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**Rider 26
Uncollectible Expense Adjustment**

Applicable to Rates 1, 4, 5, 74 and 75

Applicability.

This rider is applicable to those customers served under Rate 1 - Residential Service, and Rate 4 - General Service, Rate 5 - Seasonal Use Service, Rate 74 - General Transportation Service and Rate 75 - Seasonal Use Transportation Service, collectively referred to as the “non-residential” rate classes.

Purpose.

The purpose of this rider is to recover or refund the amount by which the Company’s actual annual uncollectible expense in a calendar year exceeds or is less than the uncollectible amount included in the Company’s delivery service rates for the corresponding annual period. Any over-or-under recoveries of the Company’s actual uncollectible expense amounts for a reporting year, as determined in accordance with this rider, shall be included in the monthly customer charge for each respective rate class. Costs subject to this rider are those costs that are classified as uncollectible expenses in Illinois Commerce Commission Account 904, Uncollectible Accounts, and as reported by the Company in, Form 21, Annual Report to the Illinois Commerce Commission. Such adjustments will be the incremental difference between the amount of uncollectible expense set forth in Account 904 (“actual uncollectible expense”) and the Commission-approved uncollectible amount listed in Appendix A of the Commission’s Order and included in the base rate revenue requirement at the time base delivery service charges are established. Rider 26 operates pursuant to Section 19-145 of the Public Utilities Act.

Incremental Uncollectible Adjustment Factors.

Incremental Uncollectible Adjustment Factors are determined pursuant to this Rider for Company delivery services (IDUF) and for Company gas supply service (ISUF). The incremental uncollectible adjustment factors shall be separately computed for both the incremental delivery uncollectible adjustment factor (IDUF) and, if applicable, the incremental supply uncollectible adjustment factor (ISUF), for each rate class designation as identified below:

<u>IDUF Gas Delivery Rate Designations</u>	<u>ISUF Supply Rate Designations</u>
Rate 1 Residential Delivery Service	Rate 1, Rider 6 - Gas Supply Service
Rate 4 General Delivery Services	Rate 4, Rider 6 - Gas Supply Service
Rate 5 Seasonal Use Delivery Service	Rate 5, Rider 6 - Gas Supply Service
Rate 74 General Transportation Delivery Service	
Rate 75 Seasonal Transportation Delivery Service	

The incremental Uncollectible Adjustment Factors shall be expressed in dollars per customer per month and added to the monthly customer charge for each applicable rate designation. If an adjustment computes to \$.01 or more, any fraction of \$.01 in the computed adjustment amount shall be dropped if less than \$.005 or rounded up to the next full \$.01. Customers taking both delivery and supply service from Nicor Gas who are served under Rates 1, 4 and 5 and Rider 6 shall have both an IDUF and ISUF applied to their monthly customer charges. Customers taking only delivery service under Rates 1, 4, and 5 and Riders 15 or 25 or under Rates 74 or 75 shall have only the applicable IDUF applied to their monthly customer charges.

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**Rider 26
Uncollectible Expense Adjustment**

(Continued From Sheet No. 79)

Section A – Determination of Incremental Uncollectible Adjustment Factors.

a) Residential Service Uncollectible Expense Adjustment Factors applicable to Rate 1 customers.

The uncollectible expense adjustment factor for residential delivery service, Factor IDUF-R, and for residential supply service, Factor ISUF-R, shall be determined for each Effective Period as follows:

$$IDUF-R = \frac{[(F904 - BUE) * BDRA] * DUEA}{RTC * M} + Rc + Oc$$

and

$$ISUF-R = \frac{[(F904 - BUE) * BDRA] * SUEA}{RSC * M} + Rc + Oc$$

Where:

- IDUF-R = Incremental delivery uncollectible cost factor applicable to all residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The IDUF-R effective period applicable to the recovery of 2008 calendar year incremental costs shall begin with the month following Commission approval of this tariff and end on December 31, 2010. The IDUF-R Effective Period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.
- ISUF-R = Incremental supply uncollectible cost factor applicable to retail sales residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The ISUF-R effective period applicable to the recovery of 2008 calendar year incremental costs shall begin with the month following Commission approval of this tariff and end on December 31, 2010. The ISUF-R Effective Period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.
- F904 = The amount of uncollectible expense for the applicable calendar year period, in dollars, as recorded in Account 904 of the Illinois Commerce Commission (ICC) Form 21.
- BUE = The amount of annual uncollectible expense, in dollars, approved by ICC Order and shown in the respective Appendix A to the Order, and included in the Company's base rates in effect during the applicable calendar year. If more than one set of rates were in effect during such calendar year, the BUE shall be the weighted average, based on revenues earned during such period under each set of rates, of the uncollectible amount included in rates at the beginning of such period and at the end of such period. The formula for determining such weighted average would be as follows:

$$BUE = \left[BUE_{(a)} \times \frac{BRR_{(a)}}{BRR_{(a+b)}} \right] + \left[BUE_{(b)} \times \frac{BRR_{(b)}}{BRR_{(a+b)}} \right]$$

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**Rider 26
Uncollectible Expense Adjustment**

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Where:

- BRR = Base Rate Revenues, in dollars, equal to the amount accrued in the applicable reporting year in accordance with the application of base rate charges in effect during such year. The BRR value shall be expressed separately for the portion of year each Base Rate tariff was in effect and shall be noted as part (a) or part (b), representing the period each tariff was in effect during such reporting year.
- BDRA = The percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to residential service customers in the Company's Embedded Cost of Service Study(s) in effect during the applicable calendar year.
- DUEA = The percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to delivery service in the Company's applicable general rate case and in effect during the applicable calendar year. DUEA shall equal 1-SUEA
- SUEA = The percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to supply service in the Company's applicable general rate case and in effect during the applicable calendar year.
- Rc = The Company determined reconciliation component for each Uncollectible Adjustment Factor, calculated for the reconciliation year, in dollars. The reconciliation amount shall be the difference between the anticipated amount of uncollectible expense to be recovered from or refunded to customers and the actual amount recovered from or refunded to customers. The reconciliation component shall be collected over nine months, from September through May and shall be supported by a Commission filing made annually on or before August 20. No reconciliation component shall be included in the June through August period. The first reconciliation period shall cover the period beginning with the initial application of the Uncollectible Adjustment Factors through May 2011. The initial reconciliation shall cover the adjustments for calendar years 2008 and 2009, with the first reconciliation "Rc" effective September 2011. Subsequent reconciliation adjustments shall be calculated annually thereafter and be effective in September. The reconciliation component for each Uncollectible Adjustment Factor shall be calculated using the following formula:

$$Rc = \text{AntRev}_{(c)} - \text{ActRev}_{(c)}$$

Where:

$\text{AntRev}_{(c)}$ = Anticipated Revenues to recover or refund for each Uncollectible Adjustment Factor (c)

and

$\text{ActRev}_{(c)}$ = Actual booked Revenues for each Uncollectible Adjustment Factor (c)

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**Rider 26
Uncollectible Expense Adjustment**

(Continued From Sheet No. 79.2)

- Oc = Any Commission ordered adjustment factor, in dollars, for each Uncollectible Adjustment Factor as determined in a reconciliation proceeding. Such amount shall be adjusted for carrying cost charges equal to the interest rate established by the Commission under 83 Ill. Adm. Code 280.70(e) (1) applied from the end of the reconciliation period until the Oc amount is charged or refunded to customers.
- RTC = The forecasted average total number of residential customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- RSC = The forecasted average total number of residential retail sales customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- M = The number of months over which the Uncollectible Adjustment Factor is to be effective.

b) Non-Residential Service Uncollectible Expense Adjustment Factors applicable to Rates 4, 5, 74 and 75.

