

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
North Shore Gas Company)	Docket No. 22-0641
)	
)	
Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

DIRECT TESTIMONY
OF
THOMAS A. SMITH

- 1 Q. Please state your name and business address.
- 2 A. Thomas A. Smith. 200 East Randolph Street, Chicago, Illinois, 60601.
- 3 Q. By whom are you employed?
- 4 A. WEC Business Services LLC (“WBS”).
- 5 Q. What position do you hold with WBS?
- 6 A. I am Manager Gas Supply (PGL/NSG) for Respondent, North Shore Gas
- 7 Company (“North Shore”), and The Peoples Gas Light and Coke Company
- 8 (“Peoples Gas”).
- 9 Q. What are your responsibilities in that position?
- 10 A. I am responsible for directing the activities of the Gas Supply Department
- 11 for North Shore and Peoples Gas, as well as the activities of Peoples Gas’
- 12 interstate services area.

13 Q. Please summarize your educational background and experience.

14 A. I have both a Bachelor's Degree in Accounting and a Master's Degree in
15 Finance from Saint Xavier University in Chicago, Illinois. I have been employed
16 by WBS or its affiliates since 1993 in various positions related to accounting and
17 gas supply, including property and plant accounting, gas accounting, gas supply
18 middle office, gas control, planning, contracting and trading.

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

20 A. The purpose of my testimony is to describe North Shore's 2022 supply
21 and capacity procurement practices, including negotiation of contracts and
22 related accounting and auditing practices. In addition, I discuss steps that North
23 Shore took to reduce gas price volatility. I also address the prudence of North
24 Shore's 2022 supply and capacity and the resulting gas costs that North Shore
25 billed to customers.

26 **2022 PROCUREMENT OVERVIEW**

27 Q. Please describe North Shore's 2022 gas supply procurement process.

28 A. WBS provides services to North Shore under an affiliated interest
29 agreement that the Illinois Commerce Commission ("Commission") approved. In
30 general, Gas Supply Department personnel and others, as appropriate,
31 developed specific gas supply recommendations and put those forward for
32 management approval. The Gas Supply Department was responsible for
33 entering into and administering contracts for gas supply and for purchases of
34 transportation and storage services.

35 Q. What procedure did North Shore follow in 2022 in order to select its
36 resource mix?

37 A. Prior to the start of the year, North Shore developed a number of
38 interconnected forecasts, including: a peak day forecast, a long-term sales
39 forecast, and a gas sendout requirements forecast. These forecasts support the
40 Gas Dispatch Model, which calculates daily sendout requirements and balances
41 the normal year's daily requirements with available gas supply, including term
42 purchases, spot market purchases, customer-owned deliveries and gas available
43 for withdrawal or injection. The Gas Dispatch Model optimizes, from a full-year
44 perspective, the daily gas dispatching activities by forecasting the supply and
45 storage mix to meet the expected customer sendout requirements for each day
46 of the forecast year.

47 Using the annual Gas Dispatch Model as a starting point and just prior to
48 the start of each month, the Gas Supply Department computed at least three
49 potential load forecasts for the coming month and met to address purchasing
50 decisions for the month. After establishing the monthly plan, Gas Supply
51 personnel, on a daily basis, as changing requirements and the market dictated,
52 addressed any changes to accommodate the need for additional or reduced
53 amounts of supply or capacity.

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

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

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

59 A. North Shore contracted for firm baseload supplies that it purchased at field
60 locations and transported to the citygate using its transportation. North Shore
61 made these purchases on a seasonal and month-to-month basis. The baseload
62 contracts called for North Shore to purchase the same quantity each day, and
63 most were priced using a first of the month (“FOM”) index price.

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

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

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

74 A. Yes. North Shore purchased swing supply on the spot market. These
75 transactions were typically for less than one month and were often for only one
76 day or a few days. Once contracted, these sources were firm.

77 Also, a significant portion of North Shore’s end use market opts for
78 deliveries of customer-owned gas under North Shore’s Schedule of Rates. This
79 gas was another source available to North Shore for system supply. However,
80 North Shore did not know the customer-owned gas quantity that it would receive

81 until customers and their suppliers nominated it and North Shore and the
82 pipelines confirmed it.

83 Q. How many suppliers did North Shore purchase from during the
84 reconciliation period?

85 A. During 2022 North Shore purchased gas from 28 suppliers.

86 Q. Please describe North Shore's contractual agreements for the purchase of
87 supply and capacity recovered through the monthly Gas Charge filings.

88 A. During 2022 North Shore purchased the majority of its supply under firm
89 contracts with suppliers. It made these purchases under the terms of the
90 contracts that North Shore had with each supplier. North Shore purchased a
91 portion of its total supply volumes as spot purchases from various suppliers. It
92 made spot purchases, on an as-needed basis, from suppliers under the terms of
93 the contracts that North Shore had with each supplier.

94 Most capacity (both pipeline storage and transportation) transactions are
95 subject to contracts with the pipelines and the pipelines' Federal Energy
96 Regulatory Commission ("FERC") Gas Tariffs. North Shore also had a
97 Commission-approved firm transportation service with Northern Illinois Gas
98 Company d/b/a Nicor Gas Company ("Nicor") and a Commission-approved
99 storage service with Peoples Gas.

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

102 A. No.

103 Q.

104 **REQUESTS FOR PROPOSALS**

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

107 A. Yes. The RFP process allows the market to competitively bid to
108 determine the fair value of the products sought. North Shore issued RFPs, with
109 specific directions to bidders, for the types of firm supply it purchased. The goal
110 of the RFP process is to reach as broad a market as possible to meet North
111 Shore’s requirements. North Shore attempted to be as clear as possible in what
112 it was seeking and what it would consider a conforming bid. This practice
113 provided North Shore with objective criteria with which to eliminate non-
114 conforming bids and make a comparison of conforming bids.

