
**Rider 26
Uncollectible Expense Adjustment**

Applicable to Rates 1, 4, 5, 74 and 75

*** Applicability.**

This Rider is applicable to those customers served under Rate 1 - Residential Service, and Rate 4 - General Service, Rate 5 - Seasonal Use Service, Rate 74 - General Transportation Service and Rate 75 - Seasonal Use Transportation Service, collectively referred to as the "non-residential" rate classes.

*** Purpose.**

The purpose of this Rider is to recover or refund the amount by which the Company's actual annual uncollectible expense in a calendar year exceeds or is less than the uncollectible amount included in the Company's delivery and supply service rates in effect for the reporting year. Any over-or-under recoveries of the Company's actual uncollectible expense amounts for a reporting year, as determined in accordance with this Rider, shall be included in the monthly customer charge for each respective rate class. Costs subject to this Rider are those costs that are classified as uncollectible expenses as determined on a net write-off basis. Such adjustments will be the incremental difference between the amount of uncollectible expense determined through the net write-off methodology ("actual uncollectible expense") and the GSC Uncollectible Revenue as stated in Rider 6 plus the Commission-approved uncollectible amount as stated in the Commission's Order setting rates in a rate proceeding and included in the base rate revenue requirement at the time base delivery service charges are established. Rider 26 operates pursuant to Section 19-145 of the Public Utilities Act.

*** Incremental Uncollectible Adjustment Factors.**

Incremental Uncollectible Adjustment Factors are determined pursuant to this Rider for Company delivery services and for Company gas supply service. The incremental uncollectible adjustment factors shall be separately computed for both the Incremental Delivery Uncollectible Factor adjustment (IDUF) and, if applicable, the Incremental Supply Uncollectible Factor adjustment (ISUF), for each rate class designation as identified below:

<u>IDUF Gas Delivery Rate Designations</u>	<u>ISUF Supply Rate Designations</u>
Rate 1 Residential Delivery Service	Rate 1, Rider 6 - Gas Supply Service
Rate 4 General Delivery Services	Rate 4, Rider 6 - Gas Supply Service
Rate 5 Seasonal Use Delivery Service	Rate 5, Rider 6 - Gas Supply Service
Rate 74 General Transportation Delivery Service	
Rate 75 Seasonal Transportation Delivery Service	

* The IDUF adjustment shall be expressed in dollars per customer per month and added to the monthly customer charge for each applicable rate designation. If an adjustment computes to \$.01 or more, any fraction of \$.01 in the computed adjustment amount shall be dropped if less than \$.005 or rounded up to the next full \$.01. The ISUF adjustment shall be expressed as a gross-up percentage within the monthly Rider 6 filings. The percentage shall be rounded to the nearest one-hundredth of a percent. Customers taking both delivery and supply service from Nicor Gas who are served under Rates 1, 4 and 5 and Rider 6 shall have both an IDUF and ISUF applied to their monthly customer charges and monthly Gas Supply Cost, respectively. Customers taking only delivery service under Rates 1, 4, and 5 and Riders 15 or 25 or under Rates 74 or 75 shall have only the applicable IDUF applied to their monthly customer charges.

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***Section A – Determination of Incremental Uncollectible Adjustment Factors.**

a) Uncollectible Expense Adjustment Factors applicable to Delivery customers.

The uncollectible expense adjustment factor for residential delivery service, Factor IDUF-R, and for non-residential delivery service, Factor IDUF-NR, shall be determined for each Effective Period as follows:

$$IDUF-R = \frac{[(DSUC - BDUE) * BDRA] + Oc}{RC * M}$$

and

$$IDUF-NR = \frac{[(DSUC - BDUE) * BDNRA] + Oc}{NRC * M}$$

Where:

- IDUF-R = Incremental Delivery Uncollectible Factor cost applicable to all Residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The IDUF-R effective period applicable to the recovery of 2018 reporting year incremental costs shall begin with June 1, 2019 following Commission approval of this tariff and end on May 31, 2020. The IDUF-R Effective Period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.
- IDUF-NR = Incremental Delivery Uncollectible Factor cost applicable to retail sales Non-Residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The IDUF-NR effective period applicable to the recovery of 2018 reporting year incremental costs shall begin with June 1, 2019 following Commission approval of this tariff and end on May, 31, 2020. The IDUF-NR Effective Period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.
- DSUC = Delivery Services Uncollectible Costs, in dollars (\$), equal to the delivery-related net write-offs for the Company. The delivery-related net write-offs shall be determined based on a ratio of non-gas supply revenues to total revenues relevant to this Rider.
- BDUE = Base Delivery Uncollectible Expense, for the reporting year 2019, and for each full reporting year thereafter until the Company first implements new base rates pursuant to Commission order, such amount shall be \$9,489,000. In the reporting year in which the Company implements new base rates, the applicable BDUE shall be revised with current delivery-related uncollectibles as determined by the Commission’s Order.

