DIRECT TESTIMONY

of

DANIEL KAHLE

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

The Peoples Gas Light and Coke Company

and

North Shore Gas Company

Petition pursuant to Public Act 96-0033 for Approval of an Automatic Adjustment Clause to Recover Incremental Uncollectible Expense Amounts

Docket Nos. 09-0419 and 09-0420 (Cons.)

November 16, 2009

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Witness Identification

Q. Please state your name and business address.

A. My name is Daniel G. Kahle. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. By whom are you employed and in what capacity?

A. I am currently employed as an Accountant in the Accounting Department of the Financial Analysis Division of the Illinois Commerce Commission (“Commission”).

Q. Please describe your background and professional affiliation.

A. I have a Bachelor of Science degree in Accountancy from the University of Illinois. I am a Certified Public Accountant, licensed to practice in the State of Illinois. My prior accounting experience includes seventeen years as an internal auditor for the State of Illinois, including four years as Chief Auditor at the Department of Commerce and Economic Opportunity (“DCEO”), five years as an Accounting Office Manager at DCEO, as well as a period of time employed as an Assurance Services Manager in a public accounting firm. I joined the Staff of the Illinois Commerce Commission ("Staff") in April 2006.

Q. Have you previously testified before any regulatory bodies?

A. Yes. I have testified on several occasions before the Commission.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide the results of my review of The Peoples Gas Light and Coke Company's ("Peoples Gas," or the "Company") and North Shore Gas Company's ("North Shore," or the "Company") (jointly "Companies") Petition pursuant to Public Act 96-0033 for Approval of an Automatic Adjustment Clause to Recover Incremental Uncollectible Expense Amounts to comply with Section 19-145 of the Public Utilities Act (the "Act"), the Direct Testimony of the Companies' witness Valerie H. Grace, Peoples Gas Ex. 1.0 and North Shore Ex. 1.0, and Peoples Gas' and North Shore's proposed tariffs including Rider UEA; Peoples Gas Ex. 1.1 and North Shore Ex. 1.1.

Q. What is your understanding of the purpose of Section 19-145 of the Act?

A. Section 19-145(a) of the Act allows a gas utility, at its election, to recover through an automatic adjustment clause tariff the incremental difference between its actual uncollectible amount as set forth in Account 904 in the utility's most recent annual Form 21 ILCC and the uncollectible amount included in the utility's rates for the period reported in such annual Form 21 ILCC.

<u>Schedules and Attachments</u>

Q. Are you sponsoring any attachments or schedules with your testimony?

A. Yes, I have two attachments and two schedules. I am presenting attachments that reflect my changes to Peoples Gas' Rider UEA (Attachment A) and North Shore's Rider UEA (Attachment B) as presented by Ms. Grace with her direct testimony.

Schedules 1.01 and 1.02 reflect my calculation of Staff's methodology of "amounts included in rates" as compared to the Companies' calculations for Peoples Gas and North Shore respectively.

Staff Changes to Tariff Sheets

Q. Have you reviewed the Companies' proposed tariff sheets (Peoples Gas Ex. 1.1 and North Shore Ex. 1.1)?

A. Yes, I have. As a result of my review, I am recommending changes to certain proposed language so that the tariffs approved by the Commission comply with Section 19-145 of the Act. In addition, I propose other changes so that there is consistency to the extent practicable among the Companies' uncollectible tariffs.

Other than the Companies' names, Peoples Gas Ex. 1.1 and North Shore Ex. 1.1 are nearly identical. From hereon, my comments apply to both exhibits unless otherwise noted.

Q. What did you determine as a result of your review of the Companies' proposed tariff filings?

A. I disagree with the Companies proposed tariff language that indicates their method of determining the uncollectibles amount included in rates.

Q. Please explain why you disagree with the Companies' method of determining the uncollectibles amount included in rates as set forth in the Companies' tariff language.

A. Section 19-145(a) of the Act, as described previously, states, in part:

> A gas utility shall be permitted, at its election, to recover through an automatic adjustment clause tariff the incremental difference between its actual uncollectible amount as set forth in Account 904 in the utility's most recent annual Form 21 ILCC and the uncollectible amount **included in the utility's rates for the period reported in such annual Form 21.** …

220 ILCS 5/19-145(a) (emphasis added).

Section 19-145(c) of the Act states:

> The approved tariff shall provide that the utility shall file a petition with the Commission annually, no later than August 31st, seeking initiation of an annual review to reconcile all amounts collected with the actual uncollectible amount in the prior period. **As part of its review, the Commission shall verify that the utility collects no more and no less than its actual uncollectible amount in each applicable Form 21 ILCC reporting period.**

220 ILCS 5/19-145(c) (emphasis added). The Companies' methodology does not result in the appropriate calculation of the uncollectible amount included in rates for the applicable period. Under the Companies' method, they could either collect through Rider UEA "more than or less than" their actual uncollectibles expense recorded in Account 904 for the respective year. This is contrary to the statutory language shown above, which clearly states that the Commission shall verify that the utility collects "no more and no less" than its actual uncollectibles amount in each applicable Form 21 ILCC reporting period.

The bolded language in Section 19-145 of the Act quoted above support my position that the uncollectibles amount included in rates is based upon the amount of uncollectibles expense embedded in the rates billed to customers. For example, the Account 904 amount reported in the Companies' Form 21 ILCC for 2008 should be compared to the "uncollectible amount included in the utility's rates for the period reported in such annual Form 21 ILCC." This must refer to the uncollectibles amount recovered through 2008 Form revenues and not to the test year uncollectibles expense because the test year uncollectibles expense is not reflected in Form 21 ILCC. Form 21 ILCC reports the actual revenues and expenses for the reporting year.

Q. How do you propose to change the tariffs to appropriately calculate the uncollectibles amount included in rates?

A. I propose that the uncollectibles amount included in rates be the uncollectibles amount **actually included in the rates charged to customers for the period**. This will be accomplished by applying the Uncollectibles Factor ("DUF" for delivery, "SUF" for supply and "TUF" for transportation) to the actual delivery revenues billed for DUF, actual delivery and transportation revenues billed for SUF and actual transportation revenues billed for TUF for the period for each service classification. Thus, the amount to be recovered through the proposed uncollectibles rider would be the difference between actual amounts included in rates billed for the period and the actual expense recorded in

Account 904. Therefore, as the revenues change over time, either upwards or downwards, the amount of uncollectibles included in rates will likewise change.

Q. What is the basis for the Uncollectibles Factor?

A. The Uncollectibles Factor should be set in future rate cases for each utility for delivery uncollectibles, supply uncollectibles, and transportation uncollectibles. In the Companies' current rate case, Docket Nos. 09-0166/09-0167 (Cons.), the Proposed Order issued November 6, 2009 set the Uncollectibles Factor for delivery uncollectibles which also includes an uncollectible factor for transportation and gas supply costs recovered through the purchased gas adjustment clause at 2.54% for Peoples Gas and at 0.70% for North Shore.

<u>Proposed Changes to Riders</u>

Q. Explain Attachments A and B to your testimony.

A. Attachments A and B reflect my proposed changes to the Companies' proposed Riders UEA shown in underline and strikeout format, so that the tariff language complies with Section 19-145 of the Act. These changes include the following:

(1) Revised definition of the amount of uncollectibles that is considered to be "included in rates;"

(2) Revised the formula for the amount of uncollectibles included in rates identified by Staff as Delivery Uncollectible Revenue ("DUR") for the Delivery portion, Supply Uncollectible Revenue ("SUR") for

the Supply portion and Transportation Uncollectible Revenue ("TUR") for the Supply portion; and

(3) Consistent provisions for informational filings, annual audit and annual reconciliations among the various Illinois utilities filing tariffs pursuant to Section 19-145 of the Act.

