

GAS SUPPLY – DELIVERY REQUIREMENTS OVERVIEW

DELIVERY-RELATED CHARGES

Choices For Yousm Suppliers will receive a monthly forecast of Required Daily Delivery Quantities (RDDQ) prior to the beginning of each month. If a Choices For Yousm Supplier does not deliver the RDDQ as forecasted by Peoples Gas or North Shore Gas, the supplier will be assessed Under-delivery or Over-delivery Charges accordingly. At the end of each calendar month, Peoples Gas and North Shore Gas will compare the actual pool deliveries to the estimated pool consumption. Any difference will be cashed out according to the Cash-out Charge. The current values of these charges can be found in Rider AGG Aggregation Service. Other charges that will be assessed to the Choices For Yousm Supplier under this program can also be found in this rider.

CALCULATION OF THE REQUIRED DAILY DELIVERY QUANTITY (RDDQ)

The RDDQ will be calculated on a daily basis as follows:

$\text{RDDQ} = \text{Heat Load} + \text{Base Load} + \text{Storage Withdrawal Adjustment} + \text{Adjusted Storage} + \text{Storage Carry Over} + \text{Storage} + \text{Carry Forward (if any)}$

The Heat Load volume and the Base Load volume will change as customers are added or removed from a Supplier's pool. The Heat load volume will also be adjusted with any variance in the estimated or forecasted degree-days and as actual meter reads are obtained at the customer account level. The Base Load volumes are updated at the customer account level once each year in November. Storage Activity will usually vary on a daily basis and consists of three components, as described in the Storage section below. Carry Forward will not vary on a daily basis within a month and is also explained in more detail below. The RDDQ is adjusted for Unaccounted for Gas (UFG), this factor is updated annually for Peoples and North Shore Gas companies.

30-Day Forecast:

The 30-Day Forecast will be available in PEGASys[®] on or around the 20th day of each month. The Pool's estimated daily consumption for the month will be based on normal weather and the planned storage activity and carry forward. The forecast will show for each Gas Day the normal heating degree-days, an estimated heat load volume, a flat baseload volume, the storage activity volume, the carry forward volume (if any), and the total RDDQ.

Each day of the 30-Day Forecast will be overridden in PEGASys[®], as the 5-Day Rolling Forecast is displayed (see below). The 30-Day Forecast RDDQs are identified as "Estimated" and are to be viewed as "for information purposes" only.

30 Day Forecast Example												
Gas Day	Degree Day	Heat Load	Base Load	Storage Withdrawal Adjustment	Adjusted Storage	Storage Carry Over	Storage	Carry forward	RDDQ	RDDQ Type	Storage Balance	
11/1/02	34	9,678	2,122	792	-846	0	-1638	195	10,357	Required	315,732	
11/2/02	30	8,539	2,122	440	-846	0	-1286	195	9,570	Required	314,446	
11/3/02	25	7,116	2,122	0	-846	0	-846	195	8,587	Required	313,600	
11/4/02	26	7,401	2,122	88	-846	0	-934	195	8,784	Required	312,666	
11/5/02	27	5,124	2,122	176	-846	0	-230	195	7,211	Required	311,644	
11/26/02	46	6,480	1,869	0	-846	0	-846	195	7,698	Forecasted	0	
11/27/02	46	6,480	1,869	0	-846	0	-846	195	7,698	Forecasted	0	
11/28/02	43	6,480	1,869	0	-846	0	-846	195	7,698	Forecasted	0	
11/29/02	43	6,480	1,869	0	-846	0	-846	195	7,698	Forecasted	0	
11/30/02	43	6,480	1,869	0	-846	0	-856	195	7,694	Forecasted	0	

5-Day Rolling Forecast:

PEGASys® will display 5 days of nominations based upon actual weather forecasts. The first of the five days will be marked as “Required” and represent the required amount to be delivered by the Choices For You™ Supplier. The remaining four days will be marked as “Forecasted” and are available to the Suppliers for planning purposes.

