

Petitioner is filing the referenced tariff sheets to allow North Shore to begin immediately using, for the Service Classification ("S.C.") No. 1 program, budget amounts that would not otherwise be available until July 1, 2010. Absent such authority, North Shore's Rider EEP program for S.C. No. 1 will deplete its budget for the twelve months ended June 30, 2010, and North Shore will need to suspend the program until the next Program Period begins on July 1, 2010. North Shore is not requesting to increase the amount of Rider EEP funding. North Shore requests approval on or before March 16, 2010.

I. Rider EEP - Background

Rider EEP, Enhanced Efficiency Program, is the mechanism under which North Shore assesses a monthly charge to its S.C. Nos. 1 (Small Residential Service) and 2 (General Service) customers to cover expenses for energy efficiency programs. The Commission approved Rider EEP in North Shore's 2007 rate case. *In re North Shore Gas Co., et al.*, ICC Docket Nos. 07-0241/07-0242 Cons. (Order Feb. 5, 2008) ("*North Shore/Peoples 2007*") at 183-184. The Annual Program Budget is \$1.1 million, which the Commission approved in that rate case.¹ The first Program Period to which the annual budget applied was May 1, 2008, through June 30, 2009, and, after that initial start-up year, the Program Period is the period July 1 through June 30. Thus, the current (second) Program Period is July 1, 2009, through June 30, 2010 ("Program Period 2"). Rider EEP includes a mechanism for carrying over amounts, subject to a cap, not spent in a Program Period. It also includes an annual process to reconcile

¹ This amount applies to both S.C. Nos. 1 and 2. *North Shore/Peoples 2007* at 183. The amount applicable to S.C. No. 1 is \$825,000. See North Shore Exs. VG-1.0 3Rev. at 38 and VG-1.12 in Docket Nos. 07-0241/07-0242 (Cons.).

Rider EEP expenses with Rider EEP revenues.

II. Program Period 2 - Funding Shortfall

At a meeting of the Rider EEP Governance Board (the "Board")² on February 1, 2010, the Contract Administrator reported that consumer demand and participation in North Shore's Residential Rebate Program, available to North Shore's S.C. No. 1 customers, has recently outpaced the forecast participation levels. The Contract Administrator reported that, based on incentive requests received to date and her forecast of program activity through June 30, 2010, *i.e.*, the end of Program Period 2, North Shore's Residential Rebate Program would have insufficient funds to keep that program open beyond March 15, 2010. To address this shortfall, the Board considered closing North Shore's Residential Rebate Program on February 15, 2010, and not opening a rebate program for North Shore's S.C. No. 2 customers until July 1, 2010. The Board unanimously agreed, however, that every effort should be made to retain the S.C. No. 1 rebate programs to minimize customer confusion about the availability of rebates and continue the momentum in customer participation.

To permit customers the opportunity to continue their participation in the Residential Rebate Program, the Board unanimously agreed that North Shore would file a petition with the Commission requesting permission to use in Program Period 2 funds that would not otherwise become available until the beginning of Program Period 3 (July 1, 2010, through June 30, 2011). This advance use of funds will not increase the total

² A "Governance Board" directs activity under Rider EEP. The Board consists of The Peoples Gas Light and Coke Company and North Shore Gas Company representing a single vote; the Illinois Attorney General's Office; the City of Chicago; the Environmental Law & Policy Center; and the Citizens Utility Board. The Commission Staff serves as a non-voting member of the Board. The Commission approved this structure. *North Shore/Peoples 2007* at 183-184.

amount of Rider EEP funding. It will simply increase funds available in Program Period 2 with a commensurate decrease in funds available in Program Period 3. Additionally, the Board committed that it would not seek additional funding in Program Period 3. North Shore's Petition is based on that commitment.

III. Tariff Changes to Address Program Period 2 Funding Shortfall

For the reasons stated in Section II, *supra*, North Shore requests that the Commission approve the following changes to Rider EEP to permit it to implement an increase in the funds available in Program Period 2 and a like decrease in funds available in Program Period 3.

