

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
North Shore Gas Company)	Docket No. 23-0759
)	
)	
Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

DIRECT TESTIMONY
OF
ALESE G. MAUERMANN

- 1 Q. Please state your name and business address.
- 2 A. Alese G. Mauermann. 2830 S Ashland Avenue, Green Bay, WI, 54304.
- 3 Q. By whom are you employed?
- 4 A. WEC Business Services LLC (“WBS”).
- 5 Q. What position do you hold with WBS?
- 6 A. I am Manager Gas Supply (PGL/NSG) for Respondent, North Shore Gas
- 7 Company (“North Shore”), and The Peoples Gas Light and Coke Company
- 8 (“Peoples Gas”).
- 9 Q. What are your responsibilities in that position?
- 10 A. I am responsible for directing the activities of the Gas Supply Department
- 11 for North Shore and Peoples Gas, as well as the activities of Peoples Gas’
- 12 interstate services area.

13 Q. Please summarize your educational background and experience.

14 A. I have a Bachelor's Degree in Mechanical Engineering from Michigan
15 Technological University in Houghton, Michigan. I have been employed by WBS
16 or its affiliates since 2009 in various positions related to engineering, project
17 management and gas supply.

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

19 A. The purpose of my testimony is to describe North Shore's 2023 supply
20 and capacity procurement practices, including negotiation of contracts and
21 related accounting and auditing practices. In addition, I discuss steps that North
22 Shore took to reduce gas price volatility. I also address the prudence of North
23 Shore's 2023 supply and capacity and the resulting gas costs that North Shore
24 billed to customers.

25 **2023 PROCUREMENT OVERVIEW**

26 Q. Please describe North Shore's 2023 gas supply procurement process.

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

34 Q. What procedure did North Shore follow in 2023 in order to select its
35 resource mix?

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

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

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

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

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

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

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

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

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

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

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

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

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

84 A. During 2023 North Shore purchased gas from 30 suppliers.

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

87 A. During 2023 North Shore purchased the majority of its supply under firm
88 contracts with suppliers. It made these purchases under the terms of the
89 contracts that North Shore had with each supplier. North Shore purchased a
90 portion of its total supply volumes as daily purchases from various suppliers. It
91 made daily purchases, on an as-needed basis, from suppliers under the terms of
92 the contracts that North Shore had with each supplier.

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

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

101 A. No.

102

103 REQUESTS FOR PROPOSALS

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

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

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

116 A. One of North Shore’s goals is to receive bids that are in an identical format
117 so that it can make fair comparisons. In its RFPs, it specifies all the key
118 commercial terms of service to limit the number of variables that it must consider
119 in evaluating bids. For example, a typical RFP would specify the location(s) at
120 which North Shore would take delivery of supply; whether the supply would be
121 baseload or call and, if it is a call supply, the conditions under which North Shore
122 may call on the supply; acceptable pricing structures, such as based on specific
123 FOM or daily indices and whether demand charges would be acceptable; and
124 any quantity limitations, such as bids must be in increments of 2,500 dth¹/day. In

¹ “dth” means dekatherm. “Mdth” means one thousand dekatherms.

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

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

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

143 Q. Why did North Shore use this process?

144 A. Prior to 2012, North Shore used a more seasonally structured RFP
145 process that resulted in baseload purchases that were fixed by location for the
146 season. While this was an effective process, it lacked flexibility to respond to
147 pipeline curtailments due to maintenance and *force majeure* restrictions that

148 limited transportation from any given location. The monthly baseload purchase
149 process allows North Shore to move the purchases around to avoid the
150 restrictions and limit the need to reconfigure or otherwise renegotiate the
151 baseload agreement with the seller.

152 Q. Were all the RFPs used to obtain the supplies discussed above completed
153 in the reconciliation year?

154 A. Yes.

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

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

164 Q. Did North Shore issue RFPs in 2023 for gas that flowed in 2023?

165 A. Yes. North Shore completed eight RFPs in 2023 for gas that flowed in
166 2023. The types of supply procured under those RFPs were summer 2023
167 baseload, winter 2023-2024 baseload and call gas supplies. The seven summer
168 supply RFPs are discussed above.

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

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

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

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

181 **CITYGATE PURCHASES**

182 Q. Did North Shore purchase gas at the citygate in 2023?

183 A. Yes. North Shore bought Citygate gas on one day in 2023.

184 **SUPPLY INTERRUPTIONS**

185 Q. Did North Shore experience any supply interruptions in 2023?

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

190 **TRANSPORTATION AND STORAGE CAPACITY**

191 Q. Did any significant changes to North Shore's transportation and storage
192 capacity portfolio affect the 2023 portfolio?

193 A. Yes, North Shore extended three existing storage and six existing
194 transportation contracts with Natural Gas Pipeline Company of America LLC.

195 Q. Did any pipeline outages, interruptions, or restrictions affect North Shore
196 during 2023?

197 A. Yes. Natural experienced outages and imposed restrictions during 2023.

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

200 A. No.

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

203 A. Yes. North Shore incurred \$187.12 of ANR overrun charges.

204 Q. How did North Shore's planned and actual use of storage compare in
205 2023?

206 A. North Shore begins each season with an established storage plan based
207 on normal weather, estimated customer-owned gas deliveries and assumptions
208 for other factors not precisely known at the time it creates the plan. North Shore
209 cannot reasonably plan for other storage activity, notably no-notice balancing.
210 As a result, actual storage use will never exactly match planned storage use for a
211 given month, and North Shore may need to revise storage plans for future
212 months to accommodate these differences. During 2023, actual storage
213 withdrawals of 7,038 Mdth were approximately 3,899 Mdth (35.6%) less than
214 planned. A warm December and balancing activities throughout the year lead to
215 the less than planned withdrawals.