Q. What specific tariff changes are you proposing to correct the Companies' definition of the amount of uncollectibles included in rates and to perform the associated calculation for the Incremental Delivery Service Uncollectible Amount ("IDUA") factor?

A. For Rider UEA, I propose to replace the term Delivery Services Uncollectible Costs ("BDU") in the Companies filed tariffs with the term Delivery Uncollectible Revenue ("DUR"). I propose DUR to be defined as follows:

DUR_{Yc} Delivery Uncollectibles Revenue, in dollars ($) representing the amount of uncollectible costs included in base rates for delivery services for which Customer designation, C, is applicable for the applicable reporting year, Y, which shall be determined as follows:

$DUR_{Yc} = (DUF_{Yc} \text{ x } SDS_{Yc})$

Where:

DUF_{Yc} = The Delivery Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific DUF was not approved in the applicable order, the DUF will be calculated as follows:

$DUF_{Yc} = DUC_{Yc} / RR_{Yc}$

Where:

DUC_{Yc} = the Uncollectibles Cost associated with gas delivery service revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

RR_{Yc} = the Revenue Requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the DUR amounts for each period shall be independently calculated according to the above formula, except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the IDUA calculation.

Q. What specific tariff changes are you proposing to correct the Companies' definition of the uncollectible amount included in rates and to perform the associated calculation for the Incremental Gas Supply Uncollectible Amount ("ISUA") factor?

A. For Rider UEA, I propose to change the component of Supply Related Uncollectible Costs ("SRU") in the Companies filed tariffs to SUR. In addition, I provide the calculation necessary to compute the SUR as follows:

SUR_{Yc} Gas Supply Uncollectible Revenue, in dollars ($) representing the amount of uncollectible costs included in rates associated with PGA revenues which shall be determined as follows:

$SUR_{Yc} = SUF_{Yc} \times SDS_{Yc}$

Where:

SUF_{Yc} = The Supply Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific SUF was not approved in the applicable order, the SUF will be calculated as follows:

$PGAUC_{Yc} / RR_{Yc}$

Where:

$PGAUC_{Yc}$ = the Uncollectibles Cost associated with PGA revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

RR_{Yc} = the Revenue Requirement approved by the Commission order setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the SUR amounts for each period shall be independently calculated according to the above formula except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the ISUA calculation.

Q. What specific tariff changes are you proposing to correct the Companies' definition of the uncollectible amount included in rates and to perform the associated calculation for the Incremental Transportation Service Uncollectible Amount ("ITUA") factor?

A. For Rider UEA, I propose to change the component of Transportation Service Related Uncollectible Costs ("TRU") in the Companies filed tariffs to TUR. In addition, I provide the calculation necessary to compute the TUR as follows:

TUR_{Yc} Transportation Services Uncollectibles Revenue, in dollars ($) representing the amount of uncollectible costs included in base rates for delivery services for which Customer designation, C, is applicable for the applicable reporting year, Y, which shall be determined as follows:

$TUR_{Yc} = TUF_{Yc} \times SDS_{Yc}$

Where:

TUF_{Yc} = The Transportation Services Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific TUF was not approved in the applicable order, the TUF will be calculated as follows:

$TUF_{Yc} = TUC_{Yc} / RR_{Yc}$

Where:

TUC_{Yc} = the Uncollectibles Cost associated with transportation service revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

RR_{Yc} = the Revenue Requirement approved by the Commission order setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the TUR amounts for each period shall be independently calculated according to the above formula except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the ITUA calculation.

Q. How does your methodology for calculating the amount included in rates compare with the Companies' proposed methodology?

A. Schedule 1.01 illustrates the calculation using my methodology for Peoples Gas for 2008 and 2009 as compared to the Companies' proposed methodology. My methodology reflects that, for Peoples Gas, on a combined basis for 2008 and 2009, $597 thousand less uncollectibles amount is included in rates than was included in Peoples Gas' test year uncollectibles expenses, which are what the Companies used in its methodology. Schedule 1.02 makes the same illustration as Schedule 1.01, but for North Shore, an additional $114 thousand uncollectibles amount is included in rates than was included in North Shore's test year uncollectibles expenses.

Thus, the combined IDUA, ISUA and ITUA to be recovered through the uncollectibles riders would be less for Peoples Gas and more for North

Shore applying my method as opposed to the Companies' method since my proposed methodology takes into account the actual amount included in rates charged to ratepayers.

<u>Rationale for Tariff Changes</u>

Q. Why is your methodology more appropriate than the Companies' proposal which uses the uncollectibles expense from the revenue requirement to compare to Account 904 amounts?

A. My proposal would compare actual amounts included in rates charged to customers to recover an amount for uncollectibles with actual Account 904 expense unlike the Companies' proposal which compares test year uncollectibles expense with actual Account 904 expense for the period.

It is important to recognize that the amount of uncollectibles expense included in the test year revenue requirement is a function of the uncollectibles percentage approved in the rate case applied to the approved revenues. Thus, the uncollectibles expense included in the revenue requirement is merely an estimated amount for uncollectibles expenses based on all of the assumptions made in determining the test year revenue requirement. Those assumptions rarely, if ever, are exactly realized. In other words, my methodology uses an apples-to-apples comparison (amount included in actual rates charged to actual uncollectible expense) whereas the Companies' methodology results in an apples-to-oranges comparison (amount included in revenue requirement used to design rates to actual uncollectibles expense).

Q. What are the objectives you are trying to achieve by your changes?

A. The changes I propose will:

(1) Clarify in the tariffs that “the uncollectible amount included in the utility’s rates for the period reported in such annual Form 21 ILCC” does not simply refer to the dollar amount that was reflected as “Uncollectible Accounts Expense amount reflected in the Company’s base rates for the Reporting Year“ as proposed in the Companies’ tariffs;

(2) Ensure that the tariffs do not allow the Companies to double recover their uncollectibles expense under provisions of Sections 16-111.8 and 19-145 of the Act; and

(3) Provide that the Companies collect no more and no less than their actual uncollectibles amount in each respective Form 21 ILCC reporting period, in accordance with paragraph (c) of Section 19-145 of the Act.

Q. Please explain your rationale for the first objective, that “the uncollectible amount included in the utilities’ rates for the period reported in such annual Form 21 ILCC” does not refer to the “annual bad debt expense amount approved and included in revenue requirements used to establish Companies’ base rates by the Commission” as proposed in the Companies’ tariffs (Rider UEA).

A. The Companies have interpreted “uncollectible amount included in the utility’s rates” as the amount of uncollectibles expense appearing as the test year annual amount that is reflected on the revenue requirement schedules of the Commission order in the utilities most recent rate case. That expense amount would be equal to the amount included in the rates charged to customers only if the test year assumptions on which revenues are based are actually and perfectly realized. The actual revenues included in rates charged to customers through the application of the approved rates will always differ from the revenues that were reflected in the revenue requirement since the assumptions rarely, if ever, are actually realized. The test year revenue requirement serves as the basis for setting rates. The rates provide that each dollar of revenue will reflect an amount for each of the components of the revenue requirement including the rate of return. The costs comprising the revenue requirement are embedded in the rates. Thus, the uncollectibles amount included in rates must be calculated based on the level of revenues billed by the Companies.

Q. In a rate proceeding for the Companies, how is the amount of test year uncollectibles expense included in base rates determined?

A. Test year uncollectibles expense included in base rates is dependent upon the level of revenues approved. The methodology to establish a revenue requirement recognizes that the amount of uncollectibles expense will fluctuate with revenues. In their current rate cases for a general increase in natural gas rates, the Companies calculated a percentage based on uncollectibles expense as a percentage of applicable revenues.[1] That percentage is then carried forward to the Gross Revenue Conversion Factor ("GRCF") which is used to reflect uncollectibles expense and taxes applicable to every dollar change in present revenues.[2]

Q. Please explain your rationale for the second objective: to ensure that the tariffs do not allow the Companies to double recover their incremental uncollectibles expense under provisions of the Uncollectibles Sections of the Act.