First, North Shore proposes to clarify that it will use a different calculation for the S.C. No. 1 Effective Component for Program Period 3.

Second, North Shore proposes to state that the "Annual Program Budget" is a distinct amount for S.C. No. 1 and for S.C. No. 2. That is true today and is consistent with the Commission's approval of the program (*see* fn 1, *supra*). However, it is useful to expressly state this fact in light of the other changes proposed in this Petition.

Third, North Shore proposes to revise the term "Available Budget" to address the fact that the S.C. No. 1 budget amount will be included in Program Period 2 for certain purposes and that the budget amount for Program Period 3 will be the "carry over budget" from Program Period 2. This ensures that the total budget for Program Periods 2 and 3 for S.C. No. 1 will not exceed the amount approved by the Commission for that two-year period.

Fourth, North Shore proposes to revise the Carry Over Percentage as it pertains to S. C. No. 1 for Program Period 2 to Program Period 3. This accommodates the fact

that a larger budget would be made available for Program Period 2 and a more generous carry over is appropriate. There is no change to the Carry Over Percentage for S.C. No. 2.

Fifth, North Shore proposes to revise the Effective Component, a charge that is billed monthly over an annual period ending June 30, to define the Program Period 3 calculation. Although North Shore is proposing to allow more funds to be spent in Program Period 2, the Effective Component it calculated and is billing for that period did not include those additional funds in the determination of the charge. For Program Period 3, North Shore proposes to compute an Effective Component based on a three-month period ending September 30, 2010, rather than the otherwise applicable twelve-month period. Any remaining expenses will be recovered through the annual reconciliation adjustment (RA) effective October 1, 2010, and billed over a nine-month period, with any over- or under-recoveries trued up in the RA effective October 1, 2011. Rider EEP is designed for North Shore to collect funds in the year in which they are spent. The Board's request for S.C. No. 1 is inconsistent with that mechanism, as it would make available immediately funds budgeted for a future period, but not recovered in the current Effective Component. Accordingly, this requires a change to the Effective Component mechanism.

IV. Good Cause for the Petition

Good cause exists for this Petition. The Board addressed the funding issue that this Petition seeks to remedy on February 1, 2010. North Shore worked with a Board member to determine what specific relief to request from the Commission and discussed the proposal with the Commission Staff. North Shore had to develop tariff

changes to effectuate this relief. Before finalizing the tariff language, North Shore needed to be certain that the changes would be compatible with the reconciliation calculations and that accounting records would accurately reflect the proposal. North Shore worked quickly and diligently to develop this proposal after the Board reached its decision.

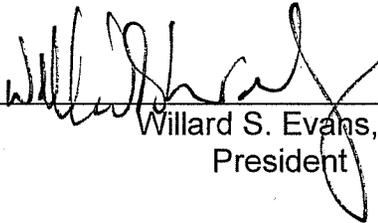
Pursuant to Section 9-201(a) of the Public Utilities Act, 220 ILCS 5/9-201(a), the Commission, for good cause shown, may allow changes without requiring forty-five days' notice by an order specifying the changes to be made and the time when they shall take effect and the manner in which they shall be filed and published. Petitioner submits that it has shown good cause to allow the tariff sheets attached as Exhibit A to be filed and go into effect no later than March 16, 2010.

WHEREFORE, for the reasons set forth herein, Petitioner requests that the tariff sheets attached as Exhibit A be allowed to become effective for service rendered commencing on the date on which Petitioner's filing becomes effective, on less than forty-five days' notice, after permission therefor has been granted by the Commission.