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

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

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

223 A. Yes.

224 Q. Please describe North Shore's use of the LP facility in 2023.

225 A. The LP facility was not used in 2023 to support daily or hourly deliveries.

226 **RESERVE MARGIN**

227 Q. What was North Shore's design day reserve margin in 2023?

228 A. North Shore's 2023 design day reserve margin was approximately 3.01%.
229 North Shore describes its design day calculation in detail in the response to Staff
230 data request ENG 1.17. In general, North Shore defines its design day as the
231 sendout expected to occur on a January weekday with a temperature of -19
232 degrees Fahrenheit (equivalent to 84 degree days) and an average wind speed
233 of 22 miles per hour ("mph") following a day with a temperature of -2 degrees
234 Fahrenheit and an average wind speed of 17 mph. The temperature and wind
235 data are based on a weighted average of two weather stations (O'Hare and
236 Waukegan). The percentage weighting comes from a GasDay[®] weather
237 optimization study.

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

248 **PRICE RISK MANAGEMENT**

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

251 A. North Shore took several steps to address price volatility. During the year,
252 North Shore followed a price protection program, approved by the Wholesale
253 Energy and Fuel Financial Risk and Compliance group of WBS in August 2019,
254 which was specifically designed to mitigate the effects of gas price volatility. This
255 program protected a significant portion of North Shore's purchases using
256 approved financial derivative tools including: futures, fixed price swaps, call
257 options, synthetic calls, or consumer collars (purchasing call options and selling
258 put options simultaneously). These purchases were either hedged physically
259 through fixed forward purchases directly with a supplier or through the use of
260 financial derivative instruments. Under the plan, North Shore began executing its

261 hedges nineteen months prior to the start of each season (*i.e.*, winter or
262 summer). The timing of the transaction execution follows a time driven matrix
263 approach and results in 100% of the planned hedges in place prior to the start of
264 the season. Under normal weather conditions, North Shore would expect to
265 hedge between 25% and 50% of its annual purchases under this plan with a
266 target of 37.5%.

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

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

272 A. For the reconciliation period, 36.6% of actual annual purchases were
273 financially hedged.

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

275 A. The "time driven matrix" approach means that North Shore executed its
276 hedge transactions on a defined schedule, unless predefined market conditions
277 were met and North Shore elected to accelerate its financial hedge purchases.
278 This contrasts with, for example, purchasing all of the hedges eighteen months
279 prior or waiting until one month prior to the hedged period to purchase the
280 hedges.

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

283 A. No.

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

285 A. No.

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

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

295 **INTERSTATE SERVICES**

296 Q. Did North Shore enter into any off-system gas sales for resale during
297 2023?

298 A. No.

299 Q. Did North Shore release any capacity in 2023?

300 A. Yes. North Shore released 19,116 dth/day of Natural FT from Natural's
301 interconnect with Rockies Express Pipeline (Rex) for the term April 1, 2023 –
302 October 31, 2023 and 18,250 dth/day for the term November 1, 2023 – March
303 31, 2024. These capacity releases helped bring North Shore's 2023 Design Peak
304 Day Reserve Margin closer to its targeted level of 3%. Unless otherwise stated,
305 all capacity releases were recallable.

306 Q. Did North Shore acquire any capacity through a capacity release in 2023?

307 A. Yes. North Shore acquired 40,000 dth/day of Natural FT from Peoples
308 Gas..

309 **AFFILIATE TRANSACTIONS**

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

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

314 **PRUDENCE OF 2023 GAS COSTS**

315 Q. Were North Shore's incurred expenditures for 2023 gas supply prudent?

316 A. Yes. The 2023 incurred gas supply expenditures reflected North Shore's
317 continuing efforts to minimize the cost of its gas supply consistent with
318 operational and contractual constraints and the statutory obligation to provide
319 adequate and reliable service to customers throughout the year. In particular,
320 following RFP processes, North Shore purchased supply from a diverse pool of
321 suppliers to fill its storage services and to supply its customers. It purchased
322 supply at the citygate and utilizing its own capacity, which both diversifies the
323 pricing applicable to those purchases and enhances reliability. It met a large
324 portion of its peak day and seasonal requirements from storage. It also used
325 storage to help it balance its system on a daily and intra-day basis. Finally, it
326 hedged a significant portion of its annual purchases, which helps to mitigate price
327 volatility for customers.

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

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

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

341 **MEASUREMENT AND MONITORING OF PIPELINE DELIVERIES**

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

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

346 1. Gas that Natural delivered to North Shore is registered by North
347 Shore's electronic flow measurement ("EFM") equipment located at three
348 locations (excluding direct pipeline supplied customer locations), with a combined
349 total of seven meters. The quantities of gas received and delivered by Natural
350 were measured in accordance with the General Terms and Conditions of its
351 FERC Gas Tariff. North Shore has access to Natural's measurement equipment
352 at the receipt and delivery points under the tariff provisions to verify flow

353 calculations. The Gas Control Department reviewed and monitored the accuracy
354 of energy that was billed at all seven of those meters. If the Gas Control
355 Department's measurement review indicated a discrepancy, the Gas Control
356 Department would contact Natural to resolve the discrepancy. Natural also
357 calibrates its EFM equipment periodically. A North Shore representative may be
358 present at these calibrations. North Shore's representative is present for
359 physical changes (e.g., orifice plate inspection or replacement) involving a meter.