A. The methodology I propose would apply an embedded Commission-approved uncollectibles factor or percentage established in a rate proceeding to actual revenues for a given period to determine the uncollectibles amount "included in rates" for that period. Accordingly, if actual revenues for the period were higher than the revenues reflected in the revenue requirement in the utility's most recent rate case, the methodology I propose would reflect a higher dollar amount of uncollectibles included in rates. In other words, this methodology would recognize that the cost of uncollectibles is embedded within every dollar of revenue billed for a given period.

Conversely, if the incremental portion of uncollectibles expense that is to be recovered through the rider is calculated using a fixed dollar amount

[1] Docket Nos. 09-0166 – 09-0167 (Cons.), The Companies Schedule A-2.1 and C-16

[2] Staff and the Companies disagreed only on the amount of revenue that should be multiplied by the uncollectibles percentage to determine the uncollectibles expense. All parties in the rate cases agree on the application of that percentage to determine the test year revenue requirement.

of uncollectibles expense based on the test year from the utility's last rate case, the "amount included in rates" no longer matches the actual revenues for the period. The utilities could then double recover the portion of uncollectibles expense applicable to the amount of actual revenues in excess of revenues that were reflected in the last rate case.

Q. Please explain your rationale for the third objective: to provide that the Companies collect no more and no less than their actual uncollectibles amount in each respective Form 21 ILCC reporting period, in accordance with paragraph (c) of the Uncollectibles Section.

A. The method I propose will reflect the impact of higher or lower actual revenues on the amount of uncollectibles "included in rates" for a given period. As explained in the previous Q&A, if actual revenues for the period are higher than in the last rate case, my methodology will prevent double recovery.

If actual revenues for the period are lower than in the last rate case, my method will allow the utilities to fully recover their actual uncollectible expense and prevent under-recovery because the DUR would only reflect the amount of uncollectibles recovered through rates actually billed. Under the Companies' methodology, the fixed amount of test year expense will be deemed to be included in rates regardless of a decline in the number of customers or volumes used due to weather variations or energy efficiency measures. Accordingly, my proposed method of calculating the “amount included in rates” will provide that the utilities collect no more and no less than their actual uncollectibles for that period through Rider UEA.

Q. Does your method of determining the uncollectibles amounts included in rates provide the exact uncollectibles amount that the Companies included in rates that were actually billed to customers?

A. No. My proposal represents a more accurate estimate of the uncollectibles amount included in rates than the Companies’ method since it takes into account actual revenues for the period. My methodology, using actual revenues, is also consistent with the Commission’s historic practice of determining the embedded amount of a cost that is included in base rates as discussed in the testimony of Staff witness Knepler (Staff Exhibit 2.0).

Q. Are you proposing that the total uncollectibles related to delivery services be recovered through this uncollectibles factor?

A. No. If that were the case, the uncollectibles would be set to zero in the revenue requirement. My proposal would simply set factors at the time of a rate case for purposes of measuring the amount included in rates under Rider UEA.

Q. Can this process be put in place in the tariffs approved in this case?

A. Yes. The language I propose to define factors DUF, SUF and TUF indicate that the uncollectibles factors will at some point in the future be set in a rate case proceeding. I believe that the process I set forth for determining the DUF, SUF and TUF factors are the best proxy until such time as uncollectibles factors can be determined in future rate cases

Tariff Changes for Consistency

Q. In addition to the changes in terminology included in the above discussion, are there additional changes needed to the Companies' proposed tariffs for Rider UEA to establish consistency?

A. Yes. Staff witness Steven R. Knepler discusses certain common filing requirements to be adopted in all electric and gas uncollectible riders. While the Companies' tariffs already include certain of the audit tests he proposes, I recommend that the specific language he proposes be used for the Companies' tariffs. I have reflected the changes to incorporate that language in Attachments A and B.

I also amended the Companies' tariffs to reflect that the informational filing should be filed by the 20th of the month rather than the 22nd of the month and that the annual internal audit should be submitted by August 31st rather than September 30th as Mr. Knepler proposes.

Summary

Q. Please summarize your recommendations.

A. I recommend that the Commission:

(1) Reject the methodology presented by the Companies in Peoples Gas Ex. 1.1 and North Shore Ex. 1.1, attached to the testimony of Valerie H. Grace to calculate the uncollectibles amount included in rates;

(2) Accept the methodology I propose as the basis for calculating the uncollectibles amount “included in rates;” and

(3) Order the Companies to revise their tariffs in accordance with the language changes presented on Appendices A and B.

Conclusion

Q. Does this question end your prepared direct testimony?

A. Yes.

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section A – Applicability and Purpose

The adjustments developed pursuant to this rider are applicable to customers taking gas delivery services from the Company under Service Classification Nos. 1, 2, 4, 6 and 8.

The purpose of this rider is to provide for monthly adjustments to customer bills for any over- or under-recoveries of the Company's actual Uncollectible Accounts Expense amounts for a reporting year. Such adjustments are based on the incremental difference between actual Uncollectible Accounts Expense and the Commission-approved Uncollectible Accounts Expense amount included in the base rate revenue requirement at the time base rate delivery service charges are established. This rider operates pursuant to Section 19-145 of the Public Utilities Act.

Section B – Description of Incremental Uncollectible Adjustments

Adjustment amounts are determined pursuant to this rider for delivery service provided under Service Classification Nos. 1, 2, 4, 6 and 8, and Riders 1, 11, EEP and VBA; gas supply service provided under Rider 2; and for transportation service provided under Riders CFY, FST, SST, AGG and P. The adjustment amounts for each service type (delivery service, gas supply service, and transportation service) shall be designated as the IDUA, ISUA, and ITUA, respectively, and shall be computed separately for each service classification (C).

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

For the 2008 reporting year, the adjustment amounts shall charge or credit customers for the difference between the actual Uncollectible Accounts Expense amounts for Account 904, as reported in the Company's Form 21 report to the Illinois Commerce Commission (Form 21) for 2008 and the Uncollectible Accounts Expense amounts included in the Company's base rates that were in effect for 2008. The amounts included in base rates shall be the Commission-approved uncollectible amounts included in the base rate revenue requirements at the time base rate delivery service charges were established, weighted by the revenues earned under rates in effect at the beginning of the reporting year and rates in effect at the end of the reporting year. The adjustment shall be applied prospectively to the applicable tariff customer charge component during the effective period. The effective period for adjustments for the 2008 reporting year shall begin subsequent to Commission approval of this rider and shall continue through December 31, 2010. The initial application of the adjustments shall begin no earlier than March 1, 2010 and no later than April 1, 2010.

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section B - Incremental Uncollectible Adjustments - continued

For the 2009 reporting year, and for subsequent reporting years, the adjustment amounts shall charge or credit customers for the difference between the actual Uncollectible Accounts Expense amounts for Account 904, as reported in the Company's Form 21 for the reporting year, and the Uncollectible Accounts Expense amounts included in the Company's base rates that were in effect for such reporting year. The adjustment shall be applied to the applicable tariff customer charge component during the following twelve-month effective period, beginning June 1 (June 1, 2010 for the 2009 reporting year) and extending through May 31.

The delivery services uncollectible adjustment (IDUA) amount shall be applied to the applicable tariff customer charge component on the monthly bill. The supply services uncollectible adjustment (ISUA) amount shall be applied to the applicable customer charge component for those customers also being billed for the Company's purchased gas supply charges under Rider 2. The transportation uncollectible adjustment (ITUA) amount shall be applied to the applicable customer charge component for those customers also being billed for the Company's transportation programs under Riders CFY, FST, SST or being supported by services provided under Riders AGG or P.