For each Gas Day the PEGASys® panel will display the forecasted degree-days, a forecasted heat load volume, a flat baseload volume, a storage withdrawal adjustment, the adjusted storage, storage carryover, total storage the carry forward volume, the total RDDQ, and daily storage balance. Each of these values could change each day of the calendar month, except the adjusted storage volume, which will be the same as shown in the 30-Day Forecast. The Base Load volume for the Pool will only change within a month if customers are added or removed from the Pool.

5 Day Forecast Example												
Gas Day	Degree Day	Heat Load	Base Load	Storage Withdrawal Adjustment	Adjusted Storage	Storage Carry Over	Storage	Carry forward	RDDQ	RDDQ Type	Storage Balance	
11/8/02	11	3,131	2,122	-1,232	-846	0	0	195	10,357	Required	310,480	
11/9/02	11	3,131	2,122	-1,232	-846	0	0	195	9,570	Forecasted	310,480	
11/10/02	25	5,408	2,122	-528	-846	0	-318	195	8,587	Forecasted	310,480	
11/11/02	25	6,480	1,869	0	-846	0	-846	195	8,784	Forecasted	310,162	
11/12/02	25	6,480	1,869	0	-846	0	-846	195	7,211	Forecasted	0	
11/13/02	25	6,480	1,869	0	-846	0	-846	195	7,698	Estimated	0	
11/14/02	25	6,480	1,869	0	-846	0	-846	195	7,698	Estimated	0	

Weekends and Holidays:

Every Friday (unless Friday is a holiday) the RDDQ for Saturday, Sunday, and Monday will be posted as “Required” and Tuesday and Wednesday will be marked as “Forecasted”. Holidays will be handled similarly – the business day before the holiday, the RDDQ for the holiday and the day after the holiday will be marked as “Required”. If a weekend and a holiday coincide the RDDQs will be marked accordingly.

The following Holidays are observed by Peoples Gas and North Shore Gas:

New Year’s Day	Veteran’s Day
Memorial Day	Thanksgiving Day
Independence Day	Day after Thanksgiving Day
Labor Day	Christmas Day

Critical Days:

A Critical Day RDDQ calculation is the same as that on a Non-Critical Day. The only difference between a Non-Critical Day and a Critical Day will be the amount of the Under-Delivery and Over-Delivery charges that may be applied to any deliveries greater or less than the required RDDQ.

NOMINATIONS

Nominations will be made each Business Day by the Suppliers. The forecasted RDDQs will be posted in PEGASys® the business day prior to gas flow no later than 8:30 a.m. CCT. Although the RDDQs may be posted prior to 8:30 a.m. CCT, it will be the Supplier’s responsibility to make sure that the day(s) being nominated have been marked as “Required”. RDDQs marked as “Estimated” can be nominated, but may be adjusted by PGL/NSG up until they are marked as “Required”.

The Suppliers will follow the normal nomination process – if using PEGASys®, the nominations are due by 11:30 a.m. CCT otherwise faxed/emailed nominations are due by 10:30 a.m. CCT.

In PEGASys®, the RDDQs for the selected month and pool will be displayed in the “C for U Nomination Requirements” report. This report can be accessed either from the View menu in the Nomination Detail – End User Allocations tab or from the Nomination folder within the Report List option on the Tool menu.

Suppliers can nominate up to 10% over or under the “Required” RDDQ on any non-critical day. No daily tolerance is allowed on critical days. Any volume delivered beyond the daily tolerance will be cashed-out as summarized below.

Daily deliveries are “adjusted” to account for the daily cash-out. The adjusted delivery volume is used in the carry forward and monthly cash-out calculations, as well as the month-end tolerance determination.

Suppliers are allowed to over or under deliver up to 2% of the month-end sum of the “Required” RDDQs (or RMDQ). Any volume delivered beyond this month-end tolerance will be assessed a penalty of \$1 per therm. This is not a cash-out. These volumes will also be included in the carry forward and monthly cash-out calculations.

