North Shore Gas Company

SCHEDULE OF RATES FOR GAS SERVICE

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Issued by James Schubilske, Vice Presidnet – State Regulatory Affairs
200 East Randolph Street, 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 and 4

* **Section A – Applicability and Purpose**

The adjustments developed under this rider are applicable to customers taking service from the Company under Service Classification Nos. 1 (separately for Service Classification No. 1 Heating and Non-Heating), 2, 4 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 Net Write-Off amount for a reporting year. Such adjustments are based on the incremental difference between the Actual Net Write-Off amount and the Commission-approved Uncollectible Accounts Expense amount included in the Company's base rates, adjusted for any amounts billed under Rider UEA-GC and the POR Amount. This rider operates under Section 19-145 of the Public Utilities Act.

"Sales Customers" are customers who take service solely under a Service Classification and do not also take transportation service under Rider CFY, FST or SST.

"Transportation Customers" are customers who take service under a Service Classification and under Rider CFY, FST or SST and, as used in this rider, excludes POR Transportation Customers.

"POR Amount" means an amount reserved through the application of the discount factors on POR Supplier Charges under Rider POR of this rate schedule.

"POR Supplier Charges" means charges for which the Company purchased receivables under Rider POR of this rate schedule.

"POR Transportation Customers" means customers included in an LDC POR Billing Option Pool, as those terms are defined in Rider POR of this rate schedule.

* **Section B – Description of Incremental Uncollectible Adjustments**

Adjustment amounts are determined under this rider for delivery service provided under Service Classification Nos. 1 (separately for Service Classification No. 1 Heating and Non-Heating), 2, 4 and 8, and Riders 1, 11, EOA, VBA, FCA, GCA, SSC, CFY, FST, SST, AGG, P, gas supply service provided under Rider 2, and POR Supplier Charges. The adjustment amounts for each service type (delivery service, gas supply service for Sales Customers, and POR Supplier Charges for POR Transportation Customers) shall be designated as the IDUA, ISUA and IPUA, respectively, and shall be computed separately for each service classification.

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 IDUA. The adjustment applicable to POR Transportation

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Rider UEA
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Applicable to Service Classification Nos. 1, 2 and 4

* and ** **Section B – Description of Incremental Uncollectible Adjustments** – continued

Customers shall be the sum of the IDUA and the IPUA. If there is an insufficient number of Sales or Transportation Customers or POR Transportation Customers in any service classification, the Company may group these customers and adjustment amounts together under a service type for the purposes of determining an adjustment.

The adjustment amounts shall charge or credit customers for the difference between the Actual Net Write-Off amount, as reported in the Company's Form 21 report to the Commission (Form 21) for the reporting year, and the Uncollectible Accounts Expense amount included in the Company's base rates, amounts billed under Rider UEA-GC of this rate schedule, and the POR Amount, that were in effect for such reporting year. The adjustments shall be included in the customer charge component during the following twelve-month effective period, beginning June 1 and extending through May 31.

The "Uncollectible Accounts Expense amount for delivery service included in the Company's base rates" shall be:

1. For the period January 21, 2012, through June 26, 2013: $499,599;
2. For the period June 27, 2013, through December 31, 2013: $803,000;
3. For the period January 1, 2014, through January 27, 2015: $804,000;
4. For the period January 28, 2015, through February 25, 2015: $498,000; and
5. For the period February 26, 2015, until the date rates filed in a subsequent rate case become effective: $497,000.

The baseline Uncollectible Accounts Expense amount for gas supply service shall be recovered under Rider UEA-GC of this rate schedule. The baseline Uncollectible Accounts Expense amount for POR Supplier Charges for POR Transportation Customers shall be recovered through the POR Amount.

* **Section C – Determination of Rate Allocation Factor**

Unless determined otherwise in the Company's base rates, a Rate Allocation Factor (RAF) shall apply 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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Where:

Y = Reporting Year

A = The portion of the Reporting Year when base rates at the beginning of the Reporting Year were in effect.

