

2009 Budget Process Documentation

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Purpose

The purpose of this document is to provide a summary of the overall general process used in the development of the Nicor Gas and Nicor Consolidated Pool 2009 budgets as well as a more specific outline of the process utilized by each of the Budget Analysts for their areas. It also serves to outline the responsibilities of the Management Accounting department in coordinating the 2009 budget process.

Summary of Budget Process Flow

- The Human Resources area provides the corporate merit assumptions to be utilized for the budgeting process to Management Accounting. The hourly merit increase is based on the labor contract that is currently in effect.
- The Finance area provides Management Accounting with inflation data to be utilized in determining a corporate inflation assumption for the budgeting process.
- Management Accounting and the Business Analysts provide business units with current year actual & budget information, historical information, as well as the corporate assumptions to be utilized for the budget process.
- A template for the proposed budget is provided to the business units by Management Accounting.
- The business units analyze current and historical actuals & budget information to develop proposed budgets for the future fiscal year.
- The officer for each business unit reviews and approves the proposed budget for their area.
- The business units submit proposed budgets to Management Accounting for consolidation.
- Management Accounting consolidates the business unit proposals.
- Management Accounting submits the consolidated budget to the Earnings Review Committee (ERC) and Capital Management Team (CMT).
- The ERC & CMT review the proposed budgets and budget presentations, request additional information on assumptions in the budget, set direction for the budgeting process and propose changes to the budget submitted.
- Management Accounting works with the business units to provide the information requested by the ERC & CMT, and make changes proposed by the ERC & CMT.
- Management Accounting submits the revised budgets to the ERC & CMT for their review.
- If the ERC and CMT have no further changes, Management Accounting and the business units take the annualized budgets and allocate them by month.
- Each officer reviews and approves the monthly budget allocation for their area.
- The Business Analysts upload the monthly budget into Essbase.
- Management Accounting coordinates the import of the monthly budget into the Lawson AC system and verifies agreement with the annual budgets accepted by the ERC and CMT.
- Based on the recommendation of the ERC and CMT {referred to as an approval in the details of this document}, the proposed budgets are submitted for review and approval to the Executive Committee (EXC).
- EXC reviews the proposed budgets; may request additional information on the assumptions, and may propose changes to the budget.
- Management Accounting works with business units to provide the information requested by EXC and makes the appropriate changes.

- Management Accounting submits the revised budget to EXC.
- If no further changes are requested, the EXC approves the budgets.

2009 Budget Process for Fleet Management

Operating Expense

The AVP Operations Administration Analyst¹ prepares an Excel budget file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template, a variable payroll template, and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Fleet employees to the AVP Operations Administration Analyst.

Fixed Payroll Template

- The AVP Operations Administration Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Variable Payroll Template

- Each department's hourly rates of its employees are accumulated and entered into the variable payroll template by the AVP Operations Administration Analyst. The amount of variable man-hours available is calculated based upon the number of employees and the number of working days in a year.
- The variable payroll rate is used in conjunction with the man-hours per unit to calculate the total variable payroll for each activity.

Based on discussions with the Senior Manager of Fleet Management², the AVP Operations Administration Analyst then completes the budget file.

- The fixed and variable payroll templates are utilized to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The variable payroll template is completed by filling in the amount of paid and non-paid absence hours, the amount of overtime hours, and the hours for the amount of work for and by others.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

¹ Rashesha Shah

² Nina Hunter

Non-payroll Expenditures

- Once the payroll expenditures have been completed, the AVP Operations Administration Analyst enters non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. The corporate assumptions for non-payroll inflationary increases are utilized in the development of the budgets.
- After these templates are completed by the Fleet Management staff, they are sent to the Senior Manager of Fleet Management for review and approval.
- The final 2009 budget is loaded into Essbase.
- The AVP Operations Administration Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

- None

Intercompany billing

- None

Capital

Fleet – Cap Type 570

- The Fleet Management staff arrives at the annual amount needed to maintain the fleet based on the rotating replacement schedule. The rotating replacement schedule dictates how many of each type of vehicle needs to be replaced in any given year based on the average life cycle for each vehicle type. This rotating replacement schedule allows the year-to-year expenditures for vehicle replacement to remain relatively flat, thus avoiding large peaks and valleys in capital expenditures.
- The cap type owner reviews the fleet amount and makes any necessary revisions.
- Upon approval by CMT, the AVP Operations Administration Analyst breaks down the annual expenditures by month. This monthly breakdown is based on historical information.
- After the monthly breakdown has been approved by the cap type owner, the AVP Operations Administration Analyst uploads the monthly breakdown into Essbase.
- The AVP Operations Administration Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Capitalized Fleet – Cap Type 577

- The budget preparers determine the total expenditures for fuel as part of the development of the operating expense budgets.
- The portion to be capitalized is determined by the AVP Operations Administration Analyst based on the current capitalization rate in effect and activities affected by fuel.
- After the AVP Operations Administration Analyst is notified that the budget has been approved by CMT, the AVP Operations Administration Analyst loads the budget for capitalized fleet for the Fleet area into Essbase.

Fleet Auction Proceeds – Cap Type 575

- The Senior Manager of Fleet Management determines whether one or two auctions are anticipated. From that, they determine the estimated types of vehicles to be put up for auction. The budget for fleet auction proceeds is then determined based on the historical proceeds for each vehicle type and the overall condition of the fleet.
- The monthly breakdown is based on when the auction(s) are expected to take place.
- Upon approval by CMT, the AVP Operations Administration Analyst loads these amounts into Essbase.
- The amount loaded into Essbase is then verified against the amount approved by CMT.

General Plant -- Cap Type 500

- The AVP Operations Administration Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Senior Manager of Fleet Management, the AVP Operations Administration Analyst provides this information to the cap type owner for corporate consolidation.
- After the AVP Operations Administration Analyst is notified by the cap type owner that the budget has been approved by CMT, the AVP Operations Administration Analyst loads the budget for general plant for the Fleet area into Essbase.
- The AVP Operations Administration Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

2009 Budget Process for AVP Operations Administration

Operating Expense

The AVP Operations Administration Analyst³ prepares an Excel budget file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template, a variable payroll template, and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Operations Administrative area employees to the AVP Operations Administration Analyst.