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

371 3. If the Gas Control Department's measurement verification between the
372 EFM equipment and nomination systems (North Shore's and pipelines'
373 nomination websites) indicates a discrepancy, the Gas Control Department will
374 contact the pipeline to resolve the discrepancy. Once Gas Control has resolved
375 all discrepancies, the Gas Supply Department will verify the amount of gas

376 nominated to the Gas Supply transaction tracking database (“TRM”). This
377 ensures that all gas nominated is recorded in TRM. The Fuel and Supply
378 Accounting Department confirms data from TRM with the pipelines’ invoices.

379 4. ANR uses onsite chromatographs at its meter stations to determine
380 gas quality and heating value. Natural uses chromatographs at a point on its
381 system near Joliet, Illinois and at Peoples Gas’ Manlove Field to determine gas
382 quality and heating value. North Shore uses chromatographs it owns at the
383 Busse and Tonne Road stations to independently monitor gas quality and
384 heating value. These chromatographs are calibrated on a regular basis.

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

393 Q. Please describe the control procedures and monitoring programs related
394 to enforcement of North Shore’s contracts for purchases from suppliers.

395 A. The gas that North Shore purchased from each supplier was invoiced
396 based on quantities delivered at the agreed delivery points. Each month the Fuel
397 and Supply Accounting Department verified that suppliers used the appropriate

398 unit prices in their invoicing to North Shore, and it also confirmed that suppliers
399 delivered volumes based on the agreed to delivery point on the pipeline invoices.

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

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

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

415 2. Transportation charges for each receipt point include a percentage
416 retained by the transporter from gas received for North Shore's account to
417 compensate for the transporter's compressor fuel and lost-and-unaccounted-for
418 gas. The Fuel and Supply Accounting Department reviewed for accuracy the
419 quantities that the transporter retained, the transportation and storage charges

420 and the reservation fees against published tariffs, contracts or discount letters or
421 agreements, as appropriate.

422 Q. Does this conclude your direct testimony?

423 A. Yes, it does.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
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Reconciliation of revenues)	
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charges with actual costs prudently)	
incurred.)	

DIRECT TESTIMONY
OF
SAM ADDISON

- 1 Q. Please state your name and business address
- 2 A. Sam Addison, 200 East Randolph Street, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. WEC Business Services LLC.
- 5 Q. What position do you hold with WEC Business Services LLC?
- 6 A. I am a Project Specialist III in Regulatory Affairs.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for performing activities related to regulatory research,
- 9 rate and tariff administration, billing and rate impact studies, accounting, and
- 10 reporting requirements for The Peoples Gas Light and Coke Company (“Peoples
- 11 Gas” or the “Company”) and its sister utility North Shore Gas Company (“North
- 12 Shore”). I also have managed and coordinated the preparation and review of

13 testimonies and exhibits pertaining to rate case filings for Peoples Gas and North
14 Shore pursuant to provisions of Part 285, 286, and 287 of the Commission's
15 rules (83 Ill. Admin. Code Parts 285, 286, and 287).

16 Q. Please summarize your educational background and experience.

17 A. I received a Bachelor of Science in Finance from the Driehaus College of
18 Business at DePaul University in 2013. I was hired by Integrys Business Services
19 in 2014 on the Finance team, where I worked 6 years across multiple positions of
20 increased responsibility, including support of the 2020 North Shore Gas Rate
21 Case. In January 2022, I left WEC energy group to join ComEd as a Senior
22 Financial Analyst supporting Financial Operations. In October 2022, I rejoined
23 WBS as a Project Specialist 3 on the Regulatory Affairs team.

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

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

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

32 A. Pursuant to Section 9-220 of the Public Utilities Act, on November 16,
33 2023, the Illinois Commerce Commission ("Commission") entered a citation order
34 ("order") directed to Illinois gas utilities, including North Shore. The order
35 requires North Shore to present evidence to the Commission at a public hearing

36 in Docket No. 23-0759 reconciling revenue collected under the purchased gas
37 adjustment clause (Rider 2, Gas Charge, of North Shore's Schedule of Rates)
38 with the actual costs prudently incurred and recoverable under Rider 2, for the
39 twelve months ended December 31, 2023. The order also requires North
40 Shore's filing to reflect fifteen specified data for each of its Gas Charges. The
41 order further requires that North Shore make notice of the filing of this evidence
42 under the requirements of 83 Illinois Administrative Code Part 255.

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

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

50 Q. Please describe NSG Ex. 2.1.

51 A. NSG Ex. 2.1 includes a copy of the audit report of North Shore's
52 independent public accountants, Deloitte & Touche LLP, and the verification by
53 North Shore's President Torrence Hinton. The audit report includes a copy of
54 North Shore's Statement to Illinois Commerce Commission - Determination of
55 Reconciliation Balance for Gas Charge for the Year Ended December 31, 2023
56 ("2023 Statement") and Independent Auditors' Report, as described in Rider 2,
57 Section G, of North Shore's Schedule of Rates.

58 Q. Was the 2023 Statement prepared by you or under your supervision and
59 direction?

60 A. Yes, it was.

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

63 A. Yes, they are.

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

66 A. Each month, North Shore files a Commodity Gas Charge ("CGC"), a Non-
67 Commodity Gas Charge ("NCGC"), a Demand Gas Charge ("DGC"), and a
68 Storage Gas Charge ("SGC"). The sum of the CGC and NCGC is the Gas
69 Charge, which applies to all North Shore-supplied terms except standby terms
70 supplied to transportation customers.

