

Section 285.4010 Schedule D-1: Cost of Capital Summary

- a) Short-term debt shall be included in the capital structure unless the utility demonstrates that short-term debt is entirely financing assets, such as CWIP or seasonal working capital, that are not included in the utility's rate base.

Nicor Gas' short-term debt is used to meet seasonal working capital requirements and is frequently not required for several months of the year [WP (D-1) 3 and schedule D-2]. Therefore, short-term debt is not included in the long-term capital structure.

- b) 1) Monthly balances for common equity for the most recent calendar or fiscal year through the end of the capital structure measurement period. Utilities using forecasted data that reflect proposed rates shall present both separate monthly balances for common equity at present rates and the monthly change in common equity produced by the proposed rates. Identify actual and forecasted data;

Please see WP(D-1) 2

- b) 2) A description of the company's capital structure objectives. If the company has conducted a study of those objectives, the company shall also provide a copy of that study;

Nicor Gas' current and forecasted capital structure is determined based upon management's business judgment. Its capital structure objectives include maintaining the company's overall financial strength, its sound securities ratings, and preserving its financial flexibility and capacity while maintaining the ability to weather unanticipated financial shocks (*e.g.* changes in the cost of gas). Furthermore, Nicor Gas' high credit quality ratings enable it to secure a lower cost of borrowing which is consistent with its demonstrated ability to provide among the lowest natural gas distribution rates in Illinois.

- b) 3) A separate description of each adjustment made to exclude any increment to the utility's cost of capital directly or indirectly resulting from the direct or indirect investment, loan, guarantee, or advance of moneys, property, or other resources to affiliates engaged in unregulated or non-utility activities. The utility shall also describe how its adjustments remove that increment to its cost of capital. If the utility believes no such adjustment to its rate of return is necessary, it shall describe the reasons for that belief;

Nicor Gas believes no adjustment to its rate of return is necessary because Nicor Gas has made no direct or indirect investment, loan, guarantee, or advance of moneys, property, or other resources to affiliates engaged in unregulated or non-utility activities.

- b) 4) A separate list of amounts invested in each unregulated and non-utility affiliate for each year from and including the last calendar or fiscal year through the capital structure measurement period.

Nicor Gas did not and does not plan to invest funds in any unregulated or non-utility affiliate from 2003 through the capital structure measurement period.

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	Actual											
	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
COMMON EQUITY:												
COMMON STOCK	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162
OTHER CAPITAL	107,185	107,600	106,967	106,966	106,972	106,972	106,972	106,972	107,001	107,001	107,001	106,851
RETAINED EARNINGS & ACCUM OTHER COMP INC.	441,644	454,261	450,872	458,603	461,824	469,345	450,770	451,237	431,464	435,692	430,199	442,279
TOTAL COMMON EQUITY	624,991	638,023	634,001	641,731	644,958	652,480	633,904	634,371	614,627	618,855	613,363	625,092

	Actual	Actual	Actual	Forecast								
	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04
COMMON EQUITY:												
COMMON STOCK	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162
OTHER CAPITAL	108,113	108,113	108,113	108,113	108,110	108,110	108,110	108,110	108,110	108,110	108,110	108,110
RETAINED EARNINGS & ACCUM OTHER COMP INC.	455,887	468,000	464,270	471,990	474,043	477,176	461,900	460,166	443,951	446,680	441,332	454,623
TOTAL COMMON EQUITY	640,162	652,275	648,545	656,265	658,315	661,448	646,172	644,458	628,223	630,952	625,604	638,895

	Forecast											
	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
COMMON EQUITY:												
COMMON STOCK	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162	76,162
OTHER CAPITAL	108,110	108,110	108,110	108,110	108,107	108,107	108,107	108,107	108,107	108,107	108,107	108,107
RETAINED EARNINGS & ACCUM OTHER COMP INC.	466,877	476,197	475,635	480,894	482,111	479,576	467,639	464,642	452,237	453,324	452,368	463,887
TOTAL COMMON EQUITY	651,149	660,469	659,907	665,166	666,380	663,845	651,908	648,911	636,506	637,593	636,637	648,156