Section C - Determination of Allocation Factors

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

1. Rate Allocation Factor

A Rate Allocation Factor (RAF) shall be applicable if different base rates were in effect during the reporting year and shall be determined as follows:

$$RAF_{YA} = \frac{BRR_{YA}}{BRR_{Y(A+B)}}$$

$$RAF_{YB} = \frac{BRR_{YB}}{BRR_{Y(A+B)}}$$

Date Issued: **Date Effective:**

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section C - Determination of Allocation Factors - continued

Where:

Y	=	Reporting Year
A	=	The portion of the Reporting Year when base rates at the beginning of the Reporting Year were in effect.
B	=	The portion of the Reporting Year when base rates at the end of the Reporting Year were in effect.
BRR	=	Total Base Rate Revenues, in dollars ($), equal to the amount booked in the applicable Reporting Year in accordance with the application of base rate charges in effect during such year. If different rates were in effect during a reporting year, the BRR value will be expressed separately for the portion of the year that each set of base rates was in effect, and shall be noted as part A or part B, representing the period each set of rates was in effect during such Reporting Year.

2. Percentage of Uncollectible Accounts Expense Allocation Factor

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

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

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

Date Issued: **Date Effective:**

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section C - Determination of Allocation Factors - continued

If the base rates in effect at the beginning of the Reporting Year were different than the base rates in effect at the end of the Reporting Year:

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

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

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

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

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

~~**3. Uncollectible Accounts Expense Factor**~~

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

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

$$\cancel{UF_{Yc} = \frac{TUE_{Y} \times PUAF_{Yc}}{TR_{Yc}}}$$

Date Issued: **Date Effective:**

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

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

~~If the base rates in effect at the beginning of the Reporting Year were different than the base rates in effect at the end of the Reporting Year:~~

$$\cancel{UF_{YAc} = \frac{TUE_{YA} \times PUAF_{YAc}}{TR_{YAc}}}$$

$$\cancel{UF_{YBc} = \frac{TUE_{YB} \times PUAF_{YBc}}{TR_{YBc}}}$$

~~Where:~~

~~TUE_{Y} = Total Uncollectible Accounts Expense amount reflected in the Company's base rates for the Reporting Year.~~

~~TUE_{YA} = Total Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period A.~~

~~TUE_{YB} = Total Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period B.~~

~~TR_{Yc} = Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates for the Reporting Year.~~

~~TR_{YAc} = Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period A.~~

~~TR_{YBc} = Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period B.~~

Date Issued: **Date Effective:**

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

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

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

DUR_{Yc} Delivery Uncollectibles Revenue, in dollars ($) representing the amount of uncollectible costs included in base rates for delivery services for which Customer designation, C, is applicable for the applicable reporting year, Y, which shall be determined as follows:

$DUR_{Yc} = (DUF_{Yc} \times SDS_{Yc})$

Where:

DUF_{Yc} = The Delivery Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific DUF was not approved in the applicable order, the DUF will be calculated as follows:

$DUF_{Yc} = DUC_{Yc} / RR_{Yc}$

Where:

DUC_{Yc} = the Uncollectibles Cost associated with gas delivery service revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

RR_{Yc} = the Revenue Requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the DUR amounts for each period shall be independently calculated according to the above formula, except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the IDUA calculation.

SUR_{Yc} Gas Supply Uncollectible Revenue, in dollars ($) representing the amount of uncollectible costs included in rates associated with PGA revenues which shall be determined as follows:

$SUR_{Yc} = SUF_{Yc} \times SDS_{Yc}$

Where:

SUF_{Yc} = The Supply Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific SUF was not approved in the applicable order, the SUF will be calculated as follows:

$PGAUC_{Yc} / RR_{Yc}$

Where:

$PGAUC_{Yc}$ = the Uncollectibles Cost associated with PGA revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

RR_{Yc} = the Revenue Requirement approved by the Commission order setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the SUR amounts for each period shall be independently calculated according to the above formula except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the ISUA calculation.

TUR_{Yc}

Transportation Services Uncollectibles Revenue, in dollars ($) representing the amount of uncollectible costs included in base rates for delivery services for which Customer designation, C, is applicable for the applicable reporting year, Y, which shall be determined as follows:

$TUR_{Yc} = TUF_{Yc} \times SDS_{Yc}$

Where:

TUF_{Yc} = The Transportation Services Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific TUF was not approved in the applicable order, the TUF will be calculated as follows:

$TUF_{Yc} = TUC_{Yc} / RR_{Yc}$

Where:

TUC_{Yc} = the Uncollectibles Cost associated with transportation service revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed

RR_{Yc} = the Revenue Requirement approved by the Commission order setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the TUR amounts for each period shall be independently calculated according to the above formula except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the ITUA calculation.

~~BDU_{Yc} = BDR_{Yc} x UF_{Yc}~~

~~SRU_{Yc} = SRR_{Yc} x UF_{Yc}~~

~~TRU_{Yc} = TRR_{Yc} x UF_{Yc}~~

~~If the base rates in effect at the beginning of the Reporting Year were different than the base rates in effect at the end of the Reporting Year, the Uncollectible Accounts Expense amounts set in base rates for each service classification and for each service type shall be determined as follows:~~

~~BDU_{Yc} = (BDR_{YAc} x UF_{YAc} x RAF_{YA}) + (BDR_{YBc} x UF_{YBc} x RAF_{YB})~~

~~SRU_{Yc} = (SRR_{YAc} x UF_{YAc} x RAF_{YA}) + (SRR_{YBc} x UF_{YBc} x RAF_{YB})~~

~~TRU_{Yc} = (TRR_{YAc} x UF_{YAc} x RAF_{YA}) + (TRR_{YBc} x UF_{YBc} x RAF_{YB})~~

~~Where:~~

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

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

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

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section E – Allocation of Actual Account 904 Uncollectible Accounts Expense Amounts Reported in the Company's Form 21

Actual Account 904 Uncollectible Accounts Expense reported in Form 21 shall be allocated to (1) each of the Company's applicable service classifications and (2) each service type. The Actual Account 904 Uncollectible Accounts Expense amounts allocated for delivery, gas supply and transportation services shall be designated as 904BDU, 904SRU and 904TRU, respectively, and shall be determined as described below. Y and C shall be as defined in Section C of this rider.

1. Service Classification Allocation

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

$$904TUE_{Yc} = 904ATUE_{Y} \times PUAF_{Yc}$$

Where:

$904ATUE_{Y}$ = Actual Account 904 Uncollectible Expense reported in the Company's Form 21 for the Reporting Year.

$PUAF_{Yc}$ = The amount determined pursuant to Section C of this rider.

2. Service Type Allocations

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

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

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section E – Allocation of Actual Account 904 Uncollectible Accounts Expense Amounts Reported in the Company's Form 21 - continued

Service Type Allocation - continued

$$904\cancel{B}D\cancel{U}_{Yc} = UF_{Yc} \times BDR_{Yc}$$

$$904S\cancel{RU}_{Yc} = UF_{Yc} \times SRR_{Yc}$$

$$904T\cancel{RU}_{Yc} = UF_{Yc} \times TRR_{Yc}$$

Where:

UF_{Yc}	=	The Uncollectible Account Expense percentage for service classification C which is used to allocate the actual Account 904 Uncollectible Accounts Expense amount to each service type.
$904TUE_{Yc}$	=	Actual Uncollectible Accounts Expense ($904ATUE_Y$) for the Reporting Year, allocated to service classification C pursuant to Section E(1).
TR_{Yc}	=	Actual total revenues for service classification C for the Reporting Year.
BDR	=	Actual delivery service revenues for the Reporting Year.
SRR	=	Actual gas supply service revenues for the Reporting Year.
TRR	=	Actual transportation service revenues for the Reporting Year.