Fixed Payroll Template

- The AVP Operations Administration Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Variable Payroll Template

- Each department's hourly rates of its employees are accumulated and entered into the variable payroll template by the AVP Operations Administration Analyst. The amount of variable man-hours available is calculated based upon the number of employees and the number of working days in a year.
- The variable payroll rate is used in conjunction with the man-hours per unit to calculate the total variable payroll for each activity.

The budget file is sent to the budget preparers (see page 15) for completion.

- The budget preparers utilize the fixed and variable payroll templates to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The budget preparers then complete the variable payroll template by filling in the amount of paid and non-paid absence hours, the amount of overtime hours, and the hours for the amount of work for and by others. After completing these sections, the total man-hours for a department that need to be spread are calculated.
- The variable payroll rate is then calculated based on the payroll information entered.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

³ Rashesha Shah

- The man-hours are determined based on historical analysis of the man-hours per activity.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the budget reviewers (see page 15) for review, clarification, and refinement.
- After the budget preparers complete any revisions, the revised budgets are sent to the AVP Operations Administration Analyst for consolidation. The AVP Operations Administration Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the AVP Operations Administration⁴ for final review and approval.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The AVP Operations Administration Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

- None

Intercompany

- None

Capital

Replacement Regulators – Cap Type 175

- The Corrosion Manager⁵ determines the needs for 2009 based on historical data.
- Upon approval by the Capital Management Team (CMT), the monthly breakdowns are completed by the Corrosion Manager.
- The monthly breakdown is then provided to the AVP Operations Administration Analyst to be uploaded into Essbase.
- The AVP Operations Administration Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Corrosion Activity – Cap Type 200

- The Corrosion Manager determines the needs for 2009 based on projected corrosion work.
- Upon approval by CMT, the monthly breakdowns are completed by the Corrosion Manager.

⁴ Jim Griffin

⁵ John Newhouse

- The monthly breakdown is then provided to the AVP Operations Administration Analyst to be uploaded into Essbase.
- The AVP Operations Administration Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Stores Handling – Cap Type 900

- After the expenses for the procurement area have been determined, the portion to be capitalized is calculated by the AVP Operations Administration Analyst based on the current capitalization rate and activities included in the stores handling pool.
- The AVP Operations Administration Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount approved by CMT.

Capitalized Fleet Depreciation – Cap Type 578

- The Corporate Accounting Manager⁶ provides the annual budget amount for capitalized fleet depreciation to the AVP Operations Administration Analyst.
- The AVP Operations Administration Analyst straight lines the annual amount to arrive at the monthly breakdowns.
- The AVP Operations Administration Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Corporate Accounting Manager and approved by CMT.

⁶ Steve Cushman

*AVP Operations Administration
Budget Preparers*

<u>Dept #</u>	<u>Department Name</u>	<u>Person Responsible</u>
115	Corrosion	John Newhouse/Carol Hynes
155	Accounts Payable	John Madziarczyk/Bea Demos
163	Sourcing Support	John Madziarczyk
164	Logistics	Steve Martin/John Madziarczyk
176	Centralized Dispatch	Dan Rosanova
310	Business Systems Support	Sandy Garcia
313	Watch & Protect	Mike Bass/Roy Chapman
318	Locating Administration	Mike Bass/Roy Chapman
320	AVP Operations- Admin	Rashesha Shah
369	Mercury Regulator Activities	Carol Hynes
372	Leak Survey	Paul Qualito/Carol Hynes
447	Workload Admin	Tom Renner
564	Meter Reading - Bellwood	Mark Stroman/Roy Chapman
464	Meter Reading – Crystal Lake/Ingelside	Mark Stroman/Roy Chapman
364	Meter Reading – Glen Ellyn	Mark Stroman/Roy Chapman
864	Meter Reading – Glenwood/Kankakee/Crestwood	Mark Stroman/Roy Chapman
664	Meter Reading – Joliet/Bloomington/Paxton	Mark Stroman/Roy Chapman
264	Meter Reading – Niles	Mark Stroman/Roy Chapman
345	Meter Reading – Admin	Mark Stroman/Roy Chapman
514	Meter Reading – Aurora	Mark Stroman/Roy Chapman
814	Meter Reading - RFD/Dix/Freeport	Mark Stroman/Roy Chapman
414	Meter Reading – Schaumburg	Mark Stroman/Roy Chapman

2009 Budget Process for Engineering and Executive VP of Operations

Operating Expense

The Engineering Business Analyst⁷ prepares an Excel budget file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template, a variable payroll template, and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Engineering and Executive VP of Operations' employees to the Engineering Business Analyst.

Fixed Payroll Template

- The Engineering Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Variable Payroll Template

- Each department's hourly rates of its employees are accumulated and entered into the variable payroll template by the Engineering Business Analyst. The amount of variable man-hours available is calculated based upon the number of employees and the number of working days in a year.
- The variable payroll rate is used in conjunction with the man-hours per unit to calculate the total variable payroll for each activity.

The budget file is sent to the budget preparers (see page 20) for completion.

- The budget preparers utilize the fixed and variable payroll templates to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The budget preparers then complete the variable payroll template by filling in the amount of paid and non-paid absence hours, the amount of overtime hours, and the hours for the amount of work for and by others. After completing these sections, the total man-hours for a department that need to be spread are calculated.
- The variable payroll rate is then calculated based on the payroll information entered.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

⁷ Robin Olsen

- The man-hours are determined based on historical analysis of the man-hours per activity.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the budget reviewers (see page 20) for review, clarification, and refinement.
- After the budget preparers complete any revisions, the revised budgets are sent to the Engineering Business Analyst for consolidation. The Engineering Business Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the Vice President of Engineering and the Executive VP of Operations respectively for final review and approval.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Engineering Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

- None

Intercompany

- None

Capital

Meters and Rate 74 Cap Types – Cap Type 094 and 095

- The Measurement Manager of Meter Activities⁸ determines the budget for 2009 based on historical data and anticipated needs.
- The Measurement Manager of Meter Activities provides the monthly breakdowns and annual amounts to the Engineering Business Analyst to be uploaded into Essbase once it has been approved by the VP of Engineering⁹.
- The Engineering Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Strategic Planning – Cap Type 097

- The Manager of System Planning and Forecasting¹⁰ determines the budget for 2009 based on anticipated spending.