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

117 A. One of North Shore’s goals is to receive bids that are in an identical format
118 so that it can make fair comparisons. In its RFPs, it specifies all the key
119 commercial terms of service to limit the number of variables that it must consider
120 in evaluating bids. For example, a typical RFP would specify the location(s) at
121 which North Shore would take delivery of supply; whether the supply would be
122 baseload or swing and, if it is a swing supply, the conditions under which North
123 Shore may call on the supply; acceptable pricing structures, such as based on
124 specific FOM or daily indices and whether demand charges would be acceptable;
125 and any quantity limitations, such as bids must be in increments of 2,500

126 dth¹/day. In addition, the RFP specifies the credit terms that will apply to the
127 winning bidder, and bidders must be parties to a master contract that will govern
128 the transaction. Generally, the supplier need only select an acceptable delivery
129 location from among those specified, specify a daily contract quantity and bid a
130 price in the required form, for example, an addition to or subtraction from an
131 index that North Shore identified in the RFP. North Shore can then perform an
132 apples-to-apples comparison among the conforming bids and promptly notify the
133 winning bidder(s).

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

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

144 Q. Why did North Shore use this process?

145 A. Prior to 2012, North Shore used a more seasonally structured RFP
146 process that resulted in baseload purchases that were fixed by location for the
147 season. While this was an effective process, it lacked flexibility to respond to

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

148 pipeline curtailments due to maintenance and *force majeure* restrictions that
149 limited transportation from any given location. The monthly baseload purchase
150 process allows North Shore to move the purchases around to avoid the
151 restrictions and limit the need to reconfigure or otherwise renegotiate the
152 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. Yes.

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

158 A. The award criteria were lowest price first and, where applicable,
159 secondary considerations. Secondary considerations were the nomination
160 deadline, credit and the pipeline on which the supply was to be delivered.
161 Another criterion was vendor diversity, where applicable. In addition, for the non-
162 baseload RFP supplies, North Shore used a bid valuation model to evaluate
163 swing and call supply products with varying price, term and quantity attributes on
164 an equal footing.

165 Q. Did North Shore issue RFPs in 2022 for gas that flowed in 2022?

166 A. Yes. North Shore completed nine RFPs in 2022 for gas that flowed in
167 2022. The types of supply procured under those RFPs were summer 2022
168 baseload, winter 2022-2023 baseload and non-baseload, *i.e.*, call gas supplies.
169 The seven summer supply RFPs are discussed above.

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

172 A. The award criteria were lowest price first, and, where applicable,
173 secondary considerations. Secondary considerations were the nomination
174 deadline, credit and the pipeline on which the supply was to be delivered.
175 Another criterion was vendor diversity, where applicable. Also, for the winter
176 season non-baseload RFP supplies, North Shore used a bid valuation model to
177 evaluate swing and call supply products with varying price, term, and quantity
178 attributes on an equal footing.

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

180 A. No. North Shore purchased all its spot gas pursuant to bilateral
181 discussions with suppliers or through trades on ICE.

182 **CITYGATE PURCHASES**

183 Q. Did North Shore purchase gas at the citygate in 2022?

184 A. Yes. North Shore bought Citygate gas on two days in 2022.

185 **SUPPLY INTERRUPTIONS**

186 Q. Did North Shore experience any supply interruptions in 2022?

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

191 **TRANSPORTATION AND STORAGE CAPACITY**

192 Q. Did any significant changes to North Shore's transportation and storage
193 capacity portfolio affect the 2022 portfolio?

194 A. Yes. North Shore extended an existing transportation contract of 25,000
195 Dth/day with Natural Gas Pipeline Company of America ("Natural"). North Shore
196 also added 40,000 Dth/day of Natural transportation capacity. This new contract
197 increases NSG's hourly capacity to mitigate the temporary loss of equipment at
198 the Peterson Rd Liquid Propane plant.

199 Q. Did any pipeline outages, interruptions, or restrictions affect North Shore
200 during 2022?

201 A. Yes. Natural experienced outages and imposed restrictions during 2022.

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

204 A. Yes. North Shore received a total of \$2,962.60 in reservation credits from
205 Natural in April.

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

208 A. Yes. North Shore incurred \$7,107.26 of ANR overrun charges.

209 Q. How did North Shore's planned and actual use of storage compare in
210 2022?

211 A. North Shore begins each season with an established storage plan based
212 on normal weather, estimated customer-owned gas deliveries and assumptions
213 for other factors not precisely known at the time it creates the plan. North Shore
214 cannot reasonably plan for other storage activity, notably no-notice balancing.

215 As a result, actual storage use will never exactly match planned storage use for a
216 given month, and North Shore may need to revise storage plans for future
217 months to accommodate these differences. During 2022, actual storage
218 withdrawals of 12,093 Mdth were approximately 197 Mdth (1.6%) less than
219 planned. The less than planned withdrawals for the year was due to balancing
220 activities throughout the year.

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

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

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

228 A. Yes.

229 Q. Please describe North Shore's use of the LP facility in 2022.

230 A. The LP facility was not used in 2022 to support daily or hourly deliveries.

231 **RESERVE MARGIN**

232 Q. What was North Shore's design day reserve margin in 2022?

233 A. North Shore's 2022 design day reserve margin was approximately 3.14%.
234 North Shore describes its design day calculation in detail in the response to Staff
235 data request ENG 1.17. In general, North Shore defines its design day as the
236 sendout expected to occur on a January weekday with a temperature of -19
237 degrees Fahrenheit (equivalent to 84 degree days) and an average wind speed

238 of 22 miles per hour (“mph”) following a day with a temperature of -2 degrees
239 Fahrenheit and an average wind speed of 17 mph. The temperature and wind
240 data are based on a weighted average of two weather stations (O’Hare and
241 Waukegan). The percentage weighting comes from a GasDay® weather
242 optimization study.