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RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

*

Rider UEA
Uncollectible Expense Adjustment
Applicable to Service Classification Nos. 1, 2 and 4

* and ** **Section C – Determination of Rate Allocation Factor** – continued

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, and excluding any revenues recovered under Rider UEA-GC and the POR Amount under this rate schedule. 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.

* **Section D – Determination and Allocation of Baseline Uncollectible Accounts Expense Amount Reflected in the Company's Base Rates**

Uncollectible Accounts Expense amount for the Reporting Year shall be determined separately for the Company's delivery services, gas supply services and POR Supplier Charges, and shall be designated as DUR, SUR and PUR, respectively. RAF, Y, A, and B shall be as defined in Section C of this rider.

Effective January 21, 2012, the DUR for each Service Classification for each Reporting Year shall be equal to the Commission-approved Uncollectible Accounts Expense amount included in the Company's base rates as defined in Section B of this rider.

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 shall be determined as follows:

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

Where:

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

C = Service Classification

Effective January 21, 2012, the SUR for each service classification for each Reporting Year shall be equal to the amount billed in the applicable reporting year under Rider UEA-GC of this rate schedule.

The PUR for each service classification for the Reporting Year shall be equal to the POR Amount.

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North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA
Uncollectible Expense Adjustment
Applicable to Service Classification Nos. 1, 2 and 4

* **Section E – Allocation of Actual Net Write-Off Amounts Reported in the Company's Form 21**

The Actual Net Write-Off amounts for delivery services, gas supply services for Sales Customers and POR Supplier Charges for POR Transportation Customers shall be designated as NWODUR, NWOSUR and NWOPUR respectively. Y and C shall be as defined in Sections C and D of this rider.

The Actual Net Write-Off amounts for the delivery service type shall be determined for each service classification by multiplying Actual Net Write-Off amounts by the historical three-year average ratio as follows:

$$NWODUR_{Yc} = 3yr\ Avg \times ANWO_{Yc}$$

The Actual Net Write-Off amounts for each service classification for the gas supply service type shall be determined as follows:

$$NWOSUR_{Yc} = ANWO_{Yc} - NWODUR_{Yc}$$

Where:

$ANWO_{Yc}$ = Actual Net Write-Off Uncollectible Accounts Expense Amount for the Reporting Year.

3yr Avg = Historical three-year average ratio of delivery to total revenues.

The Actual Net Write-Off amounts for each service classification for the POR Supplier Charges, NWOPUR, shall be zero until commencement of service under Rider POR.

Effective with the first Rider UEA filing after commencement of service under Rider POR, Actual Net Write-off amounts will be determined and allocated by service classification and service type consistent with the underlying data supporting the Actual Net Write-Off amounts. The Company will provide the Commission with analysis supporting the allocations.

* **Section F – Determination of Incremental Uncollectible Adjustments**

1. Delivery Service Uncollectible Adjustments

The delivery service uncollectible adjustment charge or credit for the effective period shall be determined as follows, with Y and C as defined in Sections C and D of this rider:

$$IDUA_{EPc} = \frac{NWODUR_{Yc} - DUR_{Yc}}{Custs_{EPc}} + \frac{RA_c + O_c}{Custs_{EPc}}$$

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RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA
Uncollectible Expense Adjustment
Applicable to Service Classification Nos. 1, 2 and 4

* **Section F – Determination of Incremental Uncollectible Adjustments** – continued

1. Delivery Service Uncollectible Adjustments – continued

Where:

$IDUA_{EPc}$ = Incremental Delivery Service Uncollectible Amount, in dollars, rounded to two decimals, applicable to each service classification during the effective period (EP). The IDUA may be modified during an effective period due to reconciliation or Commission ordered adjustment amounts.

$NWODUR_{Yc}$ = Amount determined in Section E of this rider for each service classification.