71 The standby commodity charge applies to standby terms. North Shore
72 uses published price indices prescribed in the riders to determine the standby
73 commodity charge.

74 The CGC recovers commodity-related costs. The NCGC recovers non-
75 commodity related costs. The DGC also recovers non-commodity related costs
76 but from transportation customers. North Shore credits revenues arising from the
77 application of the DGC against the non-commodity related costs used in
78 computing the NCGC.

79 The SGC recovers non-commodity related costs from customers served
80 under Riders CFY and SST. The SGC applies to all storage capacity terms

81 allocated to or subscribed by customers served under these riders. North Shore
82 credits revenues arising from the application of the SGC against the non-
83 commodity related costs used in computing the NCGC. Given that the NCGC,
84 DGC, and SGC all recover non-commodity related costs, North Shore jointly
85 reconciles revenues recovered under these charges with such costs.

86 Q. The Commission's order requires North Shore to include certain data from
87 the prior reconciliation year in its determination of the current year's
88 reconciliation. Please specify any unamortized balance at December 31, 2022.

89 A. The unamortized balance at December 31, 2022, for each Gas Charge is
90 shown on Page 2, Line 1, of NSG Ex. 2.1. North Shore's unamortized Factor A
91 balance at December 31, 2022, reflects a refundable balance of \$1,073,993.57
92 for the CGC and a refundable balance of \$429,108.85 for the NCGC, DGC, and
93 SGC, for a total refundable amount of \$1,503,102.42. These amounts are also
94 shown on Page 2, Line 12, of North Shore's Statement to Illinois Commerce
95 Commission, Determination of reconciliation Balance for Gas Charge for the
96 Year Ended December 31, 2022 ("2022 Statement"). North Shore filed this
97 document as NSG Ex. 2.1 with Sonia Holler's direct testimony in Docket 22-
98 0641, reconciliation of revenues collected under gas adjustment charges with
99 actual costs prudently incurred for the period January 1, 2022 through December
100 31, 2022.

101 Q. Please specify the total adjustments to gas costs (that is, Factor A) that
102 were amortized to Schedule I in North Shore's 2022 monthly filings but were not

103 yet reconciled through Schedule II of North Shore's monthly filings at December
104 31, 2022.

105 A. Total unreconciled adjustments to gas costs (Factor A) reflect a refundable
106 amount of \$2,189,637.86 for the CGC and a refundable amount of \$35,715.41 for
107 the NCGC, DGC and SGC, for a total refundable balance of \$2,225,353.27.

108 These adjustments, for the reported months of November and December 2022,
109 were not yet reconciled at December 31, 2022. However, they are reflected in
110 the respective Gas Charges for the effective months of January and February
111 2023. These amounts are shown on Page 2, Line 2, of NSG Ex. 2.1. They are
112 also shown on Page 2, Line 13, of North Shore's 2022 Statement.

113 Q. What was North Shore's refundable or recoverable balance for the year
114 ended December 31, 2022?

115 A. North Shore's refundable or recoverable balance for the year ended
116 December 31, 2022, which is the sum of the amounts on Page 2, Lines 1 through
117 3, of NSG Ex. 2.1, reflects an over-recovery of \$3,263,631.43 for the CGC and
118 an over-recovery of \$464,824.26 for the NCGC, DGC and SGC, for a total over-
119 recovery of \$3,728,455.69. These amounts are shown on Page 2, Line 4, of
120 NSG Ex. 2.1. They are also shown on Page 2, Line 11 and Line 15, of North
121 Shore's 2022 Statement.

122 Q. What are North Shore's 2023 recoverable gas costs and revenues?

123 A. Recoverable gas costs and revenues are summarized and shown on Page
124 2, Line 5 and Line 6, respectively, of NSG Ex. 2.1. Recoverable gas costs
125 summarized and shown on Page 2, Line 5, of NSG Ex. 2.1 are \$62,278,847.46

126 for the CGC and \$28,844,618.51 for the NCGC, DGC and SGC for a total of
127 \$91,123,465.97 to be recovered under the Gas Charge. Revenues arising
128 through the application of each Gas Charge summarized and shown on Page 2,
129 Line 6, of NSG Ex. 2.1 are \$59,509,860.51 for the CGC and \$27,620,779.53 for
130 the NCGC, DGC and SGC, for a total of \$87,130,640.04 recovered under the
131 Gas Charge. Recoverable gas costs and revenues are shown in more detail on
132 Pages 3 and 4 of NSG Ex. 2.1 for the CGC, and the NCGC, DGC and SGC,
133 respectively.

134 Q. Please specify the pipeline refunds or surcharges that North Shore
135 separately reported in 2023 monthly Gas Charge filings.

136 A. North Shore's 2023 monthly Gas Charge filings included no separately
137 reported pipeline refunds or surcharges.

138 Q. Please specify any other adjustments that North Shore separately reported
139 in 2023.

140 A. North Shore's 2023 monthly Gas Charge filings included no other
141 separately reported adjustments.

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

144 A. Interest, calculated under Section 525.50, for inclusion in Adjustments for
145 Gas Costs (Factor A) is shown on Page 2, Line 9, of NSG Ex. 2.1, and reflects a
146 refundable amounts of \$110,914.42 for the CGC and a refundable amount of
147 \$23,117.69 for the NCGC, DGC and SGC, for a total refundable amount of
148 \$134,032.01.

