8,878,800.89
	Net incremental costs	<u>\$ 608,403.66</u>	<u>\$ 2,464,138.40</u>	<u>\$ 97,044,309.05</u>
	50% of net incremental costs	\$ 304,201.83	\$ 1,232,069.20	\$ 48,522,154.54
	Less: Amount not available from fund	<u>304,201.83</u>	<u>1,214,194.27</u>	<u>39,893,451.11</u>
	Amount to recover through settlement fund	-	17,874.93	8,628,703.43
	Less: Income tax benefit calculated at State and Federal Rate of 39.667% through 12-31-04	-	-	2,251,501.03
	Less: Income tax benefit calculated at State and Federal Rate of 39.745% through 12-31-10	-	-	1,057,689.82
	Less: Income tax benefit calculated at State and Federal Rate of 41.175% through 12-31-14	-	-	60,291.72
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 40.0375%	-	-	22,568.72
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 41.17500%	-	-	-
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 28.50500% **	-	5,095.25	25,287.23
	Total	<u>\$ -</u>	<u>\$ 12,779.68</u>	<u>\$ 5,211,364.91</u>

\*\*Effective January 1, 2018 @ 28.50500%

**NORTH SHORE GAS COMPANY**  
**INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES**  
**SUMMARY OF INCREMENTAL COSTS (1)**  
**QUARTER ENDED DECEMBER 31, 2025, FISCAL YEAR 2025 AND**  
**CUMULATIVE THROUGH DECEMBER 31, 2025**

Line No.	Site or Other Category of Costs (A)	Recorded in GL Account (B)	Quarter Ended 12/31/2025 (C)	Fiscal Year 2025 (D)	Cumulative Through 12/31/2025 (E)
1	Deerfield Station	182021088	\$ -	\$ -	\$ 410.00
2	North Plant	182021088	88,514.25	204,388.96	38,275,916.59
3	Waukegan Coke Plant	182021088	24,699.63	46,502.79	30,678,721.08
4	South Plant	182021088	484,648.43	2,257,155.85	31,767,814.54
5	Spring Street	182021088	-	-	29,382.00
6	Waukegan Tar Pit	182021088	-	-	1,745,092.98
7	Community Relations Program	182021088	-	-	147,722.62
8	Insurance-Related Costs and Recoveries	182021088	-	(63,374.75)	1,378,921.98
9	General and Unallocated Costs	182021088	10,541.35	19,465.55	1,143,534.01
10	Carrying Charges	182021085	<u>30,000.67</u>	<u>112,185.11</u>	<u>4,411,158.39</u>
11	Total		\$ 638,404.33	\$ 2,576,323.51	\$ 109,578,674.19
12	Less: Recovery from				
13	Settlement Fund (Page 7, Note)	182021088	-	17,874.93	8,628,703.43
14	Add: Settlement Fund Adjustment				
15	to Incremental Costs (2)	182021088	<u>-</u>	<u>-</u>	<u>3,413.50</u>
16	Net Total after Settlement				
17	Fund recovery		\$ <u>638,404.33</u>	\$ <u>2,558,448.58</u>	<u>100,953,384.26</u>

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

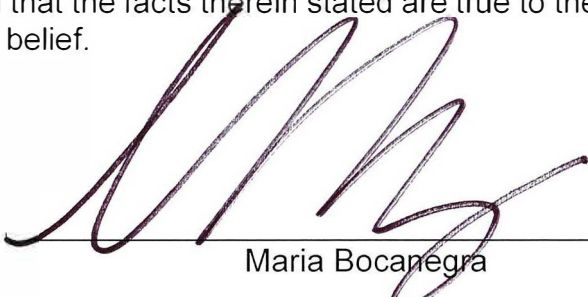
**NORTH SHORE GAS COMPANY**  
**INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES**  
**ADJUSTMENTS UNDER RIDER 11 TERMINATED**  
**DURING QUARTER ENDED DECEMBER 31, 2025**