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

253 **PRICE RISK MANAGEMENT**

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

256 A. North Shore took several steps to address price volatility. During the year,
257 North Shore followed a price protection program, approved by the Wholesale
258 Energy and Fuel Financial Risk and Compliance group of WBS in August 2019,
259 which was specifically designed to mitigate the effects of gas price volatility. This
260 program protected a significant portion of North Shore’s purchases using

261 approved financial derivative tools including: futures, fixed price swaps, call
262 options, synthetic calls, or consumer collars (purchasing call options and selling
263 put options simultaneously). These purchases were either hedged physically
264 through fixed forward purchases directly with a supplier or through the use of
265 financial derivative instruments. Under the plan, North Shore began executing its
266 hedges nineteen months prior to the start of each season (*i.e.*, winter or
267 summer). The timing of the transaction execution follows a time driven matrix
268 approach and results in 100% of the planned hedges in place prior to the start of
269 the season. Under normal weather conditions, North Shore would expect to
270 hedge between 25% and 50% of its annual purchases under this plan with a
271 target of 37.5%.

272 North Shore's supply portfolio also contained contractual storage assets
273 that allowed it to use the natural physical hedge that seasonal storage provides.
274 North Shore also purchased gas supplies from a variety of parties and from
275 different producing regions to protect against regional price anomalies.

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

277 A. For the reconciliation period, 37.5% of actual annual purchases were
278 financially hedged.

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

280 A. The "time driven matrix" approach means that North Shore executed its
281 hedge transactions on a defined schedule, unless predefined market conditions
282 were met and North Shore elected to accelerate its financial hedge purchases.
283 This contrasts with, for example, purchasing all of the hedges eighteen months

284 prior or waiting until one month prior to the hedged period to purchase the
285 hedges.

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

288 A. No.

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

290 A. No.

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

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

300 **INTERSTATE SERVICES**

301 Q. Did North Shore enter into any off-system gas sales for resale during
302 2022?

303 A. No.

304 Q. Did North Shore release any capacity in 2022?

305 A. Yes. North Shore released 14,000 dth/day Natural FT from Natural's
306 interconnect with Rockies Express Pipeline (Rex) for the term November 1,

307 2021-March 31, 2022 and 19,116 dth/day for the term November 1, 2022- March
308 31, 2023. North Shore also released 5,600dth/day of their Northern Border
309 capacity for the term November 1, 2021-March 31, 2022. These capacity releases
310 helped bring North Shore's 2022 Design Peak Day Reserve Margin closer to its
311 targeted level of 3%. Unless otherwise stated, all capacity releases were
312 recallable.

313 Q. Did North Shore acquire any capacity through a capacity release in 2022?

314 A. No.

315 **AFFILIATE TRANSACTIONS**

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

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

320 **PRUDENCE OF 2022 GAS COSTS**

321 Q. Were North Shore's incurred expenditures for 2022 gas supply prudent?

322 A. Yes. The 2022 incurred gas supply expenditures reflected North Shore's
323 continuing efforts to minimize the cost of its gas supply consistent with
324 operational and contractual constraints and the statutory obligation to provide
325 adequate and reliable service to customers throughout the year. In particular,
326 following RFP processes, North Shore purchased supply from a diverse pool of
327 suppliers to fill its storage services and to supply its customers. It purchased
328 supply at the citygate and in the field, which both diversifies the pricing applicable
329 to those purchases and enhances reliability. It met a large portion of its peak day

330 and seasonal requirements from storage. It also used storage to help it balance
331 its system on a daily and intra-day basis. Finally, it hedged a significant portion
332 of its annual purchases, which helps to mitigate price volatility for customers.

333 Q. Has North Shore made other efforts to ensure that pipelines serving it
334 provide reliable services on a best-cost basis?

335 A. Yes. North Shore made efforts to maintain adequate, reliable services
336 from pipeline transporters and to keep gas costs to a minimum by active
337 participation in its pipeline transporters' rate and certificate proceedings and
338 other matters before the FERC. North Shore monitored the filings of its pipeline
339 suppliers of storage and transportation services -- Natural, Northern Border and
340 ANR. In addition, North Shore monitored FERC rulemaking and policy
341 proceedings.

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

346 **MEASUREMENT AND MONITORING OF PIPELINE DELIVERIES**

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

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

351 1. Gas that Natural delivered to North Shore is registered by North
352 Shore's electronic flow measurement ("EFM") equipment located at three

353 locations (excluding direct pipeline supplied customer locations), with a combined
354 total of seven meters. The quantities of gas received and delivered by Natural
355 were measured in accordance with the General Terms and Conditions of its
356 FERC Gas Tariff. North Shore has access to Natural's measurement equipment
357 at the receipt and delivery points under the tariff provisions to verify flow
358 calculations. The Gas Control Department reviewed and monitored the accuracy
359 of energy that was billed at all seven of those meters. If the Gas Control
360 Department's measurement review indicated a discrepancy, the Gas Control
361 Department would contact Natural to resolve the discrepancy. Natural also
362 calibrates its EFM equipment periodically. A North Shore representative may be
363 present at these calibrations. North Shore's representative is present for
364 physical changes (e.g., orifice plate inspection or replacement) involving a meter.

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

376 3. If the Gas Control Department's measurement verification between the
377 EFM equipment and nomination systems (North Shore's and pipelines'
378 nomination websites) indicates a discrepancy, the Gas Control Department will
379 contact the pipeline to resolve the discrepancy. Once Gas Control has resolved
380 all discrepancies, the Gas Supply Department will verify the amount of gas
381 nominated to the Gas Supply transaction tracking database ("TRM"). This
382 ensures that all gas nominated is recorded in TRM. The Fuel and Supply
383 Accounting Department confirms data from TRM with the pipelines' invoices.