149 Q. What was North Shore's over- or under- recovery for 2023?

150 A. North Shore's over- or under-recovery for 2023 is shown on Page 2, Line
151 10, of NSG Ex. 2.1. The over- or under-recovery for each Gas Charge can be
152 determined by deducting the amount on Line 6 (revenues arising through the
153 application of each Gas Charge) from the amount on Line 5 (costs recoverable
154 through each Gas Charge) and adding the amounts on Line 7 (separately
155 reported pipeline refunds or surcharges), Line 8 (separately reported other
156 adjustments), and Line 9 (interest). Using this calculation, North Shore's over- or
157 under-recovery for 2023 reflects an under-recovery of \$2,658,072.53 for the CGC
158 and an under-recovery of \$1,200,721.39 for the NCGC, DGC and SGC, for a
159 total under-recovery of \$3,858,793.92.

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

161 A. The cumulative recovery balance for the reconciliation year, which reflects
162 the sum of the (refundable)/recoverable balances for prior periods and for the
163 year ended December 31, 2023, for each respective Gas Charge, is shown on
164 Page 2, Line 11, of NSG Ex. 2.1. This amount, which can be determined by
165 summing the amounts on Line 4 (prior period balance) and Line 10 (2023
166 balance), reflects an over-recovery of \$605,558.90 for the CGC and an under-
167 recovery of \$735,897.13 for the NCGC, DGC and SGC, for a total under-
168 recovery of \$130,338.23.

169 These amounts are also shown on line 15 and equal the sum of the
170 amounts shown on lines 12 (unamortized balance at the end of 2023), 13
171 (unreconciled adjustments to gas costs), and 14 (Factor O amounts).

172 Q. Please specify any unamortized balance at the end of 2023.

173 A. The unamortized balance at the end of 2023 is shown on Page 2, Line 12,
174 of NSG Ex. 2.1. North Shore's unamortized balance at the end of reflects a
175 refundable balance of \$249,488.11 for the CGC and a recoverable balance of
176 \$520,890.40 for the NCGC, DGC, and SGC, for a total recoverable amount of
177 \$271,402.29.

178 Q. Please specify any adjustments to gas costs that were not yet reconciled
179 through Schedule II of North Shore's monthly filings at December 31, 2023.

180 A. Total unreconciled adjustments to gas costs, which are shown on Page 2,
181 Line 13, of NSG Ex. 2.1, reflect a refundable amount of \$356,070.79 for the CGC
182 and a recoverable amount of \$215,006.73 for the NCGC, DGC and SGC, for a
183 total refundable balance of \$141,064.06. The unreconciled adjustments to gas
184 costs (Factor A), for the reported months of November and December 2023, are
185 not yet reconciled at the end of 2023. However, they are reflected in the
186 respective Gas Charges for the effective months of January and February, 2024.

187 Q. Please specify any Factor O amounts requested by North Shore for 2023.

188 A. North Shore is not requesting any Factor O amounts for 2023.

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

191 A. Yes. NSG Ex. 2.1 includes a summary of the detailed Schedule II,
192 Adjustments to Gas Costs (Factor A) reports that North Shore filed as part of its
193 monthly Gas Charge reports for 2023. Pages 5 and 6 of NSG Ex. 2.1 reflect
194 Schedule II reports filed for the CGC, and the NCGC, DGC and SGC,

195 respectively. These reports reflect the monthly reconciliation of recoverable gas
196 costs and Gas Charge revenues, adjustments to gas costs (Factor A), refunds
197 and other adjustments, Factor A amortizations and unamortized balances, Factor
198 O amortizations and unamortized balances, and interest determined for each
199 Gas Charge. Finally, Page 7 of NSG Ex. 2.1 contains notes that explain Gas
200 Charge reconciliation summary items noted on Page 2 of NSG Ex. 2.1.

201 Q. Does this conclude your direct testimony?

202 A. Yes, it does.

Page 1 of 7

North Shore Gas Company

STATEMENT TO ILLINOIS COMMERCE COMMISSION

DETERMINATION OF RECONCILIATION BALANCE

FOR GAS CHARGE

FOR THE YEAR ENDED DECEMBER 31, 2023

North Shore Gas Company
Statement to Illinois Commerce Commission - Determination of Reconciliation Balance (1)
For the Year Ended December 31, 2023

<u>Line</u>		<u>Commodity Gas Charge (CGC)</u>	<u>Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge (NCGC, DGC and SGC)</u>	<u>Total Gas Charge</u>
Year Ended December 31, 2022				
1	Unamortized Balance at December 31, 2022 (Refund)/Recovery (2)	(\$1,073,993.57)	(\$429,108.85)	(\$1,503,102.42)
2	Factor A Adjustments unreconciled at December 31, 2022 (Refund)/Recovery (3)	(2,189,637.86)	(35,715.41)	(2,225,353.27)
3	Factor O to be (Refunded)/Recovered	0.00	0.00	0.00
4	Cumulative (Refundable)/Recoverable December 31, 2022 (Line 1 + Line 2 + Line 3)	(3,263,631.43)	(464,824.26)	(3,728,455.69)
Year Ended December 31, 2023				
5	Costs Recoverable through the Gas Charge (4)	62,278,847.46	28,844,618.51	91,123,465.97
6	Revenues Arising through Application of the Gas Charge (5)	59,509,860.51	27,620,779.53	87,130,640.04
7	Separately Reported Pipeline Refunds or Surcharges	0.00	0.00	0.00
8	Separately Reported Other Adjustments	0.00	0.00	0.00
9	Interest	(110,914.42)	(23,117.59)	(134,032.01)
10	(Over)/Under Recovery For Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	2,658,072.53	1,200,721.39	3,858,793.92
11	Cumulative (Over)/Under Recovery Balance For Reconciliation Year (Line 4 + Line 10)	(605,558.90)	735,897.13	130,338.23
12	Unamortized Balance at December 31, 2023 (Refund) / Recovery (Line 11 - Line 13) (6)	(\$249,488.11)	\$520,890.40	\$271,402.29
13	Factor A Adjustments unreconciled at December 31, 2023 (Refund)/Recovery (7)	(356,070.79)	215,006.73	(141,064.06)
14	Factor O to be (Refunded)/Recovered in Future Periods	\$0.00	\$0.00	\$0.00
15	Cumulative (Over)/Under Recovery Balance For Reconciliation Year (Line 12 + Line 13 + Line 14) = Line 11	(605,558.90)	735,897.13	130,338.23