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***Section A – Determination of Incremental Uncollectible Adjustment Factors.** (continued)

Where:

- BDRA = Base Delivery Residential Allocation percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to residential service customers.
- BDNRA = Base Delivery Non-Residential Allocation percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to non-residential service customers. The BDNRA shall equal 1- BDRA.
- Oc = Any Commission Ordered adjustment factor, in dollars, for each uncollectible adjustment factor as determined in a reconciliation proceeding. Such amount shall be adjusted for carrying cost charges equal to the interest rate established by the Commission under 83 Ill. Adm. Code 280.40(g)(1) applied from the end of the reconciliation period until the Oc amount is charged or refunded to customers.
- RC = Residential Customers, the forecasted average total number of residential customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- NRC = Non-Residential Customers, the forecasted average total number of non-residential customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded
- M = The number of months over which the Uncollectible Adjustment Factor is to be effective.

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***Section A – Determination of Incremental Uncollectible Adjustment Factors.** (continued)

b) Uncollectible Expense Adjustment Factors applicable to Supply customers.

The uncollectible expense adjustment factor for residential supply service, Factor ISUF-R and for non-residential supply service, Factor ISUF-NR, shall be determined for each effective period as follows:

$$\text{ISUF-R} = \frac{((\text{SSUC} - \text{SUE}) * \text{BDRA}) + \text{Oc}}{\text{RSC} * \text{M}}$$

and

$$\text{ISUF-NR} = \frac{((\text{SSUC} - \text{SUE}) * \text{BDNRA}) + \text{Oc}}{\text{NRSC} * \text{M}}$$

Where:

ISUF-R = Incremental Supply Uncollectible Factor cost applicable to all retail sales Residential customers, in dollars (\$), rounded to the nearest one (1) cent (\$0.01). The ISUF-R effective period applicable to the recovery of 2018 reporting year incremental costs shall begin with the June 1, 2019 following Commission approval of this tariff and end on May 31, 2020. The ISUF-R effective period applicable to all subsequent periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.

ISUF-NR = Incremental Supply Uncollectible Factor cost applicable to retail sales Non-Residential customers, in dollars (\$), rounded to the nearest one (1) cent (\$0.01). The ISUF-NR effective period applicable to the recovery of 2018 reporting year incremental costs shall begin with the June 1, 2019 following Commission approval of this tariff and end on May 31, 2020. The ISUF-NR effective period applicable to all subsequent periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.

*SSUC= Supply Services Uncollectible Costs, in dollars (\$), equal to the supply-related net write-offs for the applicable reporting year. Net write-off amounts for supply and delivery shall be directly assigned based on a ratio of gas supply cost revenues and total revenues relevant to the rider.

SUE = Supply Uncollectible Expense, in dollars (\$), representing the amount of uncollectible costs recovered within GSC Revenues for the applicable reporting year.

BDRA = As previously defined.

BDNRA = As previously defined.

Oc = As previously defined.

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Section A – Determination of Incremental Uncollectible Adjustment Factors. (continued)

- RSC = Residential Sales Customers, the forecasted average total number of residential retail sales customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- NRSC = Non-Residential Sales Customers, the forecasted average total number of non-residential retail sales customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- M = As previously defined.

***Section B – Information Sheet Filings**

The initial information sheet filing specifying charges hereunder, shall recover or refund the appropriate amount for the calendar year 2008. Such charges shall be effective beginning with the first full month, in 2010, succeeding approval of this tariff and end on December 31, 2010. For each subsequent annual filing, the Company shall file with the Commission, on or before the 20th day of May, an information sheet specifying the charges or credits to be effective for service rendered during the period June 1 of the current year through May 31 of the succeeding year, defined as the Effective Period. Such filing shall include a statement showing the determination of such charges or credits under Section B, such determination to be accompanied by data in explanation thereof. If the Company determines during the Effective Period that it is appropriate to revise the Incremental Uncollectible Adjustment Factors to better match revenues recovered under this rider with the actual Uncollectible Expense as defined in this Rider, the Company may, from time to time, calculate revised Incremental Uncollectible Adjustment Factors for each rate class to become effective as of the beginning of any monthly billing period during the Effective Period.

Section C – Annual Reconciliation.