384 4. ANR uses onsite chromatographs at its meter stations to determine
385 gas quality and heating value. Natural uses chromatographs at a point on its
386 system near Joliet, Illinois and at Peoples Gas' Manlove Field to determine gas
387 quality and heating value. North Shore uses chromatographs it owns at the
388 Busse and Tonne Road stations to independently monitor gas quality and
389 heating value. These chromatographs are calibrated on a regular basis.

390 5. Internal Audit Services examines the accuracy and performance of
391 procedures that management identified as SOX controls annually during its
392 Sarbanes-Oxley Act of 2002, Section 404, testing to support management's
393 assertion that the internal control structure is operating as designed. These tests
394 include examination of the various records and reports that the Fuel and Supply
395 Accounting Department used to record volumetric and pricing information
396 including the various reconciliations to source measurement and pipeline
397 information.

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

400 A. The gas that North Shore purchased from each supplier was invoiced
401 based on quantities delivered at the agreed delivery points. Each month the Fuel
402 and Supply Accounting Department verified that suppliers used the appropriate
403 unit prices in their invoicing to North Shore, and it also confirmed that suppliers
404 delivered volumes based on the agreed to delivery point on the pipeline invoices.

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

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

410 1. Each of these pipelines rendered monthly statements of the quantity of
411 gas received on behalf of North Shore from each supplier at each receipt point
412 and the quantity of gas each transporter delivered to North Shore. The quantities
413 of gas received and delivered by each transporter were measured in accordance
414 with the General Terms and Conditions of its respective FERC Gas Tariff. North
415 Shore has access to transporters' measurement equipment at the receipt and
416 delivery points under the tariff provisions. The Fuel and Supply Accounting
417 Department verified the accuracy of each monthly statement based on records
418 maintained by the Gas Supply area in coordination with each transporting
419 pipeline.

420 2. Transportation charges for each receipt point include a percentage
421 retained by the transporter from gas received for North Shore's account to
422 compensate for the transporter's compressor fuel and lost-and-unaccounted-for
423 gas. The Fuel and Supply Accounting Department reviewed for accuracy the
424 quantities that the transporter retained, the transportation and storage charges
425 and the reservation fees against published tariffs, contracts or discount letters or
426 agreements, as appropriate.

427 Q. Does this conclude your direct testimony?

428 A. Yes, it does.

STATE OF ILLINOIS
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DIRECT TESTIMONY
OF
SONIA HOLLER

- 1 Q. Please state your name and business address
- 2 A. Sonia Holler, 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 3 in Regulatory Affairs.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for gas charge related matters involving the maintenance
- 9 and forecasts of gas fuel costs, gas charge revenues, reconciliation balances
- 10 and rates as they pertain to Rider 2 of the rate schedules for Respondent, North
- 11 Shore Gas Company ("North Shore"), and an affiliate, The Peoples Gas Light

12 and Coke Company (“Peoples Gas”). In addition, I am responsible for
13 performing activities related to rate and tariff administration.

14 Q. Please summarize your educational background and experience.

15 A. I have a Bachelor of Science Degree from Illinois Institute of Technology. I
16 have been employed by Peoples Gas or its affiliates since 1985 in various
17 positions in Gas Supply, State Regulatory Affairs, Gas Accounting and in the
18 Rates area. I have been in my present position since 2008.

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

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

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

27 A. Pursuant to Section 9-220 of the Public Utilities Act, on October 27, 2022,
28 the Illinois Commerce Commission (“Commission”) entered a citation order
29 (“order”) directed to Illinois gas utilities, including North Shore. The order
30 requires North Shore to present evidence to the Commission at a public hearing
31 in Docket No. 22-0641 reconciling revenue collected under the purchased gas
32 adjustment clause (Rider 2, Gas Charge, of North Shore’s Schedule of Rates)
33 with the actual costs prudently incurred and recoverable under Rider 2, for the
34 twelve months ended December 31, 2022. The order also requires North

35 Shore's filing to reflect fifteen specified data for each of its Gas Charges. The
36 order further requires that North Shore make notice of the filing of this evidence
37 under the requirements of 83 Illinois Administrative Code Part 255.

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

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

45 Q. Please describe NSG Ex. 2.1.

46 A. NSG Ex. 2.1 includes a copy of the audit report of North Shore's
47 independent public accountants, Deloitte & Touche LLP, and the verification by
48 North Shore's President Torrence Hinton. The audit report includes a copy of
49 North Shore's Statement to Illinois Commerce Commission - Determination of
50 Reconciliation Balance for Gas Charge for the Year Ended December 31, 2022
51 ("2022 Statement") and Independent Auditors' Report, as described in Rider 2,
52 Section G, of North Shore's Schedule of Rates.

53 Q. Was the 2022 Statement prepared by you or under your supervision and
54 direction?

55 A. Yes, it was.

56 Q. Are the verification and the audit report true and correct copies of Mr.
57 Hinton's verification and the independent public accountants' audit report?

58 A. Yes, they are.

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

61 A. Each month, North Shore files a Commodity Gas Charge (“CGC”), a Non-
62 Commodity Gas Charge (“NCGC”), a Demand Gas Charge (“DGC”), and a
63 Storage Gas Charge (“SGC”). The sum of the CGC and NCGC is the Gas
64 Charge, which applies to all North Shore-supplied therms except standby therms
65 supplied to transportation customers.

66 The standby commodity charge applies to standby therms. North Shore
67 uses published price indices prescribed in the riders to determine the standby
68 commodity charge.