North Shore Gas Company

**STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE
FOR THE COMMODITY GAS CHARGE
FOR THE YEAR ENDED DECEMBER 31, 2023**

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2023				
1.	Gas Costs by Type:			
	a. Purchases	\$ 71,853,411.28		
	b. Liability For Redelivery of Customer-Owned Gas	<u>(2,486,302.59)</u>		
2.	TOTAL GAS COSTS		\$ 69,367,108.69	Sum Lines 1a - 1b
3.	Less: Franchise Gas	\$ (436,139.99)		
4.	a. Add: Gas Withdrawn from Storage	22,452,429.01		
	b. Less: Gas Injected into Storage	<u>(29,221,863.08)</u>		
5.	Less: Off-System Transaction Revenues	0.00		
6.	Less: Penalty / Imbalance Charge Revenues	<u>(235,887.79)</u>		
7.	a. Less: "Cash-Out" Schedule Revenues	257,238.98		
	b. Add: "Cash-Out" Schedule Costs	<u>95,961.64</u>		
8.	TOTAL OTHER COSTS / REVENUES		<u>(7,088,261.23)</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 62,278,847.46	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Commodity Gas Charge Revenues		<u>59,509,860.51</u>	
11.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
12.	Interest		(110,914.42)	
13.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>2,658,072.53</u>	Line 9 - Line 10 + Line 11 + Line 12

North Shore Gas Company

STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE
FOR THE NON-COMMODITY GAS CHARGE, DEMAND GAS CHARGE AND STORAGE GAS CHARGE
FOR THE YEAR ENDED DECEMBER 31, 2023

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
	ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2023			
1.	Gas Costs by Type:			
	a. Transportation	\$ 7,768,179.28		
	b. Storage	26,878,187.78		
	c. Demand Gas Charge Revenues	(2,196,994.81)		
	d. Storage Gas Charge Revenues	(2,817,291.09)		
2.	TOTAL GAS COSTS		\$ 29,632,081.16	Sum Lines 1a - 1d
3.	Less: Franchise Gas	\$ (47,852.35)		
4.	a. Add: Gas Withdrawn from Storage	2,463,432.65		
	b. Less: Gas Injected into Storage	(3,203,042.95)		
5.	Less: Off-System Transaction Revenues	0.00		
6.	Less: Penalty / Imbalance Charge Revenues	0.00		
7.	a. Less: "Cash-Out" Schedule Revenues	0.00		
	b. Add: "Cash-Out" Schedule Costs	0.00		
8.	TOTAL OTHER COSTS / REVENUES		(787,462.65)	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 28,844,618.51	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Non-Commodity Gas Charge Revenues	27,547,178.42		
	b. Excess Bank Charge	73,601.11		
	c. Storage and Balancing Charges	0.00		
11.	TOTAL REVENUES		27,620,779.53	Sum Lines 10a - 10c
12.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
13.	Interest		(23,117.59)	
14.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ 1,200,721.39	Line 9 - Line 11 + Line 12 + Line 13

North Shore Gas Company
Statement to Illinois Commerce Commission - Determination of Reconciliation Balance
Commodity Gas Charge