DUR_{Yc} = Amount determined in Section D of this rider for each service classification.

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

RA_c = Reconciliation Adjustment, in dollars, which shall be determined annually for each service classification by subtracting actual booked IDUA revenues from expected IDUA revenues. Expected IDUA revenues shall be calculated based upon the previous effective period's IDUA adjustment multiplied by forecasted number of delivery service customer billing periods as filed for the prior June 1 through May 31 period. The reconciliation component shall be collected over 9 months, from September through May, and shall be supported by a Commission filing made annually on or before August 31. No reconciliation component shall be included in the June through August period.

O_c = Commission ordered adjustment amount, in dollars, for each service classification, 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 for deposits under 83 Ill. Adm. Code 280. 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.

2. Gas Supply Service Uncollectible Adjustments

The gas supply service uncollectible adjustment charge or credit for the effective period shall be determined as follows, with Y and C as defined in Sections C and D of this rider:

$$ISUA_{EPc} = \frac{NWOSUR_{Yc} - SUR_{Yc}}{Custs_{EPc}} + \frac{RA_c + O_c}{Custs_{EPc}}$$

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Rider UEA
Uncollectible Expense Adjustment
Applicable to Service Classification Nos. 1, 2 and 4

* **Section F – Determination of Incremental Uncollectible Adjustments** – continued

2. Gas Supply Service Uncollectible Adjustments – continued

Where:

$ISUA_{EPc}$ = Incremental Gas Supply Service Uncollectible Amount, in dollars, rounded to two decimals, applicable to each service classification during the effective period (EP). The ISUA may be modified during an effective period due to reconciliation or Commission ordered adjustment amounts.

$NWOSUR_{Yc}$ = Amount determined in Section E of this rider for each service classification.

SUR_{Yc} = Amount determined in Section D of this rider for each service classification.

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

O_c = Commission ordered adjustment amount, in dollars, for each service classification 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 for deposits under 83 Ill. Adm. Code 280. 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.

3. POR Supplier Charges Uncollectible Adjustments

The POR Supplier Charges uncollectible adjustment charge or credit for the effective period shall be determined as follows, with Y and C as defined in Sections C and D of this rider:

$$IPUA_{EPc} = \frac{NWOPUR_{Yc} - PUR_{Yc}}{Custs_{EPc}} + \frac{RA_c + O_c}{Custs_{EPc}}$$

Where:

$IPUA_{EPc}$ = Incremental POR Supplier Charges Uncollectible Amount, in dollars, rounded to two decimals, applicable to each service classification during the effective period (EP). The IPUA may be modified during an effective period due to reconciliation or Commission ordered adjustment amounts.

$NWOPUR_{Yc}$ = Amount determined in Section E of this rider for each service classification.

PUR_{Yc} = Amount determined in Section D of this rider for each service classification.

$Custs_{EPc}$ = Sum of the forecasted number of POR Transportation Customers billing periods for the effective period (EP) for each service classification.

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RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

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Rider UEA
Uncollectible Expense Adjustment
Applicable to Service Classification Nos. 1, 2 and 4

* **Section F – Determination of Incremental Uncollectible Adjustments** – continued

3. POR Supply Service Uncollectible Adjustments – continued

RA_c = Reconciliation Adjustment, in dollars, which shall be determined annually for each service classification by subtracting actual booked IPUA revenues from expected IPUA revenues. Expected IPUA revenues shall be calculated based upon the previous effective period's IPUA adjustment multiplied by forecasted number of POR Transportation Customers billing periods as filed for the prior June 1 through May 31 period. The reconciliation component shall be collected over 9 months, from September through May, and shall be supported by a Commission filing made annually on or before August 31. No reconciliation component shall be included in the June through August period.

O_c = Commission ordered adjustment amount, in dollars, for each service classification 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 for deposits under 83 Ill. Adm. Code 280. 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 IPUA.