69 The CGC recovers commodity-related costs. The NCGC recovers non-
70 commodity related costs. The DGC also recovers non-commodity related costs
71 but from transportation customers. North Shore credits revenues arising from the
72 application of the DGC against the non-commodity related costs used in
73 computing the NCGC.

74 The SGC recovers non-commodity related costs from customers served
75 under Riders CFY and SST. The SGC applies to all storage capacity therms
76 allocated to or subscribed by customers served under these riders. North Shore
77 credits revenues arising from the application of the SGC against the non-
78 commodity related costs used in computing the NCGC. Given that the NCGC,
79 DGC, and SGC all recover non-commodity related costs, North Shore jointly
80 reconciles revenues recovered under these charges with such costs.

81 Q. The Commission's order requires North Shore to include certain data from
82 the prior reconciliation year in its determination of the current year's
83 reconciliation. Please specify any unamortized balance at December 31, 2021.

84 A. The unamortized balance at December 31, 2021, for each Gas Charge is
85 shown on Page 2, Line 1, of NSG Ex. 2.1. North Shore's unamortized Factor A
86 balance at December 31, 2021, reflects a recoverable balance of \$1,373,625.62
87 for the CGC and a refundable balance of \$521,385.35 for the NCGC, DGC, and
88 SGC, for a total recoverable amount of \$852,240.27. These amounts are also
89 shown on Page 2, Line 12, of North Shore's Statement to Illinois Commerce
90 Commission, Determination of reconciliation Balance for Gas Charge for the
91 Year Ended December 31, 2021 ("2021 Statement"). North Shore filed this
92 document as NSG Ex. 2.1 with my direct testimony in Docket 21-0749,
93 reconciliation of revenues collected under gas adjustment charges with actual
94 costs prudently incurred for the period January 1, 2021 through December 31,
95 2021.

96 Q. Please specify the total adjustments to gas costs (that is, Factor A) that
97 were amortized to Schedule I in North Shore's 2021 monthly filings but were not
98 yet reconciled through Schedule II of North Shore's monthly filings at December
99 31, 2021.

100 A. Total unreconciled adjustments to gas costs (Factor A) reflect a
101 recoverable amount of \$2,606,799.33 for the CGC and a refundable amount of
102 \$114,746.48 for the NCGC, DGC and SGC, for a total recoverable balance of
103 \$2,492,052.85. These adjustments, for the reported months of November and

104 December 2021, were not yet reconciled at December 31, 2021. However, they
105 are reflected in the respective Gas Charges for the effective months of January
106 and February 2022. These amounts are shown on Page 2, Line 2, of NSG Ex.
107 2.1. They are also shown on Page 2, Line 13, of North Shore's 2021 Statement.

108 Q. What was North Shore's refundable or recoverable balance for the year
109 ended December 31, 2021?

110 A. North Shore's refundable or recoverable balance for the year ended
111 December 31, 2021, which is the sum of the amounts on Page 2, Lines 1 through
112 3, of NSG Ex. 2.1, reflects an under-recovery of \$3,980,424.95 for the CGC and
113 an over-recovery of \$636,131.83 for the NCGC, DGC and SGC, for a total under-
114 recovery of \$3,344,293.12. These amounts are shown on Page 2, Line 4, of
115 NSG Ex. 2.1. They are also shown on Page 2, Line 11 and Line 15, of North
116 Shore's 2021 Statement.

117 Q. What are North Shore's 2022 recoverable gas costs and revenues?

118 A. Recoverable gas costs and revenues are summarized and shown on Page
119 2, Line 5 and Line 6, respectively, of NSG Ex. 2.1. Recoverable gas costs
120 summarized and shown on Page 2, Line 5, of NSG Ex. 2.1 are \$118,006,515.65
121 for the CGC and \$28,429,836.43 for the NCGC, DGC and SGC for a total of
122 \$146,436,352.08 to be recovered under the Gas Charge. Revenues arising
123 through the application of each Gas Charge summarized and shown on Page 2,
124 Line 6, of NSG Ex. 2.1 are \$125,232,703.39 for the CGC and \$28,258,024.34 for
125 the NCGC, DGC and SGC, for a total of \$153,490,727.73 recovered under the
126 Gas Charge. Recoverable gas costs and revenues are shown in more detail on

127 Pages 3 and 4 of NSG Ex. 2.1 for the CGC, and the NCGC, DGC and SGC,
128 respectively.

129 Q. Please specify the pipeline refunds or surcharges that North Shore
130 separately reported in 2022 monthly Gas Charge filings.

131 A. North Shore's 2022 monthly Gas Charge filings included no separately
132 reported pipeline refunds or surcharges.

133 Q. Please specify any other adjustments that North Shore separately reported
134 in 2022.

135 A. North Shore's 2022 monthly Gas Charge filings included no other
136 separately reported adjustments.

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

139 A. Interest, calculated under Section 525.50, for inclusion in Adjustments for
140 Gas Costs (Factor A) is shown on Page 2, Line 9, of NSG Ex. 2.1, and reflects a
141 refundable amounts of \$17,868.64 for the CGC and a refundable amount of
142 \$504.52 for the NCGC, DGC and SGC, for a total refundable amount of
143 \$18,373.16.

144 Q. What was North Shore's over- or under- recovery for 2022?

145 A. North Shore's over- or under-recovery for 2022 is shown on Page 2, Line
146 10, of NSG Ex. 2.1. The over- or under-recovery for each Gas Charge can be
147 determined by deducting the amount on Line 6 (revenues arising through the
148 application of each Gas Charge) from the amount on Line 5 (costs recoverable
149 through each Gas Charge) and adding the amounts on Line 7 (separately

150 reported pipeline refunds or surcharges), Line 8 (separately reported other
151 adjustments), and Line 9 (interest). Using this calculation, North Shore's over- or
152 under-recovery for 2022 reflects an over-recovery of \$7,244,056.38 for the CGC
153 and an under-recovery of \$171,307.57 for the NCGC, DGC and SGC, for a total
154 over-recovery of \$7,072,748.81.

