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**RIDER VITA – VARIABLE INCOME TAX ADJUSTMENT**

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**APPLICABILITY AND PURPOSE**

Rider VITA – Variable Income Tax Adjustment (Rider VITA) is applicable to all Customers taking Service under this Gas Service Schedule except Rate GDS-7. Its purpose is to recover or refund changes in income tax expense resulting from changes in income tax rates and changes in the amortization of deferred tax excesses and deficiencies that differ from the amounts used in the Company's base rates in rate proceedings.

This Rider applies a VITA Percentage calculated pursuant to this Rider to the Base Rate Revenues of Customer bills, and reconciles the calculated VITA amount with the VITA Percentage amount billed to customers for the applicable Tax Period to subsequently refund or collect any over- or under-recovery. The initial VITA shall be calculated for the 2018 Tax Period running January 25, 2018, through December 31, 2018, and be applicable to service rendered during the twelve monthly Billing Periods beginning on or after May 2018. The dollar amount of the Income Tax True Up for the 2018 Tax Period will be prorated based on the number of calendar days from January 25, 2018, through December 31, 2018.

**DEFINITIONS**

Generally, definitions of terms used in this Rider are provided in the Definitions part of the Customer Terms and Conditions of the Company's Gas Schedule of Rates. The following definitions are for use specifically in this Rider:

**Base Rate Revenues**

Base Rate Revenues, for purposes of this Rider, means revenues recovered through base rates, as determined in the Company's last rate case. Base Rate Revenues shall include costs and revenues associated with the Delivery Service Rates (under both Riders S and T) for GDS-1, GDS-2, GDS-3, GDS-4 and GDS-5, Rider GUA, Rider TBS, and the Unsubscribed Bank Capacity Charge (UBCC) portion of Rider S. Base Rate Revenues shall not include revenues or credits arising from Delivery Service Rate GDS-7 and Riders EF, G, GC, GEA, GER, PGA, S (excluding UBCC), VBA, TAR, and QIP.

**Effective Period**

Effective Period means the period during which the VITA Percentage, the recovery mechanism for changes in tax rates, is applied to the Company's Base Rate Revenues. The Effective Period begins with the first monthly Billing Period after the VITA Percentage is filed.

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**Filing Month**

Filing Month means the month in which the Company determines the VITA Percentage and submits it to the Commission.

**Informational Sheet**

Informational Sheet means a tariff sheet filed in accordance with this Rider to initiate or modify a VITA Percentage.

**Reconciliation Period**

Reconciliation Period means the consecutive nine Billing Periods of August through April.

**Tax Period**

For the year 2018, Tax Period means the period of January 25, 2018, through December 31, 2018. For all other years, Tax Period means the applicable year, January 1 through December 31, for which Ameren Illinois is calculating an income tax difference.

**DETERMINATION OF THE INCOME TAX TRUE UP (ITTU)**

The amount of Income Tax True-Up (ITTU), if any, applicable to each Tax Period may be a positive or negative value. The 2018 Tax Period amount will be prorated based on the number of calendar days from January 25, 2018, through December 31, 2018. It shall be determined annually using the following formulas:

$$\text{ITTU} = (((\text{OpInc} + \text{PrIT} - \text{INT}) \times \text{NetITR}) + \text{EDT}) \times \text{GRCF}$$

$$\text{GRCF} = \frac{1}{(1 - (\text{PPTRIT} + \text{SIT})) \times (1 - \text{FIT})}$$

Where:

OpInc = Operating Income from the Company's rate case used in setting base rates in effect during the Tax Period.

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- PrIT = Income Tax Expense included in the calculation of authorized Revenue Requirement and Operating Income from the Company's rate case used in setting base rates in effect during the Tax Period.
- INT = Synchronized Interest from the Company's rate case used in setting base rates at the beginning of the Tax Period.
- NetITR = Difference in Combined State and Federal Income Tax rates in the Tax Period from the rates used in the Company's base rates in effect during the Tax Period, where the State Tax rate includes the Illinois Personal Property Tax Replacement Income Tax rate. The 2018 Tax Period will be prorated based on the number of calendar days from January 25, 2018, through December 31, 2018.
- EDT = Difference in the amortization of deferred tax excess and deficiencies which result from differences in the Income tax provision versus income taxes payable in the Tax Period from the amount calculated in the Company's rate case used in setting base rates in effect during the Tax Period adjusted for the rate of return in the Company's rate case used in setting base rates in effect during the Tax Period. The 2018 Tax Period will be prorated based on the number of calendar days from January 25, 2018, through December 31, 2018. EDT shall be estimated for the current Tax Period and trued up against actuals in the following Tax Period.
- GRCF = Gross Revenue Conversion Factor
- PPTRIT = Illinois Personal Property Tax Replacement Income Tax rate in effect at the time of the filing.
- SIT = Illinois State income tax rate in effect at the time of the filing.
- FIT = Federal income tax rate in effect at the time of the filing.

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If base rates change during the applicable Tax Period, the OpInc, PrIT, and INT values and the base rate component of the EDT shall be prorated based on the number of days in the Tax Period that each set of base rates was in effect.