** **Section G – Informational Filings**

The Company shall file with the Commission annually, on or before May 20, 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 May. Any 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)]. "Effective Period" shall mean the period for which the adjustments are calculated, and shall be the period commencing June 1 and ending the following May 31. In conjunction with the reconciliation filing (Section I of this rider), a new Information Sheet may be filed adjusting the then effective charges or credits under this rider for the amount to be reconciled.

* **Section H – Annual Audit**

Annually, subsequent to completion of IDUA, ISUA, and IPUA 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 and test 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 IPUA amounts are being properly billed to customers; 3) revenues or credits resulting from application of IDUA, ISUA, and IPUA adjustments are properly recorded in appropriate accounts; 4) the uncollectible costs

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider UEA
Uncollectible Expense Adjustment
Applicable to Service Classification Nos. 1, 2 and 4

Section H – Annual Audit – continued

recovered through this rider are not being recovered through other provisions of this rate schedule; 5) the incremental charge is properly billed; 6) the Actual Net Write-Off amounts are properly recorded and reported in Form 21; 7) the SUR component accurately reflects amounts billed under Rider UEA-GC of this rate schedule for the applicable reporting period; and 8) the PUR component accurately reflects the POR Amount of this rate schedule for the applicable reporting period. The above list of determinations and tests does not limit the scope of the audit. Such internal audit report must be submitted to the Commission in an informational filing, with a copy provided to the Manager of the Staff's Accounting Department, by February 1. Such report must be verified by an officer of the Company.

Section I – Annual Reconciliation

The Company shall file a petition annually with the Commission no later than August 31, seeking initiation of an annual reconciliation process. The petition shall include a reconciliation that will compare revenues collected under this rider during the effective period with the expected revenues plus or minus Reconciliation and Commission Ordered Adjustments. Supporting documentation or work papers affecting the information presented in the Company's reconciliation petition shall be provided to the Commission's Accounting Staff at the time of this filing of the reconciliation. In conjunction with the reconciliation filing, a new Information Sheet may be filed adjusting the then effective charges or credits under this rider for the amount to be reconciled. For the 2015 filing, the reconciliation will include the 14 months through May 2015, and thereafter all reconciliations will be for the twelve-month reconciliation period June through May. The reconciling amount from such proceeding (Factor O) shall be recovered in the manner determined by the Commission in the annual reconciliation proceeding.

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RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider POR
Purchase of Receivables
Applicable to Riders CFY and AGG

Section A – Purpose

The Company shall purchase from CFY Suppliers that have executed an LDC POR Billing Option contract with the Company undisputed CFY Supplier supply-related accounts receivable.

Section B – Definitions

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

Billing Cycle shall mean the regular periodic interval for reading the meter or estimating the consumption of a customer for billing purposes.

Business Day shall mean those days on which the Company is open for the conduct of business with the public and on which financial institutions are processing transactions.

CFY Customer shall mean a customer taking service pursuant to Rider CFY of this rate schedule.

CFY Supplier shall mean any supplier who executes a written contract with the Company for service under Rider AGG.

CFY Supplier Charges shall mean the CFY Supplier's charges directly related to the purchase of gas supply, including storage or transportation costs associated with delivery to the Company's system, needed to serve CFY Customers. It may also include charges the CFY Supplier assesses to recover its costs to enroll CFY Customers and maintain such enrollment.

Companion Classification shall mean Service Classification No. 1, 2, or 8.

Contract Year shall mean the twelve-month period ending April 30.

Disputed Charges shall mean an amount of CFY Supplier Charges that is in dispute between the POR Supplier and the CFY Customer and shall be regarding CFY Supplier Charges and not CFY Customer's usage. The Company will not deem any amount of CFY Supplier Charges a Disputed Charge until the Company has received written notice from the POR Supplier or notice from the Consumer Services Division of the Commission. The Company will not remit payment to a POR Supplier for any identified Disputed Charges.