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

156 A. The cumulative recovery balance for the reconciliation year, which reflects
157 the sum of the (refundable)/recoverable balances for prior periods and for the
158 year ended December 31, 2022, for each respective Gas Charge, is shown on
159 Page 2, Line 11, of NSG Ex. 2.1. This amount, which can be determined by
160 summing the amounts on Line 4 (prior period balance) and Line 10 (2022
161 balance), reflects an over-recovery of \$3,263,631.43 for the CGC and an over-
162 recovery of \$464,824.26 for the NCGC, DGC and SGC, for a total over-recovery
163 of \$3,728,455.69.

164 These amounts are also shown on line 15 and equal the sum of the
165 amounts shown on lines 12 (unamortized balance at the end of 2022), 13
166 (unreconciled adjustments to gas costs), and 14 (Factor O amounts).

167 Q. Please specify any unamortized balance at the end of 2022.

168 A. The unamortized balance at the end of 2022 is shown on Page 2, Line 12,
169 of NSG Ex. 2.1. North Shore's unamortized balance at the end of reflects a
170 refundable balance of \$1,073,993.57 for the CGC and a refundable balance of
171 \$429,108.85 for the NCGC, DGC, and SGC, for a total refundable amount of
172 \$1,503,102.42.

173 Q. Please specify any adjustments to gas costs that were not yet reconciled
174 through Schedule II of North Shore's monthly filings at December 31, 2022.

175 A. Total unreconciled adjustments to gas costs, which are shown on Page 2,
176 Line 13, of NSG Ex. 2.1, reflect a refundable amount of \$2,189,637.86 for the
177 CGC and a refundable amount of \$35,715.41 for the NCGC, DGC and SGC, for
178 a total refundable balance of \$2,225,353.27. The unreconciled adjustments to
179 gas costs (Factor A), for the reported months of November and December 2022,
180 are not yet reconciled at the end of 2022. However, they are reflected in the
181 respective Gas Charges for the effective months of January and February, 2023.

182 Q. Please specify any Factor O amounts requested by North Shore for 2022.

183 A. North Shore is not requesting any Factor O amounts for 2022.

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

186 A. Yes. NSG Ex. 2.1 includes a summary of the detailed Schedule II,
187 Adjustments to Gas Costs (Factor A) reports that North Shore filed as part of its
188 monthly Gas Charge reports for 2022. Pages 5 and 6 of NSG Ex. 2.1 reflect
189 Schedule II reports filed for the CGC, and the NCGC, DGC and SGC,
190 respectively. These reports reflect the monthly reconciliation of recoverable gas
191 costs and Gas Charge revenues, adjustments to gas costs (Factor A), refunds
192 and other adjustments, Factor A amortizations and unamortized balances, Factor
193 O amortizations and unamortized balances, and interest determined for each
194 Gas Charge. Finally, Page 7 of NSG Ex. 2.1 contains notes that explain Gas
195 Charge reconciliation summary items noted on Page 2 of NSG Ex. 2.1.

196 Q. Does this conclude your direct testimony?

197 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, 2022

North Shore Gas Company
Statement to Illinois Commerce Commission - Determination of Reconciliation Balance (1)
For the Year Ended December 31, 2022

<u>Line</u>		<u>Commodity Gas Charge (CGC)</u>	<u>Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge (NCGC, DGC and SGC)</u>	<u>Total Gas Charge</u>
Year Ended December 31, 2021				
1	Unamortized Balance at December 31, 2021 (Refund)/Recovery (2)	\$1,373,625.62	(\$521,385.35)	\$852,240.27
2	Factor A Adjustments unreconciled at December 31, 2021 (Refund)/Recovery (3)	2,606,799.33	(114,746.48)	2,492,052.85
3	Factor O to be (Refunded)/Recovered	0.00	0.00	0.00
4	Cumulative (Refundable)/Recoverable December 31, 2021 (Line 1 + Line 2 + Line 3)	3,980,424.95	(636,131.83)	3,344,293.12
Year Ended December 31, 2022				
5	Costs Recoverable through the Gas Charge (4)	118,006,515.65	28,429,836.43	146,436,352.08
6	Revenues Arising through Application of the Gas Charge (5)	125,232,703.39	28,258,024.34	153,490,727.73
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	(17,868.64)	(504.52)	(18,373.16)
10	(Over)/Under Recovery For Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	(7,244,056.38)	171,307.57	(7,072,748.81)
11	Cumulative (Over)/Under Recovery Balance For Reconciliation Year (Line 4 + Line 10)	(3,263,631.43)	(464,824.26)	(3,728,455.69)
12	Unamortized Balance at December 31, 2022 (Refund) / Recovery (Line 11 - Line 13) (6)	(\$1,073,993.57)	(\$429,108.85)	(\$1,503,102.42)
13	Factor A Adjustments unreconciled at December 31, 2022 (Refund)/Recovery (7)	(2,189,637.86)	(35,715.41)	(2,225,353.27)
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	(3,263,631.43)	(464,824.26)	(3,728,455.69)

North Shore Gas Company

**STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE
FOR THE COMMODITY GAS CHARGE
FOR THE YEAR ENDED DECEMBER 31, 2022**