Index price shall mean the Gas Daily price, Citygates, Chicago city-gates, Common
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UNDER-DELIVERY CHARGES

Non-Critical Day	
Imbalance Level	Supplier pays the Utility
0% to 10%	No charge
Greater than 10%	110% of the high index price

Critical Supply Surplus Day	
Imbalance Level	Supplier pays the Utility
Greater than 0%	100% of the high index price

Critical Supply Shortage Day	
Imbalance Level	Supplier pays the Utility
Greater than 0%	Greater of Rider 2 Gas Charge or the midpoint of the index price

In addition, on a Critical Supply Shortage Day, the Supplier shall pay to the Company the Critical Day Charge of \$6.00 per therm of the Daily Imbalance –Underage.

OVER-DELIVERY CHARGES

Non-Critical Day	
Imbalance Level	The Utility pays Supplier
0% to 10%	No Charge
Greater than 10%	90% of the low index price

Critical Supply Shortage Day	
Imbalance Level	The Utility pays Supplier
Greater than 0%	100% of the low index price

Critical Supply Surplus Day	
Imbalance Level	The Utility pays Supplier
Greater than 0%	Lower of Rider 2 Gas Charge or the midpoint of the index price

In addition, on a Critical Supply Surplus Day, the Supplier shall pay to the Company the Critical Day Charge of \$6.00 per therm of the Daily Imbalance –Overage.

STORAGE

Maximum Daily Quantity (MDQ):

Pool MDQs will be used in the calculation of storage volumes. For each Injection Month, the Pool MDQ will reflect the addition or removal of customers from the Pool. Individual MDQs for customers will be automatically updated at the time that they are enrolled in the Choices For Yousm program. The customer MDQs are then summed up to the Pool level. Each May, all Choices For Yousm customer MDQs will be automatically updated (to coincide when Large Volume customer MDQs are updated every year).

Injections:

The normal storage Injection Period begins each April 1st and ends each October 31st. For each Injection Month a Monthly Storage Quantity (MSQ) will be calculated for each Pool. The Pool MSQ equals the Pool MDQ, as calculated on or around the 20th day of each month, times the number of allowable bank days as filed under Rider AGG reduced by four (4) bank days to be used for carry forward. Effective April 1, 2007 through March 31, 2008 the number of storage days equals 25 (29 - 4) for Peoples Gas and 23 (27 - 4) for North Shore Gas.

If a Supplier enrolls a customer during the Injection Period, prior month's injections can not be made up for that customer. The October Pool MSQ of any given Injection Period will only equal the October 31st storage inventory if no customers were enrolled in or terminated from the supplier's pool since March 20th of that calendar year.

Below are the monthly storage percentages for the Injection Period beginning April 1, 2007, for Peoples and North Shore Gas Companies:

<u>Peoples Gas</u>		<u>North Shore Gas</u>	
April	12%	April	9%
May	17%	May	14%
June	16%	June	15%
July	15%	July	15%
August	15%	August	15%
September	12%	September	16%
October	13%	October	16%
	100%		100%

During the Injection Period, the Pool Monthly Storage Activity (MSA) for each month will equal that month's Pool MSQ times that month's Monthly Storage Injection Percentage. During the Injection Period, the MSA will be adjusted for Unaccounted for Gas (UFG) which currently equals to 2.61 percent for Peoples Gas and .54 percent for North Shore Gas.

Daily injection activity during the month will equal that month's MSA divided by the number of days in the month. Due to rounding, the last day of each month may be adjusted to ensure that the total MSA will be injected each month.

In the event that surplus storage is carried over from the withdrawal period as a result of the Weather Adjustment (see next section), that storage will be used to offset each day's RDDQ storage requirements until it is exhausted.

Injection Storage Example For A PGL Pool:

Planned Injection for May

Pool MDQ		100,000 therms
UFG		1.51% (0.0151)
MSQ = MDQ x storage days**	100,000 x 25 days =	2,500,000 therms
MSA = (MSQ x % of MSQ MAY) / (1 - UFG)	(2,500,000 x 0.16) / 0.9849 =	406,133 therms 40,613 Dth
Planned Daily Activity = MSA / # of days	406,133 / 31 days =	13,101 therms
Planned Daily Activity in Dth = therms / 10	13,101/ 10 =	1,310 Dth
Last Day = (MSA in Dth) - ((Daily in Dth) x (# of days - 1))	(40,613) - [1,310 x (31 - 1)]	1,313 Dth

Note: The Daily Activity when converted to Dth and the Last Day calculation results are rounded to zero decimal places.