Respectfully submitted,

North Shore Gas Company

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Dated at Chicago, Illinois
this 3rd day of March, 2010

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North Shore Gas Company**RIDER TO SCHEDULE OF RATES FOR GAS SERVICE**

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Rider EEP**Enhanced Efficiency Program****Applicable to Service Classification Nos. 1 and 2**

* The EEP charge, expressed on a cents per customer basis, is a monthly charge that recovers expenses related to the Company's energy efficiency programs. The Company shall determine charges under this rider separately for each applicable service classification. The Company shall determine the Effective Component, as outlined in Section B (1), annually. With the exception of the Effective Component determined for the first Program Period after this rider goes into effect and the Effective Component for Service Classification No. 1 for the third Program Period, the Company shall file the Effective Component with the Commission no later than June 1, and it shall be in effect for the 12-month period commencing the following July 1. For the first Program Period, the Company shall file an Effective Component that is in effect for the months of May 2008 through December 2008 and an Effective Component that is in effect for the months of January 2009 through June 2009. For the third Program Period for Service Classification No. 1, the Company shall file the Effective Component with the Commission no later than June 1, and it shall be in effect for the 3-month period commencing July 1 of the third Program Period. The Company shall determine the Reconciliation Adjustment, as outlined in Section B (2), annually. The Company shall file the Reconciliation Adjustment with the Commission no later than September 30, and it shall be effective for the nine-month period commencing the following October 1.

Section A - Definitions

As used in this rider, the terms below are defined to mean:

* **Annual Program Budget (APB)** shall mean that annual amount of Rider EEP expenses approved by the Commission in the Company's most recent rate proceeding. There shall be a separate APB for Service Classification No. 1 and for Service Classification No. 2.

* **Available Budget (AVB)** shall mean the Annual Program Budget plus the Carry Over Budget except for: (a) the second Program Period for Service Classification No. 1 where the AVB shall mean the sum of the Annual Program Budgets for the second and third Program Periods plus the Carry Over Budget from the first Program Period and (b) the third Program Period for Service Classification No. 1 where the AVB shall mean only the Carry Over Budget.

Carry Over Budget (COB) shall mean the amount of the APB from the Previous Program Period that shall be carried into the Program Period and shall be the lower of the Carry Over Maximum or the Under Budget Amount.

* **Carry Over Percentage (CP)** shall mean the percentage that is applied to the Annual Program Budget to determine the Carry Over Maximum. The Carry Over Percentage shall be 75% from the first Program Period into the second Program Period; 75% from the second Program Period into the third Program Period for Service Classification No. 1 and 50% from the second Program Period into the third Program Period for Service Classification No. 2; 25% from the third Program Period into the fourth Program Period; and 10% into each subsequent Program Period from the Previous Program Period.

Carry Over Maximum (COM) shall mean the maximum amount of the Annual Program Budget that can be carried over to a Program Period and shall be the product of the Annual Program Budget (APB) and the Carry Over Percentage (CP).

Date Issued:

Date Effective:

Asterisk (*) indicates change.

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 EEP

Enhanced Efficiency Program

Applicable to Service Classification Nos. 1 and 2

Section A – Definitions, continued

** **Under Budget Amount** shall be AVB from the Previous Program Period less EEPE.

** **Customers (CUST)** shall mean the average number of forecasted customers.

* and ** **EEP Expenses (EEPE)** shall mean the actual amount of EEP expenses accrued by the Company during the Previous Program Period. For Service Classification No. 1, the actual amount of EEP expenses for the first, second and third Program Periods combined shall not exceed \$2,475,000.

** **EEP Revenues (EEPR)** shall mean that amount of billed revenues arising from application of the Effective Component determined in Section B (1) during the Previous Program Period.

Previous Program Period shall mean that most recently ended Program Period for which the Reconciliation Adjustment in Section B (2) is calculated.

Program Period shall mean, except for the first Program Period, the period of July 1 through June 30, for which the Effective Component in Section B (1) is calculated. The first Program Period shall mean the period of May 1, 2008 through June 30, 2009.

Reconciliation Period shall mean the period of October 1 through June 30, commencing on the October 1 following the Previous Program Period, during which the Reconciliation Adjustment in Section B (2) is recovered.

Section B - Determination of Adjustment

The per customer charge amount under this rider shall be the sum of the amounts determined pursuant to subsections (1) and (2).