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 30, 2022				
1.	Gas Costs by Type:			
	a. Purchases	\$ 113,326,168.58		
	b. Liability For Redelivery of Customer-Owned Gas	<u>1,442,315.50</u>		
2.	TOTAL GAS COSTS		\$ 114,768,484.08	Sum Lines 1a - 1b
3.	Less: Franchise Gas	\$ (733,984.20)		
4.	a. Add: Gas Withdrawn from Storage	56,484,309.66		
	b. Less: Gas Injected into Storage	<u>(51,736,491.57)</u>		
5.	Less: Off-System Transaction Revenues	0.00		
6.	Less: Penalty / Imbalance Charge Revenues	<u>(83,673.18)</u>		
7.	a. Less: "Cash-Out" Schedule Revenues	<u>(805,688.59)</u>		
	b. Add: "Cash-Out" Schedule Costs	<u>113,559.45</u>		
8.	TOTAL OTHER COSTS / REVENUES		<u>3,238,031.57</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 118,006,515.65	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Commodity Gas Charge Revenues		<u>125,232,703.39</u>	
11.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
12.	Interest		(17,868.64)	
13.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>(7,244,056.38)</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, 2022

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
	ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 30, 2022			
1.	Gas Costs by Type:			
	a. Transportation	\$ 6,372,055.47		
	b. Storage	26,399,267.15		
	c. Demand Gas Charge Revenues	(2,174,829.64)		
	d. Storage Gas Charge Revenues	(2,650,326.78)		
2.	TOTAL GAS COSTS		\$ 27,946,166.20	Sum Lines 1a - 1d
3.	Less: Franchise Gas	\$ (41,251.05)		
4.	a. Add: Gas Withdrawn from Storage	3,432,839.62		
	b. Less: Gas Injected into Storage	(2,907,918.34)		
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	0.00		
8.	TOTAL OTHER COSTS / REVENUES		<u>483,670.23</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 28,429,836.43	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Non-Commodity Gas Charge Revenues	28,179,361.21		
	b. Excess Bank Charge	78,663.13		
	c. Storage and Balancing Charges	<u>0.00</u>		
11.	TOTAL REVENUES		<u>28,258,024.34</u>	Sum Lines 10a - 10c
12.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
13.	Interest		(504.52)	
14.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>171,307.57</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, 2022

Line		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
	Reported Month	November 2021	December	January 2022	February	March	April	May	June	July	August	September	October	November	December	Total 2022	
	Effective Month	January 2022	February	March	April	May	June	July	August	September	October	November	December	January 2023	February		
1	Actual Recoverable Costs - Reported Month	11,819,773.37	13,422,218.16	19,956,929.11	20,051,952.78	14,665,091.93	20,799,026.45	6,952,100.92	3,240,555.96	(2,129,596.76)	2,206,467.84	981,816.46	3,842,432.73	12,198,855.22	15,240,883.01	118,006,515.65	1
2	Actual Recoveries - Reported Month	11,772,324.55	14,068,742.96	19,443,997.58	17,776,266.95	13,548,743.05	12,246,360.06	8,843,720.17	5,984,153.33	4,371,319.63	3,490,328.52	4,583,715.01	9,764,696.72	12,206,794.68	12,972,607.69	125,232,703.39	2
3	Under/(Over) Recovery - Reported Month	47,448.82	(646,524.80)	512,931.53	2,275,685.83	1,116,348.88	8,552,666.39	(1,891,619.25)	(2,743,597.37)	(6,500,916.39)	(1,283,860.68)	(3,601,898.55)	(5,922,263.99)	(7,939.46)	2,268,275.32	(7,226,187.74)	3
4	Factor A Included in Reported Month	699,975.78	935,226.32	1,483,530.35	1,123,268.98	2,081,634.12	1,276,803.22	1,522,189.69	1,764,543.85	1,221,694.15	1,185,055.53	653,683.79	1,212,021.87	(113,442.28)	(821,985.01)	12,588,998.26	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	747,424.60	288,701.52	1,996,461.88	3,398,954.81	3,197,983.00	9,829,469.61	(369,429.56)	(979,053.52)	(5,279,222.24)	(98,805.15)	(2,948,214.76)	(4,710,242.12)	(121,381.74)	1,446,290.31	5,362,810.52	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	2,944,298.83	2,208,193.08	1,373,625.62	1,288,453.38	3,410,604.97	5,086,398.28	13,151,324.04	11,560,200.33	9,396,091.28	3,463,185.25	2,152,358.23	(682,414.25)	(4,570,671.36)	(3,232,350.26)		8
9	Total Adjustments Before Amortization	3,691,723.43	2,496,894.60	3,370,087.50	4,687,408.19	6,608,587.97	14,915,867.89	12,781,894.48	10,581,146.81	4,116,869.04	3,364,380.10	(795,856.53)	(5,392,656.37)	(4,692,053.10)	(1,786,059.95)		9
10	Total Amortization	1,483,530.35	1,123,268.98	2,081,634.12	1,276,803.22	1,522,189.69	1,764,543.85	1,221,694.15	1,185,055.53	653,683.79	1,212,021.87	(113,442.28)	(821,985.01)	(1,473,115.08)	(716,522.78)	7,792,561.07	10
11	Unamortized Balance - Factor A	2,208,193.08	1,373,625.62	1,288,453.38	3,410,604.97	5,086,398.28	13,151,324.04	11,560,200.33	9,396,091.28	3,463,185.25	2,152,358.23	(682,414.25)	(4,570,671.36)	(3,218,938.02)	(1,069,537.17)		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	2,208,193.08	1,373,625.62	1,288,453.38	3,410,604.97	5,086,398.28	13,151,324.04	11,560,200.33	9,396,091.28	3,463,185.25	2,152,358.23	(682,414.25)	(4,570,671.36)	(3,218,938.02)	(1,069,537.17)		13
14	Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(13,412.24)	(4,456.40)	(17,868.64)	14
15	Unamortized Balance Including Interest	2,208,193.08	1,373,625.62	1,288,453.38	3,410,604.97	5,086,398.28	13,151,324.04	11,560,200.33	9,396,091.28	3,463,185.25	2,152,358.23	(682,414.25)	(4,570,671.36)	(3,232,350.26)	(1,073,993.57)		15