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RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider POR
Purchase of Receivables
Applicable to Riders CFY and AGG

Section B – Definitions – continued

Effective Date shall mean the date on which the Company begins to offer service under this rider and the Peoples Gas Rider POR, and that date shall be the date prescribed by the Commission or, if not so prescribed, the later of (a) 18 months after the Commission approves this rider and the Peoples Gas Rider POR and (b) 18 months after at least one CFY Supplier signs an LDC POR Billing Option contract and provides the Company or The Peoples Gas Light and Coke Company or both an irrevocable standby letter of credit, in form and substance reasonably acceptable to the Company, in an amount equal to the investment costs as determined in Section F of this rider. Unless otherwise ordered by the Commission, the Effective Date shall be the same for the Company and The Peoples Gas Light and Coke Company and shall be the earlier of the date determined by applying these criteria for the Company and under the Peoples Gas Rider POR.

LDC Billing Option shall mean the service under which the Company includes on its bills the CFY Supplier's supply-related charges but does not purchase the receivables associated with those charges.

LDC POR Billing Option shall mean the service under which the Company purchases, under the terms of this rider, the receivables associated with CFY Supplier Charges billed under the LDC Billing Option.

Peoples Gas Rider POR shall mean Rider POR, Purchase of Receivables, of The Peoples Gas Light and Coke Company's Schedule of Rates for Gas Service.

Pool shall mean the group of Rider CFY customers that the CFY Supplier establishes under its contract with the Company.

POR Supplier shall mean a CFY Supplier that has executed an LDC POR Billing Option contract with the Company and is taking service under this rider.

Section C – Obligations

The POR Supplier:

(1) Shall enter into an LDC POR Billing Option contract with the Company and assign and sell to the Company its rights to CFY Supplier Charges due from its CFY Customers to be billed by the Company under this rider.
(2) Shall identify, in writing, CFY Customers for whom the CFY Supplier wishes the Company to purchase receivables by including them in an LDC POR Billing Option Pool. A CFY Supplier must elect the LDC POR Billing Option for an entire Pool. A CFY Supplier may elect the LDC Billing Option without service under this rider for a separate Pool.
(3) Shall remit to the Company any payments received directly from a CFY Customer, for receivables that will be or were purchased by the Company, in an LDC POR Billing Option Pool within one Business Day of receiving such payment.

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RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider POR
Purchase of Receivables
Applicable to Riders CFY and AGG

Section C – Obligations – continued

The POR Supplier – continued

(4) Shall remit to the Company, within one Business Day of the Company's request, any Disputed Charges less the POR discount factor for which the dispute was identified after the Company purchased the receivable that included the Disputed Charges.
(5) Shall provide the Company with contact information to which the Company will direct CFY Customers with questions about CFY Supplier Charges.
(6) Shall promptly notify the Company of any Disputed Charges.
(7) Shall not bill CFY Customers for any CFY Supplier Charges for which the Company has purchased or will purchase the receivable.
(8) Shall not report to credit bureaus payment information related to any CFY Supplier Charges for which the Company has purchased the receivable.
(9) Shall demonstrate the ability to accept from and transmit to the Company data and payments electronically, unless the parties agree to other forms of transmission

The Company:

(1) Shall remit to the POR Supplier payment of CFY Supplier Charges less Disputed Charges, adjusted by the POR discount factor, one Business Day following the due date of the CFY Customer's bill that included such CFY Supplier Charges.
(2) Shall reconcile, under Rider UEA of this rate schedule, the difference between actual uncollectible amounts related to CFY Supplier Charges under the LDC POR Billing Option and the uncollectible amount reserved through the application of the POR discount factor.
(3) Shall direct to the POR Supplier CFY Customers with questions about CFY Supplier Charges.
(4) Shall require that the CFY Supplier owe the Company any Disputed Charge amounts less the POR discount factor for which the dispute was identified after the Company's purchase of those receivables.
(5) May report to credit bureaus payment information related to any CFY Supplier Charges for which the Company has purchased the receivable.
(6) Shall accept from and transmit to the CFY Supplier data and payments electronically, unless the parties agree to other forms of transmission.