⁸ Jeff Johnson

⁹ Kristine Nichols

¹⁰ Dan Fox

- The Manager of System Planning and Forecasting provides the monthly breakdowns and annual amounts to the Engineering Business Analyst to be uploaded into Essbase once it has been approved by the VP of Engineering.
- The Engineering Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Engineering Overheads – GO – Cap Type 920

- For indirect engineering overhead activities, the budget preparer determines the total expenditures as part of the development of the operating expense budgets. The budget preparer is aided by the historical data provided by the Engineering Business Analyst.
- The portion to be capitalized is calculated by the Engineering Business Analyst based on the current capitalization rate and activities included in the engineering overheads pool.
- For any direct capital activities, the VP of Engineering determines the needs for 2009 based on historical data.
- After the total Engineering Overhead - GO amount has been approved by CMT, the Engineering Business Analyst loads the information into Essbase. The Engineering Business Analyst also ensures that the credit loaded on the operating expense side and the expenditure loaded on the capital side are equal for any indirect activities.
- The Engineering Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Indirect Departmental Expense (IDE) – Cap Type 960

- The budget preparers determine the total expenditures for the IDE activities as part of the development of the operating expense budgets.
- The portion to be capitalized is calculated by the Engineering Business Analyst based on the current capitalization rate and activities included in the IDE pool.
- After approval by CMT, the Engineering Business Analyst loads the information for the Engineering area into Essbase ensuring that the credit loaded on the operating expense side and the expenditures loaded on the capital side are equal.

General Plant -- Cap Type 500

- The Engineering Business Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Vice President of Engineering, the Engineering Business Analyst provides this information to the cap type owner for corporate consolidation.
- After the Engineering Business Analyst is notified by the cap type owner that the budget has been approved by CMT, the Engineering Business Analyst loads the budget for general plant for the Engineering area into Essbase.
- The Engineering Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

Engineering Overheads – Regions – Cap Type 910

- For the Engineering department, the budget preparer determines the total expenditures for 2009 as part of the development of the operating expense budgets.

- The portion to be capitalized is calculated by the Engineering Business Analyst based on the current capitalization rate and activities included in the engineering overheads pool.
- After the total Engineering Overhead - Regions amount has been approved by CMT, the Engineering Business Analyst loads the information into Essbase. The Engineering Business Analyst also ensures that the credit loaded on the operating expense side and the expenditure loaded on the capital side are equal for the Engineering department.
- The Engineering Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Engineering

<u>Preparers</u>	<u>Reviewers</u>	<u>Area</u>
<u>Executive VP Operations</u> Robin Olsen	Rocco D'Alessandro	Executive VP Operations Admin
<u>General Engineering</u> Robin Olsen Hans Bell Dan Fox	Kris Nichols Kris Nichols Kris Nichols	Chief Engineering IMP, Drafting System Planning and Forecasting
<u>Technical Support</u> Angela Whitfield Jeff Johnson Pamela Tuburan	Kris Nichols Kris Nichols Kris Nichols	Technical Support Measurement Control Systems Design
<u>Environmental Health and Safety</u> Somali Tomczak Letty Quezada Mike Burkhart	James Jerozal Angela Whitfield Angela Whitfield	Environmental Services Quality Assessment Technical Services

2009 Budget Process for Supply Operations, System Operations, Gas Supply, Pipeline Regulations & Planning, Gas Control and Storage Management

Operating Expense

The Supply Operations Business Analyst¹¹ prepares an Excel budget file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template, a variable payroll template, and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Supply Operations employees to the Supply Operations Business Analyst.

Fixed Payroll Template

- The Supply Operations Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Variable Payroll Template

- Each department's hourly rates of its employees are accumulated and entered into the variable payroll template by the Supply Operations Business Analyst. The amount of variable man-hours available is calculated based upon the number of employees and the number of working days in a year.
- The variable payroll rate is used in conjunction with the man-hours per unit to calculate the total variable payroll for each activity.

The budget file is sent to the budget preparers (see page 26) for completion.

- The budget preparers utilize the fixed and variable payroll templates to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The budget preparers then complete the variable payroll template by filling in the amount of paid and non-paid absence hours, the amount of overtime hours, and the hours for the amount of work for and by others. After completing these sections, the total man-hours for a department that need to be spread are calculated.
- The variable payroll rate is then calculated based on the payroll information entered.

¹¹ Carmine Tucci

- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.
- The man-hours are determined based on historical analysis of the man-hours per activity.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the budget reviewers (see page 26) for review, clarification, and refinement.
- After the budget preparers complete any revisions, the revised budgets are sent to the Supply Operations Business Analyst for consolidation. The Supply Operations Business Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the Vice President of Supply Operations for final review and approval.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Supply Operations Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

Company Use & Fuel Gas and Storage Adjustments

- The Manager of Pipeline Regulations and Planning¹² determines the budget for 2009 based on anticipated usage and the most current pricing available.
- The monthly breakdown for company use & fuel gas and storage adjustments is provided to the Supply Operations Business Analyst by the Manager of Pipeline Regulations and Planning once it has been approved by the Vice President of Supply Operations.
- The Supply Operations Business Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount approved by ERC.