In a Tax Period in which new income tax rate or rates become effective, the NetITR shall be prorated based upon the number of days each tax rate was in effect in the Tax Period. If a change in one or more of the income tax rates occurs on different effective dates within the same Tax Period, separate ITTU amounts will be calculated for each. The sum of the ITTUs constitutes the total ITTU to use to calculate the VITA% for the applicable Tax Period. For any Tax Period for which NetITR is zero, EDT will be zero. If applicable income tax codes in a Tax Period differ from income tax codes used in the Company's last rate case, and result in a material change in the Company's tax expense, the Company will file a revised tariff to make the necessary adjustments to reflect the impact of such income tax code changes.

**DETERMINATION OF THE VITA PERCENTAGE**

The VITA Percentage (VITA%) for each Tax Period shall be billed over the Effective Period beginning May of the filing year. The VITA% shall be determined annually and expressed as a uniform percentage carried to two decimal places and applied to Base Rate Revenues of each Customer's bill in accordance with the following formula:

$$\text{VITA \%} = \text{ITTU} / \text{PBR} + (\text{RA} + \text{O}) / \text{PBR}_R$$

Where:

VITA% = Variable Income Tax Adjustment Percentage applicable to Base Rate Revenue.

ITTU = Income Tax True Up, in dollars, as described in the "Determination of Income Tax True Up" Section.

PBR = Projected Base Rate Revenues for the twelve (12) consecutive monthly Billing Periods beginning in May of the filing year through April of the following year.

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- RA = Reconciliation Adjustment, which shall be determined annually by subtracting actual billed VITA% revenues from expected VITA% revenues during the immediately preceding Effective Period. The RA shall be effective for the Reconciliation Period. No reconciliation component shall be included in the May through July period(s) for the applicable year.
- O = Commission ordered adjustment amount, resulting from a Commission Order in an annual reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission for deposits under 83 Illinois Administrative Code Part 280. Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the VITA%.
- PBR<sub>R</sub> = The projected Base Rate Revenues for the nine (9) consecutive monthly Billing Periods beginning August of the filing year through April of the following year.

**INFORMATIONAL SHEET FILING**

The VITA Percentage shall be shown on an Informational Sheet filing supplemental to this Rider and filed with the ICC no later than the 20<sup>th</sup> day of the month immediately preceding the Effective Period of the VITA Percentage. An Informational Sheet filing submitted after that date but prior to the first day of the Effective Period will be accepted only if it corrects an error or errors for a timely filed report for the same effective date. Any other Informational Sheet filing submitted after that date will be accepted only if submitted as a special permission request to become effective on less than 45 days under the provision of Section 9-201 (a) of the Act. The Informational Sheet filing shall be accompanied by work papers showing the calculation of the VITA Percentage. Unless otherwise required as indicated in the succeeding paragraph, each VITA Percentage shall become effective as indicated on the informational filing.

A new VITA Percentage shall become effective on the first day of the Effective Period beginning May of the filing year with a new RA component becoming effective, if required, beginning with the August Billing Period. A VITA Percentage shall continue in effect until replaced by a subsequent Informational Sheet filing.

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**ANNUAL VITA PERCENTAGE RECONCILIATION**

No later than July 31 of each calendar year during which a VITA% has been applied (beginning July 31, 2019), the Company shall file a petition with the Commission seeking initiation of an annual reconciliation process. The petition shall include a reconciliation that compares (a) the actual total incremental collections or credits under this Rider on account of bills rendered during the twelve (12) monthly Billing Periods commencing with May of the prior calendar year with (b) the total ITTU used in the calculation of that VITA%. Any applicable RA component shall be effective for the nine (9) month period beginning with the August 2019 Billing Period continuing through the April 2020 Billing Period, and each subsequent nine (9) month period beginning with the August Billing Period thereafter. VITA% shall be recalculated prior to the commencement of each such 9-month period to reflect the inclusion of the RA. Documentation and work papers supporting the Company's calculation shall be presented with its reconciliation petition and shall be provided to the Commission's Accounting Staff at the time of or before the petition's filing.

If the Commission finds, after hearing, that any amounts were incorrectly calculated, debited, or credited during the applicable reconciliation year to the extent that the adjustment has not already been reflected through an adjustment to the RA component of the VITA%, the Commission may by order require that the rider be adjusted through the O component in the Determination of the VITA Percentage section of this rider. Amounts either collected or refunded through the O component shall accrue interest at the rate established by the Commission under 83 Illinois Administrative Code Part 280. Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the VITA%.

**ANNUAL INTERNAL AUDIT**

The Company shall submit annually by electronic mail to the Commission's Director of the Financial Analysis Division, an internal audit of the revenue recovered or refunded pursuant to this Rider. Such report shall be verified by an officer of the Company. The internal audit under this Rider shall be submitted no later than November 1 for the previous Tax Period with the initial internal audit report submitted no later than November 1, 2019. All internal audits conducted under this Rider shall include at least the following tests:

- (1) The actual amount of revenues collected or refunded through Variable Income Tax Adjustments are reflected in the calculations;
- (2) The revenues are not collected or refunded through other approved tariffs;
- (3) Variable Income Tax Adjustments are being properly reflected in Customer rates; and
- (4) Variable Income Tax Adjustment revenues are recorded in the appropriate accounts.

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**TERMS AND CONDITIONS**

1. The VITA Percentage shall apply only to Base Rate Revenues;
2. The VITA Percentage may be combined with the Invested Capital Tax Adjustment on Customer bills, shown as "BRT Cost Adjustment", or may also be presented as a separate line item on Customer bills as the "VIT Cost Adjustment" or similar legend; and
3. The revenues resulting from this Rider shall be recorded with a separate revenue identifier or in a separate revenue sub-account.