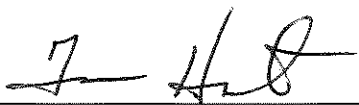
North Shore Gas Company
Statement to Illinois Commerce Commission - Determination of Reconciliation Balance
Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge

Summary of Schedule II
For the Year Ended December 31, 2022

Line	Reported Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
		November 2021	December	January 2022	February	March	April	May	June	July	August	September	October	November	December	Total 2022	
	Effective Month	January 2022	February	March	April	May	June	July	August	September	October	November	December	January 2023	February		
1	Actual Recoverable Costs - Reported Month	2,931,110.28	3,230,303.90	4,092,684.31	3,606,474.31	3,344,019.63	1,825,844.99	1,254,894.14	1,344,503.62	1,447,562.09	1,559,881.87	1,440,059.14	1,621,337.76	2,927,565.88	3,965,008.69	28,429,836.43	1
2	Actual Recoveries - Reported Month	3,331,235.63	5,081,734.85	5,910,073.23	4,710,608.16	2,823,283.24	2,211,843.60	853,453.37	679,506.74	413,854.13	381,471.82	601,389.36	1,626,765.56	2,835,626.05	5,210,149.08	28,258,024.34	2
3	Under/(Over) Recovery - Reported Month	(400,125.35)	(1,851,430.95)	(1,817,388.92)	(1,104,133.85)	520,736.39	(385,998.61)	401,440.77	664,996.88	1,033,707.96	1,178,410.05	838,669.78	(5,427.80)	91,939.83	(1,245,140.39)	171,812.09	3
4	Factor A Included in Reported Month	471,276.85	1,144,147.62	13,430.68	(128,177.16)	(431,749.09)	(441,176.81)	(186,326.78)	(244,710.26)	(161,812.34)	(143,921.31)	(104,155.21)	(7,437.03)	282,827.34	406,053.48	(1,147,154.49)	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	71,151.50	(707,283.33)	(1,803,958.24)	(1,232,311.01)	88,987.30	(827,175.42)	215,113.99	420,286.62	871,895.62	1,034,488.74	734,514.57	(12,864.83)	374,767.17	(839,086.91)	(975,342.40)	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	57,720.82	(521,385.35)	(1,893,594.50)	(2,684,728.70)	(2,409,414.62)	(2,991,879.78)	(2,614,953.45)	(2,050,745.52)	(1,074,694.69)	(32,768.92)	418,918.31	0.00	307,518.51		8
9	Total Adjustments Before Amortization	71,151.50	(649,562.51)	(2,325,343.59)	(3,125,905.51)	(2,595,741.40)	(3,236,590.04)	(2,776,765.79)	(2,194,666.83)	(1,178,849.90)	(40,205.95)	701,745.65	406,053.48	374,767.17	(531,568.40)		9
10	Total Amortization	13,430.68	(128,177.16)	(431,749.09)	(441,176.81)	(186,326.78)	(244,710.26)	(161,812.34)	(143,921.31)	(104,155.21)	(7,437.03)	282,827.34	406,053.48	68,524.67	(104,240.08)	(1,068,123.42)	10
11	Unamortized Balance - Factor A	57,720.82	(521,385.35)	(1,893,594.50)	(2,684,728.70)	(2,409,414.62)	(2,991,879.78)	(2,614,953.45)	(2,050,745.52)	(1,074,694.69)	(32,768.92)	418,918.31	0.00	306,242.50	(427,328.32)		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	57,720.82	(521,385.35)	(1,893,594.50)	(2,684,728.70)	(2,409,414.62)	(2,991,879.78)	(2,614,953.45)	(2,050,745.52)	(1,074,694.69)	(32,768.92)	418,918.31	0.00	306,242.50	(427,328.32)		13
14	Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,276.01	(1,780.53)	(504.52)	14
15	Unamortized Balance Including Interest	57,720.82	(521,385.35)	(1,893,594.50)	(2,684,728.70)	(2,409,414.62)	(2,991,879.78)	(2,614,953.45)	(2,050,745.52)	(1,074,694.69)	(32,768.92)	418,918.31	0.00	307,518.51	(429,108.85)		15

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 as aforesaid that he verily believes the same to be true.



Torrence Hinton

President –

North Shore Gas Company and

The Peoples Gas Light and Coke Company

April 11, 2023

North Shore Gas Company
Statement to Illinois Commerce Commission
Determination of Reconciliation Balance for Gas Charge
For the Year Ended December 31, 2022

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, 2021. 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, 2022 and February 1, 2022 and not yet reconciled for the reporting months of November 2021 and December 2021, 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 balance at December 31, 2022. 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, 2023 and February 1, 2023 and not yet reconciled for the reporting months of November 2022 and December 2022, 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.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Shore Gas Company
Chicago, Illinois

Opinion

We have audited the accompanying Report to the Illinois Commerce Commission – Determination of Reconciliation Balance for Gas Charge (the “Statement”) of North Shore Gas Company (the “Company”) for the year ended December 31, 2022.

In our opinion, the Statement referred to above, presents fairly, in all material respects, the information set forth therein for the year ended December 31, 2022, 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.

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

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 Illinois Commerce Commission, 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 Illinois Commerce Commission, 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 Board of Directors, management of the Company and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Milwaukee, Wisconsin

April 13, 2023

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)
On Its Own Motion)
)
v.)
)
North Shore Gas Company) Docket No. 22-0641
)
)
)
)
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. 22-0641, in accordance with requirements of the Commission’s Rules of Practice.

Dated at Chicago, Illinois, this 13th day of April, 2023.

By: /S/ KOBY BAILEY

Koby Bailey
An Attorney for
North Shore Gas Company