Intercompany

- None

¹² Kathy Hopkins

Capital

Miscellaneous Revisions – Cap Type 088

- The cap type owner reviews the priority list for vault replacement and determines the needs for 2009.
- Upon approval by CMT, the costs are broken down into months by the cap type owner. The monthly breakdown is based upon historical data and expectations of work completion.
- The monthly breakdown is then provided to the Supply Operations Business Analyst to be uploaded into Essbase.
- The Supply Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Storage – Cap Types 466 thru 471

- The Storage Manager¹³ and the Supply Operations Business Analyst meet with regional personnel to establish a project list for 2009.
- The Storage Manager and the two regional managers¹⁴ then prioritize the projects.
- The Senior Storage Manager determines the cutoff point on the list based on available resources.
- Upon approval by CMT, the costs are broken down into months by the regional supervisors. The monthly breakdown is based on when the work is expected to be performed.
- The monthly breakdown is then provided to the Supply Operations Business Analyst to be uploaded into Essbase.
- The Supply Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

System Operations Transmission – Central – Cap Type 472 thru 479

- The cap type owner determines the needs for 2009 based on the list of projects that need to be completed. After the budget amount is approved by CMT, the cap type owner reviews and modifies the priority list as necessary to fit within the budget parameters.
- The costs are then broken down into months by the cap type owner.
- The monthly breakdown is then provided to the Supply Operations Business Analyst to be uploaded into Essbase.
- The Supply Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Engineering Overheads – Regions – Cap Type 910

- For the Quality Assurance department, the budget preparer determines the total expenditures for 2009 as part of the development of the operating expense budgets.
- The portion to be capitalized is calculated by the Supply Operations Business Analyst based on the current capitalization rate and activities included in the engineering overheads pool.

¹³ Joe Deters

¹⁴ Michael Fugate and Dallas Nestel

- For the direct capital activities, the cap type owner determines the needs for 2009 based on historical data.
- After the total Engineering Overhead - Regions amount has been approved by CMT, the Supply Operations Business Analyst loads the information into Essbase. The Supply Operations Business Analyst also ensures that the credit loaded on the operating expense side and the expenditure loaded on the capital side are equal for the Supply Operations department.
- The Supply Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Indirect Departmental Expense (IDE) – Cap Type 960

- The budget preparers determine the total expenditures for the IDE activities as part of the development of the operating expense budgets.
- The portion to be capitalized is calculated by the Supply Operations Budget Analyst based on the current capitalization rate and activities included in the IDE pool.
- After approval by CMT, the Supply Operations Budget Analyst loads the information for the Supply Operations area into Essbase ensuring that the credit loaded on the operating expense side and the expenditures loaded on the capital side are equal.

General Plant -- Cap Type 500

- The Supply Operations Business Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the General Manager of Facilities¹⁵, the Supply Operations Business Analyst provides this information to the cap type owner for corporate consolidation.
- After the Supply Operations Business Analyst is notified by the cap type owner that the budget has been approved by CMT, the Supply Operations Business Analyst loads the budget for general plant for the Supply Operations area into Essbase.
- The Supply Operations Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

Capitalized Fleet – Cap Type 577

- The budget preparers determine the total expenditures for fuel as part of the development of the operating expense budgets.
- The portion to be capitalized is determined by the Supply Operations Business Analyst based on the current capitalization rate and activities affected by fuel.
- After the Supply Operations Business Analyst is notified that the budget has been approved by CMT, the Supply Operations Business Analyst loads the budget for capitalized fleet for the Supply Operations area into Essbase.

Replacement Pressure Sets – Cap Type 092 & 170

- The cap type owner determines the needs for 2009 based on historical data.
- Upon approval by CMT, the costs are broken down into months by the cap type owner.

¹⁵ Patrick Loftus

- The monthly breakdown is then provided to the Supply Operations Business Analyst to be uploaded into Essbase.
- The Supply Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

VP Supply Operations
Budget Preparers

<u>Dept #</u>	<u>Department Name</u>	<u>Person Responsible</u>
188	Gas Supply Purchasing	Shirley Holmes
196	Office of VP Supply Operations	Carmine Tucci
315	Pipeline Regulation and Planning	Kathy Hopkins
322	Gas Control	David Hughes
323	CRT	Ed Vanscoit
326	Troy Grove Storage	Mike Fugate
327	Pecatonica Storage	Mike Fugate
328	West Region Transmission	Mike Fugate
329	Ancona Storage	Dallas Nestel
330	Pontiac Storage Mt. Simon	Dallas Nestel
331	Pontiac Storage Galesville	Dallas Nestel
332	Hudson Storage	Dallas Nestel
333	Lake Bloomington Storage	Dallas Nestel
334	Lexington Storage	Dallas Nestel
339	South Region Transmission Storage	Dallas Nestel
392	Sys Ops Central	Randy Keller
492	Sys Ops North	Rick Vycital
592	Sys Ops Metro	Dave Turk
692	Sys Ops South	Eric Vodnik
914	Carthage Meter Reading	Phil Rinda
990	Carthage	Phil Rinda
992	Carthage Operations	Phil Rinda

2009 Budget Process for Field Operations and Field Operations Support

Operating Expense

The Field Operations Business Analyst¹⁶ prepares an Excel budget file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template, a variable payroll template, and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Distribution employees to the Field Operations Business Analyst.

Fixed Payroll Template

- The Field Operations Business Analyst then enters the annual salary information for management, clerical personnel and any expected overtime for clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Variable Payroll Template

- Each department's hourly rates of its employees are accumulated and entered into the variable payroll template by the Field Operations Business Analyst. The amount of variable man-hours available is calculated based upon the number of employees and the number of working days in a year.
- The variable payroll rate is used in conjunction with the man-hours per unit to calculate the total variable payroll for each activity.

The budget file is sent to the budget preparers (see page 31) for completion.

- The budget preparers utilize the fixed and variable payroll templates to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The budget preparers then complete the variable payroll template by filling in the amount of paid and non-paid absence hours, the amount of overtime hours, and the hours for the amount of work for and by others. After completing these sections, the total man-hours for a department that need to be spread are calculated.
- The variable payroll rate is then calculated based on the payroll information entered.