** Storage Days Effective April 1, 2007 = Allowable Bank Days – Carry Forward Days
 29 - 4 = 25

Withdrawals:

The Pool MSQ for the Withdrawal Period (November through March) will equal the total volume injected during the Injection Period. The Pool MSQ is used to determine monthly withdrawal amounts based on monthly storage withdrawal percentages as of October 31st.

Monthly storage withdrawal percentages will be determined before the Injection Period begins.

Below are the monthly storage percentages for the Withdrawal Period beginning November 1, 2007 for Peoples Gas and North Shore Gas Companies:

<u>Peoples Gas</u>		<u>North Shore Gas</u>	
November	7%	November	9%
December	24%	December	22%
January	30%	January	29%
February	23%	February	22%
March	<u>16%</u>	March	<u>18%</u>
	100%		100%

The MSA will not be adjusted for UFG during the Withdrawal Period.

Withdrawal Storage Example For a NSG Pool:

Planned Withdrawal for December

MSQ = October 31 Inventory		1,000,000.00 therms
MSA = MSQ x % of MSQ for December	1,000,000 x 0.21 =	210,000 therms 21,000 Dth
Planned Daily Activity = MSA / # of days	21,000 / 31 days =	6,774 therms
Planned Daily Activity in Dth = therms / 10	9,677 / 10 =	677 Dth
Last Day = (MSA in Dth) – ((Daily in Dth) x (# of days - 1))	(21,000) – [677 x (31-1)]	690 Dth

Note: The Daily Activity when converted to Dth and the Last Day calculation results are rounded to zero decimal places.

Weather Adjustment:

During the withdrawal period, the daily planned storage is used as a “baseline,” and the actual storage will be either more or less than that amount, depending on the forecast temperature. Actual storage withdrawals will vary (up or down) from the planned storage each day as forecast heating degree days deviate from the average degree days for a given month. For each pool, the amount by which it varies is determined by multiplying a “pool coefficient” by the difference between the forecast degree days and the month’s normal average degree days.

The Pool Coefficient is unique for each pool and is intended to allow the supplier access to storage in a manner similar to the way the utility accesses storage during colder weather. The coefficient is different for each month during the withdrawal period.

Example of Weather Adjustment:

- Planned Storage = 1,000 dekatherms
- Normal heating degree-days = 43
- Forecast heating degree-days = 55
- Pool Coefficient = 30
- Actual Storage = **1,360** dekatherms
 =1,000 + ((55-43) X 30) dekatherms

The difference between the actual gas withdrawn from the pool’s storage account and the month’s planned MSA is carried over into the remaining months of the withdrawal period (Storage Carryover). An Adjusted MSA for the remaining withdrawal months is calculated by pro-rating the current month’s Storage Carryover over each remaining month during the Withdrawal Period based on the percent of each month’s planned MSA of Pool MSQ.

CARRY FORWARD

Deposit:

Suppliers will be required to maintain a carry forward “deposit” of gas equal to two times their Pool MDQ. This deposit will be calculated on or around the 20th day of the previous month and will be delivered ratably throughout the month – total deposit divided by the number of days in the month. Adjustments to the deposit could be positive or negative reflecting increases or decreases in the Pool MDQ. The deposit will be netted against any volume carried forward from two months prior.

Allowable carry forward volume:

Up to two times the Pool’s MDQ of monthly imbalance will be carried forward two months. The monthly imbalance equals the difference between the Pool’s calendar month consumption and the Pool’s adjusted deliveries.

The allowable carry forward volume will be netted with any carry forward deposit adjustment and delivered ratably throughout the month – total carry forward volume divided by the number of days in the month. The allowable carry forward will be positive or negative reflecting over or under deliveries.

If the monthly imbalance volume is greater than two times the Pool’s MDQ, the difference will be cashed out at that month’s AMIP (Average Monthly Index Price).

Carry Forward Schedule Example:

<u>Current Month</u>	<u>Deposit Calculated</u>	<u>Allowable Carry Forward from</u>
August	~ July 20 th	June
September	~ August 20 th	July
October	~ September 20 th	August