Summary of Schedule II
For the Year Ended December 31, 2023

Line	Reported Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
		November 2022	December	January 2023	February	March	April	May	June	July	August	September	October	November	December	Total 2023	
		January 2023	February	March	April	May	June	July	August	September	October	November	December	January 2024	February		
1	Actual Recoverable Costs - Reported Month	12,198,855.22	15,240,883.01	15,559,993.16	8,719,729.43	8,092,759.53	2,342,604.60	2,654,021.19	1,679,842.00	1,891,747.07	1,118,391.15	774,205.70	3,631,846.54	7,009,459.93	8,804,247.16	62,278,847.46	1
2	Actual Recoveries - Reported Month	12,206,794.68	12,972,607.69	18,702,385.16	10,775,598.75	3,726,459.64	3,012,833.04	1,820,697.93	1,075,931.22	907,040.10	838,507.35	1,055,509.07	2,934,983.60	6,128,021.81	8,531,892.84	59,509,860.51	2
3	Under/(Over) Recovery - Reported Month	(7,939.46)	2,268,275.32	(3,142,392.00)	(2,055,869.32)	4,366,299.89	(670,228.44)	833,323.26	603,910.78	984,706.97	279,883.80	(281,303.37)	696,862.94	881,438.12	272,354.32	2,768,986.95	3
4	Factor A Included in Reported Month	(113,442.28)	(821,985.01)	(1,473,115.08)	(716,522.78)	(2,382,442.45)	(1,776,938.11)	(463,587.41)	(463,632.98)	(313,492.73)	(292,636.33)	(299,156.16)	(143,652.82)	(323,864.03)	(359,378.71)	(9,008,419.59)	4
5	Factor O Included in Reported Month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5
6	Adjusted (Over)/Under Recovery - Reported Month	(121,381.74)	1,446,290.31	(4,615,507.08)	(2,772,392.10)	1,983,857.44	(2,447,166.55)	369,735.85	140,277.80	671,214.24	(12,752.53)	(580,459.53)	553,210.12	557,574.09	(87,024.39)	(6,239,432.64)	6
7	Refunds/Pipeline Surcharges/Other Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7
8	Unamortized Balance Including Previous Interest	(4,570,671.36)	(3,232,350.26)	(1,073,993.57)	(3,320,837.61)	(4,334,276.15)	(1,894,693.10)	(3,894,385.95)	(3,224,537.19)	(2,803,254.82)	(1,840,521.44)	(1,716,744.57)	(1,981,562.32)	(1,073,427.55)	(338,149.17)		8
9	Total Adjustments Before Amortization	(4,692,053.10)	(1,786,059.95)	(5,689,500.65)	(6,093,229.71)	(2,350,418.71)	(4,341,859.65)	(3,524,650.10)	(3,084,259.39)	(2,132,040.58)	(1,853,273.97)	(2,297,204.10)	(1,428,352.20)	(515,853.46)	(425,173.56)		9
10	Total Amortization	(1,473,115.08)	(716,522.78)	(2,382,442.45)	(1,776,938.11)	(463,587.41)	(463,632.98)	(313,492.73)	(292,636.33)	(299,156.16)	(143,652.82)	(323,864.03)	(359,378.71)	(179,247.07)	(176,823.72)	(7,174,852.52)	10
11	Unamortized Balance - Factor A	(3,218,938.02)	(1,069,537.17)	(3,307,058.20)	(4,316,291.60)	(1,886,831.30)	(3,878,226.67)	(3,211,157.37)	(2,791,623.06)	(1,832,884.42)	(1,709,621.15)	(1,973,340.07)	(1,068,973.49)	(336,606.39)	(248,349.84)		11
12	Unamortized Balance - Factor O	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		12
13	Total Unamortized Balances	(3,218,938.02)	(1,069,537.17)	(3,307,058.20)	(4,316,291.60)	(1,886,831.30)	(3,878,226.67)	(3,211,157.37)	(2,791,623.06)	(1,832,884.42)	(1,709,621.15)	(1,973,340.07)	(1,068,973.49)	(336,606.39)	(248,349.84)		13
14	Interest	(13,412.24)	(4,456.40)	(13,779.41)	(17,984.55)	(7,861.80)	(16,159.28)	(13,379.82)	(11,631.76)	(7,637.02)	(7,123.42)	(8,222.25)	(4,454.06)	(1,542.78)	(1,138.27)	(110,914.42)	14
15	Unamortized Balance Including Interest	(3,232,350.26)	(1,073,993.57)	(3,320,837.61)	(4,334,276.15)	(1,894,693.10)	(3,894,385.95)	(3,224,537.19)	(2,803,254.82)	(1,840,521.44)	(1,716,744.57)	(1,981,562.32)	(1,073,427.55)	(338,149.17)	(249,488.11)		15

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

Summary of Schedule II
For the Year Ended December 31, 2023

Line		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line	
		Reported Month	November 2022	December	January 2023	February	March	April	May	June	July	August	September	October	November	December		Total 2023
		Effective Month	January 2023	February	March	April	May	June	July	August	September	October	November	December	January 2024	February		
1	Actual Recoverable Costs - Reported Month	2,927,565.88	3,965,008.69	3,974,371.93	3,650,984.76	2,950,408.11	1,594,503.99	1,549,361.54	1,534,512.33	1,559,141.19	1,411,293.84	1,540,615.37	1,948,031.60	3,236,571.07	3,894,822.78	28,844,618.51	1	
2	Actual Recoveries - Reported Month	2,835,626.05	5,210,149.08	4,504,035.00	3,944,904.70	3,515,018.09	1,922,407.52	1,230,369.31	791,121.18	606,772.22	538,867.37	650,128.15	1,733,166.30	3,364,356.40	4,819,633.29	27,620,779.53	2	
3	Under/(Over) Recovery - Reported Month	91,939.83	(1,245,140.39)	(529,663.07)	(293,919.94)	(564,609.98)	(327,903.53)	318,992.23	743,391.15	952,368.97	872,426.47	890,487.22	214,865.30	(127,785.33)	(924,810.51)	1,223,838.98	3	
4	Factor A Included in Reported Month	282,827.34	406,053.48	68,524.67	(104,240.08)	(163,214.63)	(168,937.50)	(142,690.82)	(136,208.91)	(92,448.53)	(57,254.19)	(10,868.80)	130,300.68	566,796.26	1,217,689.18	1,107,447.33	4	
5	Factor O Included in Reported Month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5	
6	Adjusted (Over)/Under Recovery - Reported Month	374,767.17	(839,086.91)	(461,138.40)	(398,160.02)	(727,824.61)	(496,841.03)	176,301.41	607,182.24	859,920.44	815,172.28	879,618.42	345,165.98	439,010.93	292,878.67	2,331,286.31	6	
7	Refunds/Pipeline Surcharges/Other Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7	
8	Unamortized Balance Including Previous Interest	0.00	307,518.51	(429,108.85)	(730,061.92)	(963,281.46)	(1,554,866.98)	(1,923,480.35)	(1,661,625.12)	(1,001,343.64)	(131,098.38)	556,080.61	872,523.20	0.00	357,488.37		8	
9	Total Adjustments Before Amortization	374,767.17	(531,568.40)	(890,247.25)	(1,128,221.94)	(1,691,106.07)	(2,051,708.01)	(1,747,178.94)	(1,054,442.88)	(141,423.20)	684,073.90	1,435,699.03	1,217,689.18	439,010.93	650,367.04		9	
10	Total Amortization	68,524.67	(104,240.08)	(163,214.63)	(168,937.50)	(142,690.82)	(136,208.91)	(92,448.53)	(57,254.19)	(10,868.80)	130,300.68	566,796.26	1,217,689.18	83,153.57	131,853.16	1,358,169.47	10	
11	Unamortized Balance - Factor A	306,242.50	(427,328.32)	(727,032.62)	(959,284.44)	(1,548,415.25)	(1,915,499.10)	(1,654,730.41)	(997,188.69)	(130,554.40)	553,773.22	868,902.77	0.00	355,857.36	518,513.88		11	
12	Unamortized Balance - Factor O	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		12	
13	Total Unamortized Balance	306,242.50	(427,328.32)	(727,032.62)	(959,284.44)	(1,548,415.25)	(1,915,499.10)	(1,654,730.41)	(997,188.69)	(130,554.40)	553,773.22	868,902.77	0.00	355,857.36	518,513.88		13	
14	Interest	1,276.01	(1,780.53)	(3,029.30)	(3,997.02)	(6,451.73)	(7,981.25)	(6,894.71)	(4,154.95)	(543.98)	2,307.39	3,620.43	0.00	1,631.01	2,376.52	(23,117.59)	14	
15	Unamortized Balance Including Interest	307,518.51	(429,108.85)	(730,061.92)	(963,281.46)	(1,554,866.98)	(1,923,480.35)	(1,661,625.12)	(1,001,343.64)	(131,098.38)	556,080.61	872,523.20	0.00	357,488.37	520,890.40		15	