The uncollectible expense adjustment factor for non-residential delivery service, Factor IDUF-NR and for non-residential supply service, Factor ISUF-NR, shall be determined for each effective period as follows:

$$\text{IDUF-NR} = \frac{[(F904 - BUE) * BDNRA] * DUEA + Rc + Oc}{NRC * M}$$

and

$$\text{ISUF-NR} = \frac{[(F904 - BUE) * BDNRA] * SUEA + Rc + Oc}{NRSC * M}$$

Where:

IDUF-NR = Incremental delivery uncollectible cost factor applicable to all non-residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The IDUF-NR effective period applicable to the recovery of 2008 calendar year incremental costs shall begin with the month following Commission approval of this tariff and end on December 31, 2010. The IDUF-NR effective period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.

ISUF-NR = Incremental delivery uncollectible cost factor applicable to retail sales non-residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The ISUF-NR effective period applicable to the recovery of 2008 calendar year incremental costs shall begin with the month following Commission approval of this tariff and end on December 31, 2010. The ISUF-NR effective period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.

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**Rider 26
Uncollectible Expense Adjustment**

(Continued From Sheet No. 79.3)

- F904 = As previously defined.
- BUE = As previously defined.
- BDNRA = The percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to non-residential service customers in the Company's Embedded Cost of Service Study(s) in effect during the applicable calendar year. The BDNRA shall equal 1- BDRA.
- DUEA = As previously defined.
- SUEA = As previously defined.
- Rc = As previously defined.
- Oc = As previously defined.
- NRC = The forecasted average total number of non-residential customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded
- NRSC = The forecasted average total number of non-residential retail sales customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- M = The number of months over which the Uncollectible Adjustment Factor is to be effective.

Section B – Information Sheet Filings

The initial information sheet filing specifying charges hereunder, shall recover or refund the appropriate amount for the calendar year 2008. Such charges shall be effective beginning with the first full month, in 2010, succeeding approval of this tariff and end on December 31, 2010. For each subsequent annual filing, the Company shall file with the Commission, on or before the 20th day of May, an information sheet specifying the charges or credits to be effective for service rendered during the period June 1 of the current year through May 31 of the succeeding year, defined as the Effective Period. Such filing shall include a statement showing the determination of such charges or credits under Section B, such determination to be accompanied by data in explanation thereof.

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**Rider 26
Uncollectible Expense Adjustment**

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Section C – Annual Reconciliation.

On or before August 20, the Company shall file a petition with the Chief Clerk to initiate the annual reconciliation process. The petition shall include a reconciliation that will compare revenues collected under this Rider during the Effective Period with the anticipated amount of revenues that were to be recovered or refunded under this Rider. Supporting documentation or workpapers affecting the information presented in the Company's reconciliation petition shall be provided to the Commission's Accounting Staff at the time of this filing of the reconciliation. In conjunction with the reconciliation filing, a new Information Sheet may be filed adjusting the then effective charges or credits under this Rider for the amount to be reconciled.

Section D – Commission Review.

Upon review of the annual petition and reconciliation filed by the Company under Section C, the Commission may, require a hearing to receive from the Company such evidence as the Commission requires regarding any aspect of determining the charges under this rider. If the Commission finds, after hearing, that any amounts were not prudent or reasonable, or were incorrectly debited or credited to this rider during that year, the Commission may by order require that the rider be adjusted by appropriate credits or debits thereto. Any adjustments so ordered shall be reflected in the adjustment Factor Oc, over a succeeding Effective Period. Such amount shall be adjusted for carrying charges equal to the interest rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) applied from the end of the reconciliation period until the Oc amount is charged or refunded to customers.

Section E – Annual Internal Audit.

The Company shall submit an annual internal audit report to the Manager of the Commission's Accounting Department on or before August 20 of each year. The audit shall include at least the following tests: 1) test that costs recovered through Rider UEA are not recovered through other approved tariffs; 2) test customer bills that all Rider UEA Uncollectible Adjustment Factors are being properly billed to customers in the correct time periods; 3) test that Rider UEA revenues are properly stated; and 4) test that costs classified as uncollectible expenses as reported in Form 21, Annual Report to the Illinois Commerce Commission, are being identified, recorded and properly reflected in the calculation of rates and reconciliations. The above list of determinations shall not limit the scope of the audit.