

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

*

Page 1 of 3

Rider VBA

Volume Balancing Adjustment

Applicable to Service Classification Nos. 1 and 2

The Volume Balancing Adjustment (VBA), expressed on a cents per therm basis, stabilizes the distribution revenue requirement approved by the Commission in the Company's most recent rate proceeding. A separate adjustment shall be calculated for each applicable Service Classification, and beginning March 2014, separately for S. C. No. 1 Heating and Non-Heating customers.

*

The Company shall determine annual adjustments under this rider. The adjustments, as outlined in Section B, shall be filed with the Commission, no later than March 20th of each year, and shall be in effect for the nine-month period commencing the following April 1.

* and **

Section A – Definitions

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

Actual Revenue (AR) shall mean that dollar amount of distribution charge revenues arising from revenue requirements approved by the Commission, excluding revenues arising from adjustments under this rider, which were billed for the applicable period.

Effective Period shall mean the period for which the adjustments in Section B are to be billed to customers, and shall be the nine-month period after the Filing Month.

Factor T (T) shall mean the number of therms of gas delivered to customers by the Company, including the number of therms of customer-owned or supplier-owned gas delivered by the Company, for the applicable period.

Filing Month shall mean the month in which an adjustment is determined by the Company and submitted to the Commission.

Fiscal Year shall mean the Fiscal Year of the Company that ended as of the most recent December 31.

Percentage of Fixed Costs (PFC) shall mean the percentage of the Company's costs that are fixed as determined and authorized by the Commission in the Company's most recent rate proceeding.

Previous Amortization Period shall mean the nine-month reconciliation amortization period that ended as of the most recent Fiscal Year.

Date Issued: SEPTEMBER 24, 2013

Date Effective: NOVEMBER 8, 2013

Asterisk (*) indicates change.

Asterisk () indicates moved from a subsequent page.**

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Page 2 of 3

Rider VBA

Volume Balancing Adjustment

Applicable to Service Classification Nos. 1 and 2

Section A - Definitions - continued

Rate Case Revenue (RCR) shall mean that dollar amount of distribution charge revenues arising from the revenue requirements approved by the Commission in the Company's most recent rate proceeding. In a month or year in which new distribution rates come into effect, the RCR shall be prorated based upon the number of days in the month or year under the old rates and the number of days in the month or year under the new rates.

Upcoming Amortization Period shall mean the nine-month reconciliation amortization period commencing on April 1 following the Fiscal Year.

* **Section B – Determination of Adjustment**

There shall be separate per therm adjustments determined annually for each applicable Service Classification, and beginning March 2014, for S. C. No. 1 Heating and Non-Heating customers separately, and such adjustments shall be determined with two separate components, as follows:

$$\left[\frac{(RCR - AR) \times PFC}{T} + \frac{(RA + O) \times (1 + i)}{T} \right] \times 100$$

Where:

- RCR represents the Rate Case Revenue for the Fiscal Year.
- AR represents the Actual Revenue for the Fiscal Year.
- T represents the Factor T for the Effective Period.
- O represents the Ordered adjustment, in dollars (\$), ordered by the Commission that is to be refunded to or collected from customers as a result of the reconciliation established in Section C.
- PFC represents the percentage of the Company's costs that are fixed as determined and authorized by the Commission in the Company's most recent rate proceeding.
- RA represents the dollar amount due the Company (+RA) or the customers (-RA) arising from adjustments under this rider that were under-billed or over-billed in the Fiscal Year.
- i represents the interest rate established by the Commission under 83 Ill. Adm. Code 280 and in effect when each adjustment under this section is calculated, adjusted for the number of months in the Effective Period.

The adjustment components above shall be summed together for billing purposes. If either component of the adjustments computes to 0.01¢ per therm or more, any fraction of 0.01¢ in the computed per therm adjustment amount shall be dropped if less than 0.005¢ or, if 0.005¢ or more, shall be rounded up to the next full 0.01¢.

Date Issued: MARCH 25, 2015
Asterisk (*) indicates change.

Date Effective: MAY 9, 2015

**Issued by Dennis M. Derricks, Assistant Vice President
200 East Randolph Street, Chicago, Illinois 60601**

North Shore Gas Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

Page 3 of 3

Rider VBA

Volume Balancing Adjustment

Applicable to Service Classification Nos. 1 and 2

* and ** **Section C - Reports and Reconciliations**

The Company shall file with the Commission on or before March 20 of each year, an information sheet that specifies the annual adjustments to be effective under this rider. The Company shall file any corrections from a timely filed information sheet on or before March 31. 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)]. The Company shall include with its filing a report which shows a determination of the RA to be applicable for the Upcoming Amortization Period. The Company shall also submit a report which provides the Company's rate of return with and without the effect of Rider VBA. At this same time, the Company shall also file a petition with the Commission seeking initiation of an annual reconciliation to determine the accuracy of the statement. The reconciling amount from such proceeding (Factor O) shall be recovered in the manner determined by the Commission in the annual reconciliation proceeding.

* and ** **Section D - Terms and Conditions**

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

* and ** **Section E – Audit**

The Company shall annually conduct an internal audit of the distribution revenue requirements recovered or refunded pursuant to this rider. The internal audit shall determine if: 1) the actual amount of revenues that exceed or fall short of any approved Rate Case Revenue (RCR) collected through base rate distribution charges are correctly reflected in the calculations; 2) the revenues are not collected through other approved tariffs; 3) Rider VBA adjustments are being properly billed to customers; and 4) Rider VBA revenues are recorded in the appropriate accounts. The above list of determinations does not limit the scope of the audit. The Company shall submit the audit report to the Commission's Manager of the Accounting Department no later than August 1 of each year. Such report shall be verified by an officer of the Company.

* and ** **Section F – Compliance Filing**

The Company shall submit as a public document, in any rate case compliance filing, the Rider VBA Rate Case Revenue (RCR) for each applicable Service Classification and separately for S. C. No. 1 Heating and Non-Heating customers as applicable, and Percentage of Fixed Costs (PFC) arising from the approved revenue requirement in the rate case.

Date Issued: SEPTEMBER 24, 2013

Date Effective: NOVEMBER 8, 2013

Asterisk (*) indicates change.

Asterisk () indicates moved from a subsequent page.**