Section F - Determination of Incremental Uncollectible Adjustments

1. Delivery Service Uncollectible Adjustments

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

$$IDUA_{EPc} = \frac{904\cancel{B}D\cancel{U}_{Yc} - \underline{DUR}\cancel{BDU}_{Yc} + RA_c + O_c}{Custs_{EPc}}$$

Date Issued: **Date Effective:**

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section F - Determination of Incremental Adjustments - continued

Delivery Service Uncollectible Adjustment - continued

Where:

$IDUA_{EPc}$ = Incremental Delivery Uncollectible Amount, in dollars ($), rounded to two decimals, applicable to service classifications C as described in Section B of this rider during the effective period (EP) for which the computed IDUA is applicable. The IDUA may be modified during an effective period due to Commission ordered adjustment amounts.

904~~BDU~~$_{Yc}$ = Delivery Services Uncollectible Costs, in dollars ($) as determined in Section E of this rider for service classification C.

DUR~~BDU~~$_{Yc}$ = Delivery ~~Services~~ Uncollectible Revenues~~Costs~~, in dollars ($) as determined in Section D of this rider for service classification C.

$Custs_{EPc}$ = Sum of the forecasted number of delivery service customer billing periods for the effective period (EP) for service classification C.

RA_c = Reconciliation Adjustment, in dollars ($), which shall be determined annually for service classification C by subtracting actual booked IDUA revenues from expected IDUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the IDUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an IDUA is billed under this rider, through March 31, 2011.

O_c = Commission ordered adjustment amount, in dollars ($), for service classification C, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the IDUA.

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4 and 8

Section F - Determination of Incremental Uncollectible Adjustments - continued

2. Gas Supply Service Uncollectible Adjustments

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

$$ISUA_{EPc} = \frac{904S\cancel{RU}_{Yc} - \underline{SUR}\cancel{SRU}_{Yc} + RA_c + O_c}{Custs_{EPc}}$$

Where:

$ISUA_{EPc}$ = Incremental Gas Supply Service Uncollectible Amount, in dollars ($), rounded to two decimals, applicable to service classifications C as described in Section B of this rider during the effective period (EP) for which the computed ISUA is applicable. The ISUA may be modified during an effective period due to Commission ordered adjustment amounts.

$904S\cancel{RU}_{Yc}$ = Gas Supply Related Uncollectible Costs, in dollars ($) as determined in Section E of this rider for service classification C.

$\underline{SUR}\cancel{SRU}_{Yc}$ = Gas Supply ~~Related~~ Uncollectible <u>Revenues</u>~~Costs~~, in dollars ($) as determined in Section D of this rider for service classification C.

$Custs_{EPc}$ = Sum of the forecasted number of gas supply service customer billing periods for the effective period (EP) for service classification C.

RA_c = Reconciliation Adjustment, in dollars ($), which shall be determined annually for service classification C by subtracting actual booked ISUA revenues from expected ISUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the ISUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an ISUA is billed under this rider, through March 31, 2011.

O_c = Commission ordered adjustment amount, in dollars ($), for service classification C, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the ISUA.

Date Issued: **Date Effective:**

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section F - Determination of Incremental Uncollectible Adjustments continued

3. Transportation Service Uncollectible Adjustments

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

$$ITUA_{EPc} = \frac{904T\cancel{RU}_{Yc} - \underline{TUR}\cancel{TRU}_{Yc} + RA_c + O_c}{Custs_{EPc}}$$

Where:

$ITUA_{EPc}$ = Incremental Transportation Service Uncollectible Amount, in dollars ($), rounded to two decimals, applicable to service classifications C as described in Section B of this rider during the effective period (EP) for which the computed ITUA is applicable. The ITUA may be modified during an effective period due to Commission ordered adjustment amounts.

$904T\cancel{RU}_{Yc}$ = Transportation Service Related Uncollectible Costs, in dollars ($) as determined in Section E of this rider for service classification C.

$\underline{TUR}\cancel{TRU}_{Yc}$ = Transportation Service ~~Related~~ Uncollectible <u>Revenues</u>~~Costs~~, in dollars ($) as determined in Section D of this rider for service classification C.

$Custs_{EPc}$ = Sum of the forecasted number of transportation service customer billing periods for the effective period (EP) for service classification C.

RA_c = Reconciliation Adjustment, in dollars ($), which shall be determined annually for service classification C by subtracting actual booked ITUA revenues from expected ITUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the ITUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an ITUA is billed under this rider, through March 31, 2011.

O_c = Commission ordered adjustment amount, in dollars ($), for service classification C, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the ITUA.

Date Issued: **Date Effective:**

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 4, 6 and 8

Section G – Informational Filings

The Company shall file with the Commission annually on or before the ~~twenty-second~~twentieth (20th ~~2nd~~) day of the Filing Month, an information sheet that specifies the adjustments to be effective under this rider for the Effective Period. The Company shall file any corrections from a timely filed information sheet on or before the last day of the Filing Month. Any other filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)]. "Filing Month" shall mean the month in which the Company determines adjustments and submits them to the Commission and, except for the initial filing under this rider, shall be May. "Effective Period" shall mean the period for which the adjustments are calculated, and except for the initial filing under this rider, shall be the period commencing June 1 and ending the following May 31. For the initial filing under this rider, the Effective Period shall be the month commencing after Commission approval of this rider, but no earlier than March 1, 2010 and no later than April 1, 2010, and ending December 31, 2010.

Section H – Annual Audit

Annually, subsequent to completion of IDUA, ISUA and ITUA adjustments for a reporting year, the Company shall conduct an internal audit of its costs and recoveries of such costs pursuant to this rider. The internal audit shall determine if and to what extent: 1) adjustments recovered or credited through this rider are appropriately calculated pursuant to the provisions of this rider; 2) IDUA, ISUA and ITUA amounts are being properly billed to customers; and, 3) revenues or credits resulting from application of IDUA, ISUA and ITUA adjustments are recorded in appropriate accounts. The above list of determinations does not limit the scope of the audit. Such internal audit must be submitted to the Commission in an informational filing, with copies provided to the Manager of the Staff's Accounting Department by ~~September 30~~ August 31st. Such report must be verified by an officer of the Company. The first such audit shall be submitted no later than ~~September 30~~August 31, 2011, covering the 2008 and 2009 Form 21 reporting years.

Section I - Annual Reconciliation

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

Date Issued: **Date Effective:**

Issued by James F. Schott, Vice President

130 East Randolph Drive, Chicago, Illinois 60601

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section A – Applicability and Purpose

The adjustments developed pursuant to this rider are applicable to customers taking gas delivery services from the Company under Service Classification Nos. 1, 2, 3 and 5.

The purpose of this rider is to provide for monthly adjustments to customer bills for any over- or under-recoveries of the Company's actual Uncollectible Accounts Expense amounts for a reporting year. Such adjustments are based on the incremental difference between actual Uncollectible Accounts Expense and the Commission-approved Uncollectible Accounts Expense amount included in the base rate revenue requirement at the time base rate delivery service charges are established. This rider operates pursuant to Section 19-145 of the Public Utilities Act.

Section B – Description of Incremental Uncollectible Adjustments

Adjustment amounts are determined pursuant to this rider for delivery service provided under Service Classification Nos. 1, 2, 3 and 5, and Riders 1, 11, EEP and VBA; gas supply service provided under Rider 2; and for transportation service provided under Riders CFY, FST, SST, AGG and P. The adjustment amounts for each service type (delivery service, gas supply service, and transportation service) shall be designated as the IDUA, ISUA, and ITUA, respectively, and shall be computed separately for each service classification (C).