¹⁶ Cindy Madziarczyk

- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.
- The man-hours are determined based on historical analysis of the man-hours per activity.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the two General Managers of Field Operations¹⁷ for review, clarification, and refinement.
- After the budget preparers complete any revisions, the revised budgets are sent to the Field Operations Business Analyst for consolidation. The Field Operations Business Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the Vice President of Field Operations for final review and approval.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Field Operations Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

- None

Intercompany Billing

- None

Capital

Replacement Services – Cap Type 060 & 061

- The cap type owner for replacement services in conjunction with Workload Administration determines how many services will be replaced for the budget year. The cap type owner then determines the contractor/company crew split based on history and available resources.
- The average cost per replaced service is determined based on history adjusted for inflation and productivity increases.
- Budgeted man-hours are determined based on historical analysis of man-hours per activity.
- The total replaced services expenditures are calculated based on the number of services and the average cost per service.

¹⁷ Ron Roulo and Pat Whiteside

- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Field Operations Business Analyst to be uploaded into Essbase.
- The Field Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Other Capital – Cap Type 160

- The cap type owner determines the needs for 2009 based on historical data and the number of anticipated credit cuts supplied by the General Manager of Credit¹⁸.
- Upon approval by CMT, the costs are broken down into months by the cap type owner.
- The monthly breakdown is then provided to the Field Operations Business Analyst to be uploaded into Essbase.
- The Field Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Estimated Services Removal Cost – Cap Type 180

- The cap type owner determines the needs for 2009 based on historical data.
- Upon approval by CMT, the costs are broken down into months by the cap type owner.
- The monthly breakdown is then provided to the Field Operations Business Analyst to be uploaded into Essbase.
- The Field Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Engineering Overheads – Regions – Cap Type 910

- For the Field Operations Support department, the budget preparer determines the total expenditures for 2009 as part of the development of the operating expense budgets.
- The portion to be capitalized is calculated by the Field Operations Business Analyst based on the current capitalization rate and activities included in the engineering overheads pool.
- After the total Engineering Overhead - Regions amount has been approved by CMT, the Field Operations Business Analyst loads the information into Essbase. The Field Operations Business Analyst also ensures that the credit loaded on the operating expense side and the expenditure loaded on the capital side are equal for the Field Operations Support department.
- The Field Operations Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Indirect Departmental Expense (IDE) – Cap Type 960

- Once the operating expenditures have been finalized, the portion to be capitalized is calculated by the Business Analysts for their areas based on the current capitalization rate and activities included in the IDE pool.

¹⁸ Dave Lukowicz

- After approval by CMT, the Field Operations Business Analyst breaks down the annual amount for the areas based on historical data.
- The Field Operations Business Analyst then loads the information into Essbase ensuring that the credit loaded on the operating expense side and the expenditures loaded on the capital side are equal.

General Plant – Cap Type 500

- The Field Operations Business Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Senior Manager of Field Operations Support¹⁹, the Field Operations Business Analyst provides this information to the cap type owner for corporate consolidation.
- After the Field Operations Business Analyst is notified by the cap type owner that the budget has been approved by CMT, the Field Operations Business Analyst loads the budget for general plant for the Field Operations area into Essbase.
- The Field Operations Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

Capitalized Fleet – Cap Type 577

- The budget preparers determine the total expenditures for fuel as part of the development of the operating expense budgets.
- The portion to be capitalized is determined by the Field Operations Business Analyst based on the current capitalization rate and activities affected by fuel.
- After the Field Operations Business Analyst is notified that the budget has been approved by CMT, the Field Operations Business Analyst loads the budget for capitalized fleet for the Field Operations area into Essbase.

¹⁹ Greg Konwinski

***Field Operations
Budget Preparers***

<u>Dept #</u>	<u>Department Name</u>	<u>Person Responsible</u>
120	Ofc VP Field Operations	Cindy Madziarczyk
231	Field Operations Support	Cindy Madziarczyk
390	Field Operations Support-ACT	Greg Konwinski
Various	Field Operations Central	Joe Hynes
Various	Field Operations Fox Valley	Bart Hill
Various	Field Operations Eastern	Rich Woodard
Various	Field Operations Southern	Keith Vanderlee
Various	Field Operations Northern	Jim Kuchler
Various	Field Operations Northwest	Liz Rogers
Various	Field Operations Metro	Keith Griffin
Various	Field Operations Western	Kip Hildebrand
519	GM Field Operations North	Cindy Madziarczyk
619	GM Field Operations South	Cindy Madziarczyk

2009 Budget Process for Field Operations Construction

Operating Expense

The Field Operations Construction Business Analyst²⁰ prepares an Excel budget file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template, a variable payroll template, and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Distribution employees to the Field Operations Construction Business Analyst.

Fixed Payroll Template

- The Field Operations Construction Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Variable Payroll Template

- Each department's hourly rates of its employees are accumulated and entered into the variable payroll template by the Field Operations Construction Business Analyst. The amount of variable man-hours available is calculated based upon the number of employees and the number of working days in a year.
- The variable payroll rate is used in conjunction with the man-hours per unit to calculate the total variable payroll for each activity.

The budget file is sent to the budget preparers (see page 38) for completion.

- The budget preparers utilize the fixed and variable payroll templates to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The budget preparers then complete the variable payroll template by filling in the amount of paid and non-paid absence hours, the amount of overtime hours, and the hours for the amount of work for and by others. After completing these sections, the total man-hours for a department that need to be spread are calculated.
- The variable payroll rate is then calculated based on the payroll information entered.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

²⁰ Daniel Popiela

- The man-hours are determined based on historical analysis of the man-hours per activity.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the General Manager of Field Operations Construction²¹ for review, clarification, and refinement.
- After the budget preparers complete any revisions, the revised budgets are sent to the Field Operations Construction Business Analyst for consolidation. The Field Operations Construction Business Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the Vice President of Distribution for final review and approval.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Field Operations Construction Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

- None

Intercompany Billing

- None

Capital

Replacement Main – Cap Types 082 & 083

- The cap type owner for replacement main in conjunction with Workload Administration determines how many feet of main will be replaced for the budget year. The cap type owner then determines the contractor/company crew split based on history and available resources.
- The average cost per foot of main replaced is determined based on history adjusted for inflation and productivity increases.
- Budgeted man-hours are determined based on historical analysis of man-hours per activity.
- The total replaced main expenditure is calculated based on projected footage to be replaced and the average cost per foot.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.