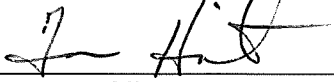
North Shore Gas Company
Statement to Illinois Commerce Commission
Determination of Reconciliation Balance for Gas Charge
For the Year Ended December 31, 2023

Notes

- (1) North Shore Gas Company (the “Company”) maintains its financial books and records in accordance with accounting principles generally accepted in the United States of America. This Statement to Illinois Commerce Commission – Determination of Reconciliation Balance for Gas Charge has been prepared from the financial books and records of the Company on the basis of Section G of the Company’s Rider 2, in effect and on file with the Illinois Commerce Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Illinois Commerce Commission.
- (2) Unamortized (refundable)/recoverable balance at December 31, 2022. For the Commodity Gas Charge, see Page 5, Line 15, Column B. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 6, Line 15, Column B.
- (3) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective January 1, 2023 and February 1, 2023 and not yet reconciled for the reporting months of November 2022 and December 2022, respectively. For the Commodity Gas Charge, see Page 5, Line 10 and sum the amounts in Column A and Column B. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 6, Line 10 and sum the amounts in Column A and Column B.
- (4) Detail of costs recoverable through the Commodity Gas Charge provided on Page 3. Detail of costs recoverable through the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge provided on Page 4.
- (5) Revenue arising through the application of the Gas Charge including the Adjustment for Gas Costs (Factor A). Detail of revenue arising from the Commodity Gas Charge provided on Page 3. Detail of revenue arising from the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge provided on Page 4.
- (6) Unamortized (refundable)/recoverable balance at December 31, 2023. For the Commodity Gas Charge, see Page 5, Line 15, Column N. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 6, Line 15, Column N.
- (7) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective January 1, 2024 and February 1, 2024 and not yet reconciled for the reporting months of November 2023 and December 2023, respectively. For the Commodity Gas Charge, see Page 5, Line 10 and sum the amounts in Column M and Column N. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 6, Line 10 and sum the amounts in Column M and Column N.

CERTIFICATION

Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure, the undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.



Torrence Hinton

President –

North Shore Gas Company and

The Peoples Gas Light and Coke Company

April 16, 2024

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of North Shore Gas Company:

Opinion

We have audited the accompanying Report to the Illinois Commerce Commission on Determination of Reconciliation Balance for Gas Charge of North Shore Gas Company (the "Company") for the year ended December 31, 2023, and the related notes (the "Statement").

In our opinion, the Statement referred to above, presents fairly, in all material respects, the information set forth therein for the year ended December 31, 2023, in accordance with the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the Illinois Commerce Commission.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note (1) to the Statement, which describes the basis of accounting. The Statement was prepared by the Company on the basis of the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the Illinois Commerce Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the Statement may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the Illinois Commerce Commission, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of the Company and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Milwaukee, Wisconsin
April 19, 2024

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
North Shore Gas Company)	
)	Docket No. 23-0759
)	
)	
)	
Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

NOTICE OF FILING AND CERTIFICATE OF SERVICE

I hereby certify that North Shore Gas Company filed its **Direct Testimony and Exhibits** on the Illinois Commerce Commission’s e-docket system and served by electronic mail upon each person designated in the official service list compiled in this proceeding, Docket No. 23-0759, in accordance with requirements of the Commission’s Rules of Practice.

Dated at Chicago, Illinois, this 19th day of April, 2024.

By: /S/ KOBY BAILEY

Koby Bailey
An Attorney for
North Shore Gas Company