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

For the 2008 reporting year, the adjustment amounts shall charge or credit customers for the difference between the actual Uncollectible Accounts Expense amounts for Account 904, as reported in the Company's Form 21 report to the Illinois Commerce Commission (Form 21) for 2008 and the Uncollectible Accounts Expense amounts included in the Company's base rates that were in effect for 2008. The amounts included in base rates shall be the Commission-approved uncollectible amounts included in the base rate revenue requirements at the time base rate delivery service charges were established, weighted by the revenues earned under rates in effect at the beginning of the reporting year and rates in effect at the end of the reporting year. The adjustment shall be applied prospectively to the applicable tariff customer charge component during the effective period. The effective period for adjustments for the 2008 reporting year shall begin subsequent to Commission approval of this rider and shall continue through December 31, 2010. The initial application of the adjustments shall begin no earlier than March 1, 2010 and no later than April 1, 2010.

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section B - Incremental Uncollectible Adjustments - continued

For the 2009 reporting year, and for subsequent reporting years, the adjustment amounts shall charge or credit customers for the difference between the actual Uncollectible Accounts Expense amounts for Account 904, as reported in the Company's Form 21 for the reporting year, and the Uncollectible Accounts Expense amounts included in the Company's base rates that were in effect for such reporting year. The adjustment shall be applied to the applicable tariff customer charge component during the following twelve-month effective period, beginning June 1 (June 1, 2010 for the 2009 reporting year) and extending through May 31.

The delivery services uncollectible adjustment (IDUA) amount shall be applied to the applicable tariff customer charge component on the monthly bill. The supply services uncollectible adjustment (ISUA) amount shall be applied to the applicable customer charge component for those customers also being billed for the Company's purchased gas supply charges under Rider 2. The transportation uncollectible adjustment (ITUA) amount shall be applied to the applicable customer charge component for those customers also being billed for the Company's transportation programs under Riders CFY, FST, SST or being supported by services provided under Riders AGG or P.

Section C - Determination of Allocation Factors

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

1. **Rate Allocation Factor**

A Rate Allocation Factor (RAF) shall be applicable if different base rates were in effect during the reporting year and shall be determined as follows:

$$RAF_{YA} = \frac{BRR_{YA}}{BRR_{Y(A+B)}}$$

$$RAF_{YB} = \frac{BRR_{YB}}{BRR_{Y(A+B)}}$$

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North Shore Gas Company

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Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section C - Determination of Allocation Factors - continued

Where:

Y	=	Reporting Year
A	=	The portion of the Reporting Year when base rates at the beginning of the Reporting Year were in effect.
B	=	The portion of the Reporting Year when base rates at the end of the Reporting Year were in effect.
BRR	=	Total Base Rate Revenues, in dollars ($), equal to the amount booked in the applicable Reporting Year in accordance with the application of base rate charges in effect during such year. If different rates were in effect during a reporting year, the BRR value will be expressed separately for the portion of the year that each set of base rates was in effect, and shall be noted as part A or part B, representing the period each set of rates was in effect during such Reporting Year.

2. Percentage of Uncollectible Accounts Expense Allocation Factor

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

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

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

Date Issued: **Date Effective:**

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section C - Determination of Allocation Factors - continued

If the base rates in effect at the beginning of the Reporting Year were different than the base rates in effect at the end of the Reporting Year:

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

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

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

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

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

~~**3. Uncollectible Accounts Expense Factor**~~

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

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

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

~~**Date Issued:**~~ ~~**Date Effective:**~~

~~**Issued by James F. Schott, Vice President**~~
~~**130 East Randolph Drive, Chicago, Illinois 60601**~~

~~North Shore Gas Company~~

~~RIDER TO SCHEDULE OF RATES FOR GAS SERVICE~~

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~~Applicable to Service Classification Nos. 1, 2, 3 and 5~~

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

~~If the base rates in effect at the beginning of the Reporting Year were different than the base rates in effect at the end of the Reporting Year:~~

$$\cancel{UF_{YAc} = \frac{TUE_{YA} \times PUAF_{YAc}}{TR_{YAc}}}$$

$$\cancel{UF_{YBc} = \frac{TUE_{YB} \times PUAF_{YBc}}{TR_{YBc}}}$$

~~Where:~~

$\cancel{TUE_{Y}}$ = ~~Total Uncollectible Accounts Expense amount reflected in the Company's base rates for the Reporting Year.~~

$\cancel{TUE_{YA}}$ = ~~Total Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period A.~~

$\cancel{TUE_{YB}}$ = ~~Total Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period B.~~

$\cancel{TR_{Yc}}$ = ~~Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates for the Reporting Year.~~

$\cancel{TR_{YAc}}$ = ~~Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period A.~~

$\cancel{TR_{YBc}}$ = ~~Total revenues underlying the Uncollectible Accounts Expense amount reflected in the Company's base rates effective in Period B.~~

Date Issued: **Date Effective:**

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

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

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

DUR_{Yc} Delivery Uncollectibles Revenue, in dollars ($) representing the amount of uncollectible costs included in base rates for delivery services for which Customer designation, C, is applicable for the applicable reporting year, Y, which shall be determined as follows:

$DUR_{Yc} = (DUF_{Yc} \times SDS_{Yc})$

Where:

DUF_{Yc} = The Delivery Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific DUF was not approved in the applicable order, the DUF will be calculated as follows:

$DUF_{Yc} = DUC_{Yc} / RR_{Yc}$

Where:

DUC_{Yc} = the Uncollectibles Cost associated with gas delivery service revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

RR_{Yc} = the Revenue Requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the DUR amounts for each period shall be independently calculated according to the above formula, except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the IDUA calculation.

SUR_{Yc} Gas Supply Uncollectible Revenue, in dollars ($) representing the amount of uncollectible costs included in rates associated with PGA revenues which shall be determined as follows:

$SUR_{Yc} = SUF_{Yc} \times SDS_{Yc}$

Where:

SUF_{Yc} = The Supply Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific SUF was not approved in the applicable order, the SUF will be calculated as follows:

$PGAUC_{Yc} / RR_{Yc}$

Where:

$PGAUC_{Yc}$ = the Uncollectibles Cost associated with PGA revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

RR_{Yc} = the Revenue Requirement approved by the Commission order setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the SUR amounts for each period shall be independently calculated according to the above formula except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the ISUA calculation.

TUR_{Yc} Transportation Services Uncollectibles Revenue, in dollars ($) representing the amount of uncollectible costs included in base rates for delivery services for which Customer designation, C, is applicable for the applicable reporting year, Y, which shall be determined as follows:

$TUR_{Yc} = TUF_{Yc} \times SDS_{Yc}$

Where:

TUF_{Yc} = The Transportation Services Uncollectibles Factor approved by the Commission order in the rate case setting rates in effect for the period rates were billed. If a specific TUF was not approved in the applicable order, the TUF will be calculated as follows:

$TUF_{Yc} = TUC_{Yc} / RR_{Yc}$

Where:

TUC_{Yc} = the Uncollectibles Cost associated with transportation service revenues included in the revenue requirement approved by the Commission order in the rate case setting rates in effect for the period rates were billed.

RR_{Yc} = the Revenue Requirement approved by the Commission order setting rates in effect for the period rates were billed.

SDS_{Yc} = The actual sales, in dollars, associated with delivery service rendered during the period.

If different base rates were in effect during a reporting year, the TUR amounts for each period shall be independently calculated according to the above formula except that the actual sales associated with delivery services (SDS_{YC}) shall be for the period of time each rate was in effect, and summed for the ITUA calculation.