²¹ Bob Goad

- The monthly breakdown is then provided to the Field Operations Construction Business Analyst to be uploaded into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Cross Ties – Cap Types 062 & 063

- The cap type owner for cross ties in conjunction with Workload Administration determines how many cross ties will be replaced for the budget year. The cap type owner then determines the contractor/company crew split based on history and available resources.
- The average cost per cross tie is determined based on history adjusted for inflation and productivity increases.
- Budgeted man-hours are determined based on historical analysis of man-hours per activity.
- The total cross tie expenditures is calculated based on the number of cross ties and the average cost per cross tie.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Field Operations Construction Business Analyst to be uploaded into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Reimbursables – Cap Type 089

- The cap type owner determines the needs for 2009 based on historical data and scheduled projects for the current year.
- Upon approval by CMT, the costs are broken down into months by the cap type owner.
- The monthly breakdown is then provided to the Field Operations Construction Business Analyst to be uploaded into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

New Business Services – Cap Type 050 & 051

- The cap type owner for new business services in conjunction with Workload Administration determines how many services will be completed for the budget year. The cap type owner then determines the contractor/company crew split based on historical data and available resources.
- The average cost per service is determined based on history adjusted for inflation and productivity increases.
- The man-hours are determined based on historical analysis of the man-hours per activity.
- The total new business services expenditures are calculated based on the number of services and the average cost per service.

- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Field Operations Construction Business Analyst to be uploaded into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

New Business Main – Cap Type 077 thru 081

- The cap type owner for new business main in conjunction with Workload Administration determines how many feet of main will be installed for the budget year. The cap type owner then determines the contractor/company crew split based on historical usage and available resources.
- The average cost per foot of main installed is determined based on history adjusted for inflation and productivity increases.
- The man-hours are determined based on historical analysis of the man-hours per activity.
- The total new business main expenditure is calculated based on projected footage to be installed and the average cost per foot.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Field Operations Construction Business Analyst to be uploaded into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

New Industrial Meters – Cap Type 093

- The total expenditure for new industrial meters and regulators is calculated by the cap type owner based on previous years' expenditures and amounts budgeted. The relationship between the volume of services installed and the total amount spent in previous years is also taken into account when determining the budget.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Field Operations Construction Business Analyst to be uploaded into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Contributions Collected – Cap Type 140 & 145

- The average contribution collected per unit is determined by the cap type owner based on history adjusted for inflation and productivity increases.
- The total contributions collected for main credit is calculated based on projected footage installed and the average contribution collected per foot.

- The total contributions collected for services credit is calculated based on the projected number of services to be installed and the average contribution collected per service.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based on expectations of work completion.
- The monthly breakdown is then provided to the Field Operations Construction Business Analyst to be uploaded into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Other New Business – Cap Type 150

- The total expenditure for other new business is calculated by the cap type owner based on previous years' expenditures and amounts budgeted. The relationship between the volume of services installed and the amount of total spend in previous years is also taken into account when determining the budget.
- Upon approval by CMT, the cap type owner breaks down the costs by month. The monthly breakdown is based upon seasonal impacts and expectations of work completion.
- The monthly breakdown is then provided to the Field Operations Construction Business Analyst to be uploaded into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Engineering Overheads – Regions – Cap Type 910

- For the direct capital activities, the cap type owner determines the needs for 2009 based on historical data.
- After the total Engineering Overhead - Regions amount has been approved by CMT, the Field Operations Construction Business Analyst loads the information into Essbase.
- The Field Operations Construction Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Indirect Departmental Expense (IDE) – Cap Type 960

- Once the operating expenditures have been finalized, the portion to be capitalized is calculated by the Business Analysts for their areas based on the current capitalization rate and activities included in the IDE pool.
- After approval by CMT, the Field Operations Construction Business Analyst breaks down the annual amount for the distribution areas based on historical data.
- The Field Operations Construction Business Analyst then loads the distribution information into Essbase ensuring that the credit loaded on the operating expense side and the expenditures loaded on the capital side are equal.

Capitalized Fleet – Cap Type 577

- The budget preparers determine the total expenditures for fuel as part of the development of the operating expense budgets.

- The portion to be capitalized is determined by the Field Operations Construction Business Analyst based on the current capitalization rate and activities affected by fuel.
- After the Field Operations Construction Business Analyst is notified that the budget has been approved by CMT, the Field Operations Construction Business Analyst loads the budget for capitalized fleet for the Distribution area into Essbase.

VP Field Operations
Budget Preparers

<u>Dept #</u>	<u>Department Name</u>	<u>Person Responsible</u>
300	Ofc Gen Mgr FOC	Dan Popiela
301	FOC HVM	Ken Nance
302	FOC New Services	Christa Markgraff
303	FOC Renewal Projects	Scot Koif
389	L&P Admin	Don Smith
590	Regional Admin	Don Smith

2009 Budget Process for Human Resources and Corporate Communications

Operating Expense

The Human Resource Business Analyst²² prepares an Excel budget file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 2006 and 2007 historical data, and the budget for 2008. The budget file also contains a fixed payroll template and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active HR employees to the Human Resource Business Analyst.

Fixed Payroll Template

- The Human Resource Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

The budget file is sent to the budget preparers (see page 43) for completion.

- The budget preparers utilize the fixed payroll template to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the Assistant Vice President of Human Resources²³ and the Senior Vice President of Human Resources and Corporate Communications²⁴ for review, clarification, and refinement.