Short-Term Borrowing Summary

		1999			2000		
		Gas & Inc. ⁽¹⁾	Current LTD ⁽²⁾	Total	Gas & Inc. ⁽¹⁾	Current LTD ⁽²⁾	Total
Jan		149,000,000	0	149,000,000	239,055,953	50,000,000	289,055,953
Feb		105,000,000	50,000,000	155,000,000	205,685,323	50,000,000	255,685,323
Mar		42,000,000	50,000,000	92,000,000	68,381,240	50,000,000	118,381,240
Apr		0	50,000,000	50,000,000	18,000,000	50,000,000	68,000,000
May		0	50,000,000	50,000,000	0	50,000,000	50,000,000
Jun		0	50,000,000	50,000,000	25,000,000	50,000,000	75,000,000
Jul		0	50,000,000	50,000,000	108,000,000	50,000,000	158,000,000
Aug		57,000,000	50,000,000	107,000,000	214,800,000	125,000,000	339,800,000
Sep		103,000,000	50,000,000	153,000,000	285,577,587	125,000,000	410,577,587
Oct		140,000,000	50,000,000	190,000,000	260,577,587	125,000,000	385,577,587
Nov		225,000,000	50,000,000	275,000,000	318,000,000	125,000,000	443,000,000
Dec		302,833,692	50,000,000	352,833,692	355,611,653	125,000,000	480,611,653
Avg		93,652,808		139,486,141	174,890,779		256,140,779

		2001			2002		
		Gas & Inc. ⁽¹⁾	Current LTD ⁽²⁾	Total	Gas & Inc. ⁽¹⁾	Current LTD ⁽²⁾	Total
Jan		433,000,000	75,000,000	508,000,000	255,000,000	0	255,000,000
Feb		320,000,000	75,000,000	395,000,000	258,000,000	0	258,000,000
Mar		240,306,279	75,000,000	315,306,279	207,000,000	0	207,000,000
Apr		181,000,000	75,000,000	256,000,000	0	50,000,000	50,000,000
May		85,000,000	75,000,000	160,000,000	0	50,000,000	50,000,000
Jun		90,000,000	125,000,000	215,000,000	0	100,000,000	100,000,000
Jul		191,000,000	125,000,000	316,000,000	0	100,000,000	100,000,000
Aug		171,000,000	0	171,000,000	130,000,000	100,000,000	230,000,000
Sep		199,000,000	0	199,000,000	190,000,000	100,000,000	290,000,000
Oct		190,000,000	0	190,000,000	225,000,000	100,000,000	325,000,000
Nov		250,000,000	0	250,000,000	255,000,000	100,000,000	355,000,000
Dec		267,000,000	0	267,000,000	315,000,000	100,000,000	415,000,000
Avg		218,108,857		270,192,190	152,916,667		219,583,333

		2003			2003	
		A	B	C=A+B	D	E = C+D
		Gas & Inc. ⁽¹⁾	Nicor Inc. ⁽⁴⁾	Nicor Gas CP ⁽³⁾	Current LTD ⁽²⁾	Nicor Gas Total
Jan		190,000,000	(78,600,000)	111,400,000	100,000,000	211,400,000
Feb		220,000,000	(78,000,000)	142,000,000	100,000,000	242,000,000
Mar		190,000,000	(72,600,000)	117,400,000	100,000,000	217,400,000
Apr		170,000,000	(51,300,000)	118,700,000	50,000,000	168,700,000
May		190,000,000	(67,000,000)	123,000,000	50,000,000	173,000,000
Jun		285,000,000	(65,200,000)	219,800,000	0	219,800,000
Jul		390,000,000	(73,400,000)	316,600,000	0	316,600,000
Aug		475,000,000	(49,600,000)	425,400,000	0	425,400,000
Sep		640,000,000	(75,800,000)	564,200,000	0	564,200,000
Oct		625,000,000	(77,200,000)	547,800,000	0	547,800,000
Nov		685,000,000	(91,900,000)	593,100,000	0	593,100,000
Dec		575,000,000	(97,500,000)	477,500,000	0	477,500,000
Avg		386,250,000	(73,175,000)	313,075,000		346,408,333

Source: Cash Desk
Date: 7/23/2004

Notes:

- (1) "Gas & Inc." = Combined Nicor Gas and Nicor Inc. CP borrowings.
(2) Current LTD = Current portion of long-term debt.
(3) Net Nicor Gas commercial paper borrowing.
(4) 2003 Nicor Inc. month-end loan balance due to Nicor Gas. Nicor Inc. did not have any independent CP borrowings in 2003.