~~BDU_{Yc} = BDR_{Yc} x UF_{Yc}~~

~~SRU_{Yc} = SRR_{Yc} x UF_{Yc}~~

~~TRU_{Yc} = TRR_{Yc} x UF_{Yc}~~

~~If the base rates in effect at the beginning of the Reporting Year were different than the base rates in effect at the end of the Reporting Year, the Uncollectible Accounts Expense amounts set in base rates for each service classification and for each service type shall be determined as follows:~~

~~BDU_{Yc} = (BDR_{YAc} x UF_{YAc} x RAF_{YA}) + (BDR_{YBc} x UF_{YBc} x RAF_{YB})~~

~~SRU_{Yc} = (SRR_{YAc} x UF_{YAc} x RAF_{YA}) + (SRR_{YBc} x UF_{YBc} x RAF_{YB})~~

~~TRU_{Yc} = (TRR_{YAc} x UF_{YAc} x RAF_{YA}) + (TRR_{YBc} x UF_{YBc} x RAF_{YB})~~

~~Where:~~

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

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

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

Date Issued: **Date Effective:**

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section E – Allocation of Actual Account 904 Uncollectible Accounts Expense Amounts Reported in the Company's Form 21

Actual Account 904 Uncollectible Accounts Expense reported in Form 21 shall be allocated to (1) each of the Company's applicable service classifications and (2) each service type. The Actual Account 904 Uncollectible Accounts Expense amounts allocated for delivery, gas supply and transportation services shall be designated as 904BDU, 904SRU and 904TRU, respectively, and shall be determined as described below. Y and C shall be as defined in Section C of this rider.

1. Service Classification Allocation

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

$$904TUE_{Yc} = 904ATUE_{Y} \times PUAF_{Yc}$$

Where:

$904ATUE_{Y}$ = Actual Account 904 Uncollectible Expense reported in the Company's Form 21 for the Reporting Year.

$PUAF_{Yc}$ = The amount determined pursuant to Section C of this rider.

2. Service Type Allocations

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

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

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section E – Allocation of Actual Account 904 Uncollectible Accounts Expense Amounts Reported in the Company's Form 21 - continued

Service Type Allocation - continued

$$904\cancel{BDU}_{Yc} = UF_{Yc} \times BDR_{Yc}$$

$$904S\cancel{RU}_{Yc} = UF_{Yc} \times SRR_{Yc}$$

$$904T\cancel{RU}_{Yc} = UF_{Yc} \times TRR_{Yc}$$

Where:

UF_{Yc}	=	The Uncollectible Account Expense percentage for service classification C which is used to allocate the actual Account 904 Uncollectible Accounts Expense amount to each service type.
$904TUE_{Yc}$	=	Actual Uncollectible Accounts Expense ($904ATUE_{Y}$) for the Reporting Year, allocated to service classification C pursuant to Section E(1).
TR_{Yc}	=	Actual total revenues for service classification C for the Reporting Year.
BDR	=	Actual delivery service revenues for the Reporting Year.
SRR	=	Actual gas supply service revenues for the Reporting Year.
TRR	=	Actual transportation service revenues for the Reporting Year.

Section F - Determination of Incremental Uncollectible Adjustments

1. Delivery Service Uncollectible Adjustments

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

$$IDUA_{EPc} = \frac{904\cancel{BDU}_{Yc} - \underline{DUR}\cancel{BDU}_{Yc} + RA_{c} + O_{c}}{Custs_{EPc}}$$

Date Issued: **Date Effective:**

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section F - Determination of Incremental Adjustments - continued

Delivery Service Uncollectible Adjustment - continued

Where:

$IDUA_{EPc}$ = Incremental Delivery Uncollectible Amount, in dollars ($), rounded to two decimals, applicable to service classifications C as described in Section B of this rider during the effective period (EP) for which the computed IDUA is applicable. The IDUA may be modified during an effective period due to Commission ordered adjustment amounts.

904~~BDU~~$_{Yc}$ = Delivery Services Uncollectible Costs, in dollars ($) as determined in Section E of this rider for service classification C.

DUR~~BDU~~$_{Yc}$ = Delivery ~~Services~~ Uncollectible Revenues~~Costs~~, in dollars ($) as determined in Section D of this rider for service classification C.

$Custs_{EPc}$ = Sum of the forecasted number of delivery service customer billing periods for the effective period (EP) for service classification C.

RA_c = Reconciliation Adjustment, in dollars ($), which shall be determined annually for service classification C by subtracting actual booked IDUA revenues from expected IDUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the IDUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an IDUA is billed under this rider, through March 31, 2011.

O_c = Commission ordered adjustment amount, in dollars ($), for service classification C, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the IDUA.

Date Issued: **Date Effective:**

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section F - Determination of Incremental Uncollectible Adjustments - continued

2. Gas Supply Service Uncollectible Adjustments

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

$$ISUA_{EPc} = \frac{904S\cancel{RU}_{Yc} - \underline{SUR}\cancel{SRU}_{Yc} + RA_c + O_c}{Custs_{EPc}}$$

Where:

$ISUA_{EPc}$ = Incremental Gas Supply Service Uncollectible Amount, in dollars ($), rounded to two decimals, applicable to service classifications C as described in Section B of this rider during the effective period (EP) for which the computed ISUA is applicable. The ISUA may be modified during an effective period due to Commission ordered adjustment amounts.

$904S\cancel{RU}_{Yc}$ = Gas Supply Related Uncollectible Costs, in dollars ($) as determined in Section E of this rider for service classification C.

$\underline{SUR}\cancel{SRU}_{Yc}$ = Gas Supply ~~Related~~ Uncollectible <u>Revenues</u>~~Costs~~, in dollars ($) as determined in Section D of this rider for service classification C.

$Custs_{EPc}$ = Sum of the forecasted number of gas supply service customer billing periods for the effective period (EP) for service classification C.

RA_c = Reconciliation Adjustment, in dollars ($), which shall be determined annually for service classification C by subtracting actual booked ISUA revenues from expected ISUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the ISUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an ISUA is billed under this rider, through March 31, 2011.

O_c = Commission ordered adjustment amount, in dollars ($), for service classification C, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the ISUA.

Date Issued: **Date Effective:**

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section F - Determination of Incremental Uncollectible Adjustments continued

3. Transportation Service Uncollectible Adjustments

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

$$ITUA_{EPc} = \frac{904T\cancel{RU}_{Yc} - \underline{TUR}\cancel{TRU}_{Yc} + RA_c + O_c}{Custs_{EPc}}$$

Where:

$ITUA_{EPc}$ = Incremental Transportation Service Uncollectible Amount, in dollars ($), rounded to two decimals, applicable to service classifications C as described in Section B of this rider during the effective period (EP) for which the computed ITUA is applicable. The ITUA may be modified during an effective period due to Commission ordered adjustment amounts.

$904T\cancel{RU}_{Yc}$ = Transportation Service Related Uncollectible Costs, in dollars ($) as determined in Section E of this rider for service classification C.

$\underline{TUR}\cancel{TRU}_{Yc}$ = Transportation Service ~~Related~~ Uncollectible <u>Revenues</u>~~Costs~~, in dollars ($) as determined in Section D of this rider for service classification C.

$Custs_{EPc}$ = Sum of the forecasted number of transportation service customer billing periods for the effective period (EP) for service classification C.

RA_c = Reconciliation Adjustment, in dollars ($), which shall be determined annually for service classification C by subtracting actual booked ITUA revenues from expected ITUA revenues for the prior April 1 through March 31 period. The initial RA shall be determined in the ITUA effective June 1, 2011 based on actual and expected revenues for the period commencing with the first month that an ITUA is billed under this rider, through March 31, 2011.

O_c = Commission ordered adjustment amount, in dollars ($), for service classification C, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the ITUA.