²² Theresa Stonehocker

²³ Becky Bacidore

²⁴ Claudia Colalillo

- After the budget preparers complete any revisions, the revised budgets are sent to the Human Resources Business Analyst for consolidation. The Human Resources Business Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget is submitted to the Assistant Vice President of Human Resources and the Senior Vice President of Human Resources and Corporate Communications for final review and approval.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Human Resources Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

Benefit Plans

- The benefit plans budget is based on information obtained from and studies conducted by Towers Perrin. The Senior Compensation Consultant²⁵ provides the monthly breakdown for the benefit plans.
- After the benefit plan budget has been approved by the Assistant Vice President of Human Resources²⁶, the Human Resources Business Analyst loads the information into Essbase.
- The total amount loaded for benefit plans is verified against the amount approved by ERC.

Employee Benefit Insurance

- The employee benefit insurance budget is based on information obtained from and studies conducted by Towers Perrin. The Manager of Benefits²⁷ provides the monthly breakdown for the employee benefit insurance.
- After the benefit plan budget has been approved by the Assistant Vice President of Human Resources, the Human Resources Business Analyst loads the information into Essbase.
- The total amount loaded for the employee benefit insurance is verified against the amount approved by ERC.

Intercompany Billing

- The budget preparers determine the payroll and other billed to affiliates amounts associated with intercompany billing based on historical charges for each area adjusted for any known changes.
- The billed to affiliates amount is loaded with the rest of the expenditures for that activity.
- The Human Resources Business Analyst works with the Senior Communications Specialist²⁸ and the Senior Manager of Corporate Communications²⁹ to provide the

²⁵ Coleen Walter

²⁶ Becky Bacidore

²⁷ Sue O'Connell

²⁸ Steve Grzenia

corporate reputation information for Nicor Inc. to the Supervisor, Financial Business Analysis³⁰.

Capital

Employee Benefit Insurance – Cap Type 942

- The total expenditures for employee benefit insurance are provided by the Towers Perrin studies. The appropriate capitalization percentage is applied to the total expenditure to arrive at the capital employee benefit insurance budget. The Human Resources department provides the monthly breakdown for employee benefit insurance.
- After approval by CMT, the Human Resources Business Analyst uploads the information into Essbase.
- The Human Resources Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Other Benefits – Cap Type 945

- The total expenditures for other benefits are determined as part of the development of the operating expense budget. The appropriate capitalization percentage is based on the current capitalization rate. The Human Resources department provides the monthly breakdown for other benefits.
- After approval by CMT, the Human Resources Business Analyst uploads the information into Essbase.
- The Human Resources Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

General Plant -- Cap Type 500

- The Human Resources Business Analyst determines the amount needed for the Human Resources area based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Senior Vice President of Human Resources, the Human Resources Business Analyst combines this information with requests from other departments for corporate consolidation.
- After the Human Resources Business Analyst is notified that the budget has been approved by CMT, the Human Resources Business Analyst loads the budget for general plant for the Human Resources area into Essbase.
- The Human Resources Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

²⁹ Annette Martinez

³⁰ Dan O'Toole

Land and Buildings – Cap Type 540

- The Human Resources Business Analyst works with the General Manager-Labor Relations³¹ to determine the amount needed for land and buildings based on strategic property development.
- After CMT approval of the land and buildings budget, the Human Resources Business Analyst loads the information into Essbase.
- The Human Resources Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Capitalized Facilities (Building & Grounds) – Cap Type 980

- The Human Resources Business Analyst works with the cap type owner to determine the budget amount for capitalized facilities based on the operating expense budgets and applying the appropriate capitalization percentage based on the current capitalization rate.
- After CMT approval of the budget amount for capitalized facilities, the Human Resources Business Analyst loads the information into Essbase.
- The Human Resources Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

³¹ Pat Loftus

2009 Human Resources and Corporate Communications Budget Preparers

Senior Manager, Facility Management	Charlie Williams
Manager, Facility Management	Todd Hammer
Manager, Corporate Contributions	Julian Brown
Assistant Vice President Human Resources	Becky Bacidore
Supervisor, Payroll	Tim Mulvihill
Staffing Manager	Lajuana Garrett
HR Generalist	Shelley Anderson
Manager, Benefits	Sue O'Connell
Senior Compensation Consultant	Coleen Walter
Senior Manager, Organizational Development	Cathy Mejia
Senior Manager Corporate Communications	Annette Martinez
General Manager Labor Relations	Pat Loftus
Manager Real Estate	Dave Behrens

2009 Budget Process for Customer Care

Operating Expense

The Customer Care Business Analyst³² prepares an Excel budget file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Customer Care employees to the Customer Care Business Analyst.

Fixed Payroll Template

- The Customer Care Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

The budget file is sent to the budget preparers (see page 47) for completion.

- The budget preparers utilize the fixed payroll template to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the Vice President of Customer Care³³ for review, clarification, and refinement.
- After the budget preparers complete any revisions, the revised budgets are sent to the Customer Care Business Analyst for consolidation. The Customer Care Business

³² Robin Olsen

³³ Kevin Kirby

Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.

- The consolidated budget is submitted to the Vice President of Customer Care for final review and approval.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Customer Care Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

Provision for Uncollectibles

- The budget for the provision for uncollectibles is determined by taking 2.25% of the projected revenue for 2009. The 2.25% rate is derived based on analysis of historical charge-off/revenue trends. The monthly breakdown for the provision for uncollectibles correlates to the total revenue curve for 2009.
- After the provision for uncollectibles budget has been approved by the ERC, the Customer Care Business Analyst loads the information into Essbase.
- The total amount loaded for the provision for uncollectibles is verified against the amount approved by ERC.

Corporate Postage

- The corporate postage budget is based on historical usage adjusted for increased volume associated with special initiatives that involve additional mailings. The Manager of Gas Transportation and Billing Services³⁴ provides the monthly breakdown for corporate postage.
- After the corporate postage budget has been approved by the Vice President of Customer Care, the Customer Care Business Analyst loads the information into Essbase.
- The total amount loaded for corporate postage is verified against the amount approved by ERC.

Intercompany Billing

- The budget preparers determine the payroll and other billed to affiliates amounts associated with intercompany billing based on historical charges for each area adjusted for any known changes.
- The billed to affiliates amount is loaded with the rest of the expenditures for that activity.
- The Customer Care Business Analyst works with the Advertising Administrator³⁵ and the Senior Manager of Contact Center³⁶ to provide the information for Nicor Inc. to the Supervisor, Financial Business Analysis³⁷.

