

The Peoples Gas Light and Coke Company

RIDER TO SCHEDULE OF RATES FOR GAS SERVICE

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**Rider POR
Purchase of Receivables
Applicable to Riders CFY and AGG**

Section A – Purpose

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

Section B – Definitions

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

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

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

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

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

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

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

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

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

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Section B – Definitions – continued

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

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

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

North Shore Rider POR shall mean Rider POR, Purchase of Receivables, of North Shore Gas Company's Schedule of Rates for Gas Service.

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

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

Section C – Obligations

The POR Supplier:

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

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Section C – Obligations – continued

The POR Supplier – continued

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

The Company:

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

Section D – Terms and Conditions of Service

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

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Section D – Terms and Conditions of Service – continued

Initiation of Service

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

Credit and Collections

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

LDC POR Billing Option Contract

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

Creditworthiness

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

Section E – POR Discount Factor

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

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Section E – POR Discount Factor – continued

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

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

Section F – Rates

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

POR Application Charge

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

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

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Section F – Rates – continued

POR Application Charge – continued

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

Section G – POR Discount Factor Information Sheet Filing

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

Section H – Withdrawal of Rider POR

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

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