Date Issued: **Date Effective:**

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA

Uncollectible Expense Adjustment

Applicable to Service Classification Nos. 1, 2, 3 and 5

Section G – Informational Filings

The Company shall file with the Commission annually on or before the twentieth~~twenty-second~~ (20th ~~2nd~~) day of the Filing Month, an information sheet that specifies the adjustments to be effective under this rider for the Effective Period. The Company shall file any corrections from a timely filed information sheet on or before the last day of the Filing Month. Any other filing after that date will be accepted only if submitted as a special permission request under the provisions of Section 9-201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)]. "Filing Month" shall mean the month in which the Company determines adjustments and submits them to the Commission and, except for the initial filing under this rider, shall be May. "Effective Period" shall mean the period for which the adjustments are calculated, and except for the initial filing under this rider, shall be the period commencing June 1 and ending the following May 31. For the initial filing under this rider, the Effective Period shall be the month commencing after Commission approval of this rider, but no earlier than March 1, 2010 and no later than April 1, 2010, and ending December 31, 2010.

Section H – Annual Audit

Annually, subsequent to completion of IDUA, ISUA and ITUA adjustments for a reporting year, the Company shall conduct an internal audit of its costs and recoveries of such costs pursuant to this rider. The internal audit shall determine if and to what extent: 1) adjustments recovered or credited through this rider are appropriately calculated pursuant to the provisions of this rider; 2) IDUA, ISUA and ITUA amounts are being properly billed to customers; and, 3) revenues or credits resulting from application of IDUA, ISUA and ITUA adjustments are recorded in appropriate accounts. The above list of determinations does not limit the scope of the audit. Such internal audit must be submitted to the Commission in an informational filing, with copies provided to the Manager of the Staff's Accounting Department by ~~September 30~~August 31st. Such report must be verified by an officer of the Company. The first such audit shall be submitted no later than ~~September 30~~August 30, 2011, covering the 2008 and 2009 Form 21 reporting years.

Section I - Annual Reconciliation

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

Date Issued: **Date Effective:**

Issued by James F. Schott, Vice President

130 East Randolph Drive, Chicago, Illinois 60601

Peoples Gas

Staff methodology for amount included in rates
as Compared to Company methodology

Line	Docket No	Effective Date	PGA Revenues (a)	Base Rates Revenue Requirement (b)	PGAUC: PGA Uncollectibles (c) (e) - (d)	DUC & TUC: Base Rates Uncollectibles (d) (e)/[(a)+(b)]*(b)	TOTAL UC: Test Year Bad Debt Expense (e)	DUF & TUF: DUC & TUC/ Base Revenue (f) (d)/(b)	SUF: PGAUC/ Base Revenue (g) (c)/(b)
1	95-0032	1995	$ 510,365,000	$ 343,032,000	$ 15,909,043	$ 10,692,957	$ 26,602,000	3.1172%	4.6378%
2	07-0242	3/14/2008	1,084,326,000	446,092,000	27,846,105	11,455,895	39,302,000	2.5681%	6.2422%

		2008					2009- Projected				
		Transportation	Demand		Transportation	Supply	Transportation	Demand		Transportation	Supply
		Revenues	Revenues	DUR	TUR	SUR	Revenues	Revenues	DUR	TUR	SUR
		(Old & New Rates)		(DUF x Revenues)	(TUF x Revenues)	(SUF x Revenues)	(New Rates)		(DUF x Revenues)	(TUF x Revenues)	(SUF x Revenues)
		(h)	(i)	(j) (i)*(f)	(k) (h)*(f)	(l) (h+i)*(g)	(m)	(n)	(o) (n)*(f)	(p) (m)*(f)	(q) (m+n)*(g)
3	95-0032	$ 17,060,420	$ 58,744,907	$ 1,831,190	$ 531,806	$ 3,515,678	-	-	-	-	-
4	07-0242	72,751,028	296,591,085	7,616,627	1,868,288	23,055,198	$ 82,284,943	$ 342,486,394	$ 8,795,244	$ 2,113,124	$ 26,515,219
5	Totals per Staff	$ 89,811,448	$ 355,335,992	$ 9,447,817	$ 2,400,093	$ 26,570,876	$ 82,284,943	$ 342,486,394	$ 8,795,244	$ 2,113,124	$ 26,515,219
6	Company proposed uncollectibles in rates			13,083,337	269,640	23,785,509			13,062,459	293,389	25,945,151
7	Differences: Staff less Company uncollectibles in rates			$ (3,635,520)	$ 2,130,453	$ 2,785,367			$ (4,267,215)	$ 1,819,735	$ 570,068

8 Combined Differences of columns (j), (k), (l), (o), (p) & (q) from line 7 $ (597,111)

Sources: Columns (a) (b) and (e): Appendices from rate Orders in Dockets 02-0837 and 07-0588
Column (h) & (i): Company response to Staff data request DGK-1.02
Column (m) & (n): Company response to Staff data request DGK-1.10 (Tab 1.02)
Line 6: Company responses to Staff data requests DGK-1.05 and DGK-1.10 (Tab 1.04-1.07)
Line 7: line 3 minus line 4

North Shore

Staff methodology for amount included in rates
as Compared to Company methodology

Line	Docket No	Effective Date	PGA Revenues (a)	Base Rates Revenue Requirement (b)	PGAUC: PGA Uncollectibles (c) (e) - (d)	DUC & TUC: Base Rates Uncollectibles (d) (e)/[(a)+(b)]*(b)	TOTAL UC: Test Year Bad Debt Expense (e)	DUF & TUF: DUC & TUC/ Base Revenue (f) (d)/(b)	SUF: PGAUC/ Base Revenue (g) (c)/(b)
1	95-0031	1995	$ 93,106,000	$ 48,347,000	$ 535,784	$ 278,216	$ 814,000	0.5755%	1.1082%
2	07-0241	3/14/2008	226,316,000	61,800,000	1,556,082	424,918	1,981,000	0.6876%	2.5179%

		2008					2009- Projected				
		Transportation Revenues	Demand Revenues	Demand DUR	Transportation TUR	Supply SUR	Transportation Revenues	Demand Revenues	Demand DUR	Transportation TUR	Supply SUR
		(Old & New Rates)		(DUF x Revenues)	(TUF x Revenues)	(SUF x Revenues)	(New Rates)		(DUF x Revenues)	(TUF x Revenues)	(SUF x Revenues)
		(h)	(i)	(j) (i)*(f)	(k) (h)*(f)	(l) (h+i)*(g)	(m)	(n)	(o) (n)*(f)	(p) (m)*(f)	(q) (m+n)*(g)
3	95-0032	$ 1,940,512	$ 10,423,055	$ 59,980	$ 11,167	$ 137,014	-	-	-	-	-
4	07-0242	7,126,028	45,775,902	314,741	48,996	1,332,034	$ 9,041,577	$ 51,829,228	$ 356,362	$ 62,167	$ 1,532,685
5	Totals per Staff	$ 9,066,541	$ 56,198,957	$ 374,722	$ 60,163	$ 1,469,048	$ 9,041,577	$ 51,829,228	$ 356,362	$ 62,167	$ 1,532,685
6	Company proposed uncollectibles in rates			468,103	19,690	1,272,142			501,069	22,202	1,457,729
7	Differences: Staff less Company uncollectibles in rates			$ (93,381)	$ 40,473	$ 196,906			$ (144,707)	$ 39,965	$ 74,956

8 Combined Differences of columns (j), (k), (l), (o), (p) & (q) from line 7 $ 114,213

Sources: Columns (a) (b) and (e): Appendices from rate Orders in Dockets 02-0837 and 07-0588
Column (h) & (i): Company response to Staff data request DGK-1.02
Column (m) & (n): Company response to Staff data request DGK-1.10 (Tab 1.02)
Line 6: Company responses to Staff data requests DGK-1.05 and DGK-1.10 (Tab 1.04-1.07)
Line 7: line 3 minus line 4