Adjustments Effective Beginning:	Amount Reflected in Determination of Adjustment	Amount Recovered Through Rates	Difference (1)
(A)	(B)	(C)	(D)
October 1, 2024	\$335,666.74	\$344,340.39	(\$8,673.65)
November 1, 2024	\$213,383.91	\$235,682.89	(\$22,298.98)
December 1, 2024	\$281,598.06	\$318,101.59	(\$36,503.53)

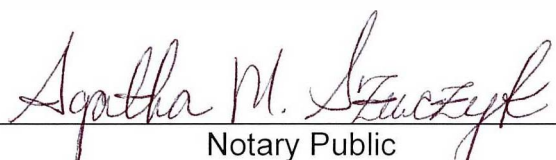
(1) Maintained in deferred account for inclusion in subsequent determination of an adjustment.

STATE OF ILLINOIS     )  
  )  
COUNTY OF COOK     )     SS

Maria Bocanegra, being first duly sworn, deposes and says that she is the President; that she has read the foregoing Report to the Illinois Commerce Commission with respect to Operation of Rider 11, Adjustment for Incremental Costs of Environmental Activities, for the Quarter ended December 31, 2025 and knows the contents thereof; and that the facts therein stated are true to the best of her knowledge, information and belief.

  
\_\_\_\_\_  
Maria Bocanegra

SUBSCRIBED and SWORN TO before me this 5 th day of February, 2026.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:  
3-14-2027



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of North Shore Gas Company

### **Opinion**

We have audited the accompanying Report to the Illinois Commerce Commission ("ICC") on Incremental Costs of Environmental Activities - Statement of Activity in Account 182.3, Other Regulatory Assets and Report to the ICC on Incremental Costs of Environmental Activities - Statement of Activity in Settlement Fund (collectively, the "Statements") of North Shore Gas Company (the "Company") for the year ended December 31, 2025.

In our opinion, the Statements referred to above, present fairly, in all material respects, the information set forth therein of the Company for the year ended December 31, 2025, in accordance with the financial reporting provisions of Section D of the Company's Rider 11, in effect and on file with the 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 Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Accounting**

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

### **Responsibilities of Management for the Statements**

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

### **Auditor's Responsibilities for the Audit of the Statements**

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statements.

In performing an audit in accordance with GAAS, we:

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

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

#### **Restriction on Use**

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

*Deloitte & Touche LLP*

Milwaukee, Wisconsin  
March 31, 2026

NSG Exhibit 1.2 25-1051 North Shore Gas Company  
Rider 11 Recoveries by Customer Class

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


NSG Exhibit 1.2 25-1051 North Shore Gas Company  
Rider 11 Recoveries by Customer Class

	<u>Small Residential</u>	<u>Small C&amp;I</u>	<u>Large C&amp;I</u>	<u>Total</u>
2018	\$802,169.29	\$288,578.58	\$248,875.86	\$1,339,623.73
2019	\$547,299.67	\$306,707.41	\$144,864.88	\$998,871.96
2020	\$1,215,210.29	\$652,585.41	\$374,247.64	\$2,242,043.34
2021	\$1,506,484.83	\$822,433.07	\$431,881.46	\$2,760,799.36
2022	\$3,574,683.40	\$2,034,146.87	\$1,011,584.46	\$6,620,414.73
2023	\$2,462,387.46	\$1,411,537.03	\$599,189.15	\$4,473,113.64
2024	\$1,465,859.79	\$856,701.91	\$377,249.64	\$2,699,811.34
2025	\$1,881,283.88	\$1,076,435.66	\$496,081.07	\$3,453,800.61
			Total	\$99,414,835.31

Small Residential: Service Classification Number 1

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

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

<b>Property Acquired in Fiscal Year</b>	<b>Property Description</b>	<b>PIN's</b>	<b>Current Ownership/Lease</b>
2002	South Plant - Alloy Parcel	08-21-421-030-	NSG Owns
2003 	South Plant - McKinney	08-21-421-027-	NSG Owns
	North Plant	08-15-300-030 08-15-300-031	NSG Owns