On or before August 31, the Company shall file a petition with the Chief Clerk to initiate the annual reconciliation process. The petition shall include a reconciliation that will compare revenues collected under this Rider during the Effective Period with the anticipated amount of revenues that were to be recovered or refunded under this Rider. Supporting documentation or workpapers 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.

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*** Section C – Annual Reconciliation.** (continued)

The annual Reconciliation Adjustment effective September 1 of each year shall be calculated using the following formula:

$$\text{Reconciliation Adjustment} \quad += \quad \frac{R_c + O_c}{C * M}$$

Where:

R_c = The Company determined Reconciliation component for each Uncollectible Adjustment Factor, calculated for the reconciliation year, in dollars. The reconciliation amount shall be the difference between the anticipated amount of uncollectible expense to be recovered from or refunded to customers and the actual amount recovered from or refunded to customers. The reconciliation component shall be collected or refunded over nine 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. The first reconciliation period shall cover the period beginning with the initial application of the Uncollectible Adjustment Factors through May 2020.

The initial reconciliation, using revised formulas approved in Docket No. 17-0124 shall cover the adjustments for calendar years 2018, with the first reconciliation “ R_c ” effective September 2020. Subsequent reconciliation adjustments shall be calculated annually thereafter and be effective in September. Calendar year 2016 and 2017 reconciliations shall be calculated using the uncollectible adjustment factors approved in Docket #09-0428. The reconciliation component for each Uncollectible Adjustment Factor shall be calculated using the following formula:

$$R_c = \text{AntRev}_{(c)} - \text{ActRev}_{(c)}$$

Where:

$\text{AntRev}_{(c)}$ = Anticipated Revenues to recover or refund for each uncollectible adjustment factor (c).

and

$\text{ActRev}_{(c)}$ = Actual Revenues booked for each uncollectible adjustment factor (c).

O_c = As previously defined.

C = Customer count forecast for the effective period of the reconciliation for each reconciliation component: IDUF-R, IDUF-NR, ISUF-R and ISUF-NR.

M = As previously defined.

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Section D – Commission Review.

Upon review of the annual petition and reconciliation filed by the Company under Section C, the Commission may, require a hearing to receive from the Company such evidence as the Commission requires regarding any aspect of determining the charges under this Rider. If the Commission finds, after hearing, that any amounts were not prudent or reasonable, or were incorrectly debited or credited to this Rider during that year, the Commission may by order require that the rider be adjusted by appropriate credits or debits thereto. Any adjustments so ordered shall be reflected in the adjustment Factor Oc, over a succeeding Effective Period. Such amount shall be adjusted for carrying charges equal to the interest rate established by the Commission under 83 Ill. Adm. Code 280.40(g)(1) applied from the end of the reconciliation period until the Oc amount is charged or refunded to customers.

*** Section E – Annual Internal Audit.**

The Company shall submit an annual internal audit report to the Commission's Director of the Financial Analysis Division on or before August 31 of each year. The audit shall include at least the following tests: 1) test that costs recovered through Rider UEA are not recovered through other approved tariffs; 2) test customer bills that all Rider UEA uncollectible adjustment factors are being properly billed to customers in the correct time periods; 3) test that Rider UEA revenues are properly stated; and 4) test that costs classified as write-offs less recoveries as reported in Form 21, Annual Report to the Illinois Commerce Commission, are being identified, recorded and properly reflected in the calculation of rates and reconciliations. The above list of determinations shall not limit the scope of the audit.

*** Section F – Implementation of New Base Rates.**

In the reporting year in which the Company implements new base rates, the amount to be recovered or refunded would be determined separately for those portions of the reporting year in which the previous rates were effective and new rates were effective. For the portion of the year under previous rates, the amount of uncollectible expense included in base rates would be determined by multiplying the amount of uncollectible expense included in applicable monthly customer charges by the number of monthly equivalent bills issued during that portion of the year. For residential customers, the uncollectible expense included in applicable monthly customer charges would be \$0.34 per monthly equivalent bill, and for non-residential customers such amount would be \$0.44 per monthly equivalent bill. The amount of uncollectible expense allocated to the portion of the reporting year under previous rates would be determined by multiplying the actual year-end net write-offs by the ratio of total revenues (i.e., total of gas supply costs and non-gas supply cost revenues) earned during that portion of the reporting year to total revenues earned during the reporting year. The incremental difference between the amount included in base rates plus any uncollectible factor recoveries and the amount of actual uncollectible expense, as described above, shall be used to compute the applicable residential and non-residential IDUF and ISUF adjustments to future monthly customer charges. Such adjustments shall be added to those determined for the portion of the year under new rates. For the portion of the reporting year in which new rates are effective, delivery service and gas supply related uncollectible expense adjustments shall be determined as described above.