Section D – Terms and Conditions of Service

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

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RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider POR
Purchase of Receivables
Applicable to Riders CFY and AGG

Section D – Terms and Conditions of Service – continued

Initiation of Service

After the Effective Date, service for any individual CFY Customer shall begin on the first day of the CFY Customer's Billing Cycle after the CFY Customer's inclusion in a POR Supplier's LDC POR Billing Option Pool. On that Billing Cycle date, if the CFY Customer is included in the CFY Supplier's LDC Billing Option contract, the Company will remove the CFY Customer from that contract and cease collection of CFY Supplier receivables billed under the LDC Billing Option contract 45 days after the payment due date for those receivables.

Credit and Collections

For purposes of implementing its Terms and Conditions of Service of this rate schedule and the Commission's rules included in 83 Illinois Administrative Code Parts 280, 500 and 501, the Company shall treat the CFY Supplier Charges and Disputed Charges equally with other amounts due and owing the Company under this rate schedule.

LDC POR Billing Option Contract

The initial term of the LDC POR Billing Option contract shall end on the first April 30 following the parties' execution of the contract and automatically renew annually after the initial term. The POR Supplier may terminate the contract at the end of any Contract Year on 60 days' prior written notice. Either the Company or the POR Supplier may terminate the contract, on 30 days' prior written notice, if the other party fails to perform any obligation under this rider or the contract, and such failure is not remedied within that 30-day period. If the POR Supplier ceases to be a CFY Supplier, the contract shall terminate on the date cessation occurs, except for provisions that expressly survive termination of the contract. The contract between the Company and the POR Supplier shall include standard and customary contract provisions such as governing law, dispute resolution, creditworthiness, electronic communications protocols, notices and contract interpretation.

Creditworthiness

The Company, on a non-discriminatory basis, may require the POR Supplier to provide adequate assurances of payment, in the form of a corporate or parent guaranty or irrevocable standby letter of credit, in form and substance reasonably acceptable to the Company, or a cash deposit, to assure payment of the POR Application Charge.

Section E – POR Discount Factor

The Company shall determine a POR discount factor for each of the Company's Companion Classifications. The POR discount factors will initially be equal to the Uncollectible Factors defined in Rider UEA-GC of this rate schedule. Effective with the first Contract Year occurring 36 months after the Effective Date, the Company shall determine the discount factors using data underlying the POR Suppliers' CFY Customers' net write-off amounts.

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Rider POR
Purchase of Receivables
Applicable to Riders CFY and AGG

Section E – POR Discount Factor – continued

The Company shall apply the discount factor to the CFY Supplier Charges amounts based on:

(1) The CFY Customer's applicable Companion Classification.
(2) The bill date of the CFY Customer's bill on which the CFY Supplier Charges appear.

Section F – Rates

The rates for service hereunder shall consist of a POR Application Charge as well as those charges defined in Rider AGG of this rate schedule.

POR Application Charge

The POR Application Charge shall recover the Company's actual investment in information technology systems and other costs incurred to implement the services provided under this rider, which include 1) changes to technical system interfaces between the Company and POR Suppliers; 2) changes to internal data management and reporting; 3) changes to the Company's customer information systems; 4) modifications to internal administrative processes; 5) training and communication; and 6) carrying costs on the investment (the "investment costs") as determined using the prevailing pre-tax weighted cost of capital identified in the Company's most recent rate case order. The Company will initially determine the POR Application Charge using estimated investment costs. The Company shall file with the Commission, filed or postmarked no later than 14 days following the effective date of this rider, an information sheet with the estimated investment amount. The Company will adjust the POR Application Charge using actual investment costs no later than six months after the Effective Date, at which time the Company will file an information sheet with the Commission and, within 30 days of such filing, refund to or charge POR Suppliers for their pro rata share of any difference. For a current POR Supplier, the Company may reflect the refund or charge on its bills to the POR Supplier. The Company shall have no obligation to incur any investment costs unless and until at least one CFY Supplier signs an LDC POR Billing Option contract under this rider or under the Peoples Gas Rider POR and provides the Company an irrevocable standby letter of credit in an amount equal to the investment costs. If more than one CFY Supplier signs an LDC POR Billing Option contract prior to the Effective Date, the amount of the required irrevocable standby letter of credit will be each CFY Supplier's pro rata share as defined in the next paragraph.