* **(1) Effective Component** - The charge to be billed for each month during the Program Period and the charge to be billed each month during the first three months of the third Program Period for Service Classification No. 1 pursuant to this rider, is represented by the following formula and shall be determined separately for each applicable service classification :

$$APB / CUST / MONTHS \times 100$$

Where:

- APB represents APB for the Program Period
- CUST represents CUST for the Program Period
- MONTHS represents the number of months in the Program Period

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Rider EEP**Enhanced Efficiency Program****Applicable to Service Classification Nos. 1 and 2****Section B - Determination of Adjustment, continued**

* and ** For the Effective Component to be effective January 1, 2009, APB shall be one-third of the APB applicable to the first Program Period and MONTHS shall be 6. For the Effective Component to be effective July 1, 2010, for Service Classification No. 1, APB shall be one-fourth of the APB applicable to the third Program Period which is included in the AVB in the second Program Period, CUST shall represent CUST for the three-month period ending September 30, 2010, and MONTHS shall be 3.

** **(2) Reconciliation Adjustment** - The reconciliation adjustment is calculated annually, amortized over a nine-month period, and represented by the following formula:

$$[(COB_1 - COB_2) + [(RA_1 + RA_2) \times (1 + i)]] / CUST / 9 \times 100$$

** Where:

- COB₁ represents the Carry Over Budget for the Program Period
 COB₂ represents the Carry Over Budget for the Previous Program Period
 RA₁ represents (EEPE – EEPR) for the Previous Program Period.
 RA₂ represents the reconciliation of RA₁ for the Previous Program Period, where a (+RA₂) equals an amount due the Company and a (-RA₂) equals an amount due the customer.
- i represents the interest rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) and in effect when each adjustment under this section is calculated, adjusted for the number of months in the Reconciliation Period.
- CUST represents CUST for the Reconciliation Period.
- O represents the Ordered adjustment, in dollars (\$), ordered by the ICC that is to be refunded to or collected from customers as a result of the reconciliation established in Section C.

The first Reconciliation Adjustment shall be calculated for the Program Period ending June 30, 2009, and the first Reconciliation Period shall be the nine-month period commencing October 1, 2009.

If an adjustment computes to 1 cent or more, any fraction of 1 cent in the computed adjustment amount shall be dropped if less than 0.5¢ or, if 0.5¢ or more, shall be rounded up to the next full cent.

Date Issued:**Date Effective:**

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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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Rider EEP**Enhanced Efficiency Program****Applicable to Service Classification Nos. 1 and 2**

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Section C - Reports and Reconciliations

The Company shall file annually with the Commission, no later than June 1 a report showing the determination of the Effective Component to be in effect during the Program Period. For the first Program Period the first such filing shall be no later than 60 days after the Commission's order in Docket No. 07-0241, and the second such filing shall be after the Commission's approval to set the Program Period as a 12 month period commencing July 1. Commencing in 2009, the Company shall also file annually with the Commission, no later than September 30, an EEP statement of activity, including program descriptions, for the Previous Program Period and a report showing the determination of the Reconciliation Adjustment to be in effect during the Reconciliation Period. At this same time, the Company shall also file a petition with the ICC seeking initiation of an annual reconciliation to determine the accuracy of the statement. The reconciling amount from such proceeding (Factor O) shall be recovered in the manner determined by the Commission in the annual reconciliation proceeding.

Section D – Modification or Termination of Program

Should the State of Illinois, or other governing body, require the Company or its customers to fund energy efficiency programs as part of a statewide initiative or as part of any other such initiative imposed on all or some Illinois utilities or customers ("new initiative"), the Company will continue to fund the programs established at the level for which the Commission has approved cost recovery pursuant to this rider, less all amounts required to be contributed to the new initiative. In any year in which the funding required by the new initiative equals or exceeds the amount that the Company would fund under this rider, the Effective Component shall be zero.

Section E - Terms and Conditions

Subject to Terms and Conditions of Service and Riders to Schedule of Rates for Gas Service which are applicable to this rider.

Section F – Audit

The Company shall file annually with the Manager of the Accounting Department of the Commission's Financial Analysis Division, no later than January 2, an internal audit report that determines whether or not the EEP and information provided in Section C have been calculated in accordance with this Tariff.

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