The Company shall recover the investment costs over five years from the Effective Date (the "recovery period"). Each POR Supplier shall owe the Company a pro rata share of the investment costs, with the pro rata share determined as the total investment costs divided by the number of participating POR Suppliers. The number of participating POR Suppliers shall equal the number of CFY Suppliers that sign an LDC POR Billing Option contract under this rider at any time prior to or during the recovery period.

North Shore Gas Company

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RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Rider POR
Purchase of Receivables
Applicable to Riders CFY and AGG

Section F – Rates – continued

POR Application Charge – continued

Irrespective of whether a CFY Supplier commences service under this rider after the Effective Date or terminates service under this rider prior to the end of the recovery period, the CFY Supplier shall be included in the number of participating POR Suppliers and shall be responsible for its pro rata share of investment costs. Each Contract Year, the Company shall bill current and former POR Suppliers an installment equal to one-fifth of the investment costs divided by the number of participating POR Suppliers, with such amount due ten days after the billing date, but in no event prior to May 1; provided, however, if a POR Supplier commences service under this rider after the Effective Date, the POR Supplier shall owe the Company an amount equal to what it would have owed had it commenced service on the Effective Date; provided further, if a POR Supplier fails to pay any amount due and owing, the Company will terminate the LDC POR Billing Option contract under Section D of this rider, continue to seek payment from that POR Supplier, exercise its rights under any credit assurance from the POR Supplier, and, to the extent the Company does not receive payment, include those costs in its calculation of pro rata costs to be recovered from other POR Suppliers, with adjustments if it receives payment. No less than once each Contract Year, the Company will calculate the pro rata share and refund to or charge current and former POR Suppliers any difference between the POR Supplier's initial pro rata share and the recalculated amount, based on the difference between the amount paid and the amount due and owing, each as of the recalculation date. For a current POR Supplier, the Company may reflect the refund or charge on its bills to the POR Supplier. Within three months of the end of the recovery period, the Company will reconcile the investment costs with the amounts billed to the participating POR Suppliers.

Section G – POR Discount Factor Information Sheet Filing

The Company shall file with the Commission, filed or postmarked no later than April 20, an Information Sheet with supporting data showing the POR discount factors for each Companion Classification to be effective May 1. An Information Sheet with supporting data filed after that date, but prior to May 1, shall be accepted only if it corrects an error or errors from a timely filed Information Sheet for the same effective date. Any other Information Sheet with supporting data shall be accepted only if submitted as a special permission request to become effective on less than 45 days' notice under the provisions of Section 9-201 (a) of the Public Utilities Act [220 ILCS 5/9-201 (a)].

Section H – Withdrawal of Rider POR

The Company may file to discontinue service under this rider (a) if, 12 months after Commission approval of this rider, no CFY Supplier has signed an LDC POR Billing Option contract and provided the Company an irrevocable standby letter of credit in an amount equal to the investment costs, (b) if the number of CFY Customers in LDC POR Billing Option Pools falls below a level deemed necessary by the Company, in its reasonable discretion, to sustain the program, provided that payment of the POR Application Charge shall survive the discontinuance of service under this rider until the end of the recovery period, or (c) in any rate case proceeding.

Date Issued: DECEMBER 18, 2015 **Date Effective:** FEBRUARY 1, 2016
Asterisks not needed; replacing sheet in its entirety.