³⁴ Ellen Rendos

³⁵ Steve Grzenia

³⁶ Sharon Grove

³⁷ Dan O'Toole

Capital

General Plant -- Cap Type 500

- The Customer Care Business Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Vice President of Customer Care, the Customer Care Business Analyst provides this information to the cap type owner for corporate consolidation.
- After the Customer Care Business Analyst is notified by the cap type owner that the budget has been approved by CMT, the Customer Care Business Analyst loads the budget for general plant for the Customer Care area into Essbase.
- The Customer Care Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

Other Capital – Cap Type 160

- The Customer Care Business Analyst works with the General Manager of Credit³⁸ to determine the amount needed for field collections based on historical data and any anticipated changes.
- The Customer Care Business Analyst then provides this information to the cap type owner for corporate consolidation.
- After the Customer Care Business Analyst is notified by the cap type owner that the budget has been approved by CMT, the Customer Care Business Analyst loads the information into Essbase.
- The Customer Care Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

³⁸ Dave Lukowicz

2009 Customer Care Budget Preparers

General Manager Credit
Manager Customer Contact
Manager Gas Transportation and Billing Services
VP Customer Care
Supervisor, Special Services
Senior Manager, Contact Center
Manager, Collections and Remittance
Supervisor, BQA

Dave Lukowicz
Sharon Grove
Ellen Rendos
Kevin Kirby
Hatti Patterson
Kelly Lena
Michelle Sheehan
Leanne Demar

2009 Budget Process for Information Services

Operating Expense

The Information Services (IS) Business Analyst³⁹ prepares an Excel budget file for the IS managers⁴⁰ to use in their development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template and a template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active IS employees to the IS Business Analyst.

Fixed Payroll Template

- The IS Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Based on discussions with the IS Managers, the IS Business Analyst then completes the budget file.

- The fixed payroll template is utilized to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

Non-payroll Expenditures

- Once the payroll expenditures have been completed, the IS Business Analyst enters non-payroll expenditures into the 2009 budget templates except for hardware and software maintenance fees, training, and consulting charges. The expenditures are broken down by activity and account category. The corporate assumptions for non-payroll inflationary increases are used in the development of the budgets.
- The IS Business Analyst, the Vice President of Information Services⁴¹, and the IS managers then collectively review the hardware and software maintenance fees, training, and consulting charges that are anticipated for the budget year. For hardware and software maintenance fees, they take into account any fees that may

³⁹ Laura Ortega

⁴⁰ Mark Guth, Cindi Reyes, and Tim Kaufman

⁴¹ Barbara Zeller

have been previously included in licensing agreements which will now be paid for separately and adjust any fees for hardware/software that will not be utilized in the budget year. The project list for the budget year is also reviewed to account for any new hardware/software maintenance fees that will be incurred due to project work. For training and consulting, they take into account any expenses that will not be included in project costs.

- The hardware and software maintenance fees, training, and consulting expenditures are entered into the template by the IS Business Analyst.
- A consolidated annual budget is sent to the Vice President of Information Services and the IS managers for review.
- The IS Business Analyst then completes the monthly breakdowns for all areas except asset management and the CWIP credit. The asset management breakdown is completed by the Asset Management Analyst⁴² based on when assets are expected to be taken out of and put into service, and the CWIP credit breakdown is provided by the IT Project Office Manager⁴³ based on when projects are expected to occur.
- The IS Business Analyst then uploads the information into Essbase.
- Reports detailing the budget for 2009 are then generated from Essbase and sent to the IS managers for review and final approval.
- Any adjustments necessary are made to the templates and the changes reloaded into Essbase.
- The IS Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

Software Expensed

- The IS Business Analyst calculates the software expense by taking a percentage of the project cost coded to the internally developed capital budget activity⁴⁴. The monthly breakdown is done based on the monthly capital budget.
- The IS Project Office Manager reviews and approves the monthly breakdown of the software expense for all projects.
- The IS Business Analyst loads the information into Essbase.
- The total amount loaded for expensed software is verified against the amount approved by ERC.

Intercompany Billing

- The payroll associated with intercompany billing is determined by the IS managers based on a review of the special projects, programming needs, or unique reporting and support required for each of the subsidiaries.
- The billed to affiliates amount is loaded with the rest of the expenditures for that activity.

⁴² Maribeth Abrams

⁴³ Cindi Reyes

⁴⁴ Time studies completed by the IS programmers support the percentage allocated to expense. This covers general meetings, training, and other time that is not capitalizable.

Capital

Information Technologies – Cap Types 520 thru 526, 550, and 560

- The Director of IT Operations⁴⁵ provides the monthly breakdown for the IT annuals to the IS Business Analyst based on when the purchases for replacement PCs, servers, monitors, etc. are anticipated.
- For the remainder of the information technologies budget, the IT Project Office Manager reviews all the projects from prior years which have not been completed and any new projects that have been requested by the business units. The IT Project Office Manager then ranks these projects based on criteria established by the IT Steering Committee. A cutoff point is determined based on available resources. The project listing is submitted to the IT Steering Committee for approval.
- The IS Business Analyst works with the IS Project Office Manager to determine the monthly breakdowns based on when the work is expected to be performed.
- The IS Business Analyst uploads the information into Essbase.
- The IS Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

General Plant -- Cap Type 500

- The IS Business Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Vice President of IS, the IS Business Analyst provides this information to the cap type owner for corporate consolidation.
- After the IS Business Analyst is notified by the cap type owner that the budget has been approved by CMT, the IS Business Analyst loads the budget for general plant for the IS area into Essbase.
- The IS Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

⁴⁵ Tim Kaufman

2009 Budget Process for Finance & Treasurer

Operating Expense

The Senior Finance Business Analyst⁴⁶ prepares an Excel file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data and the budget for 2008. The budget file also contains a fixed payroll template and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting.

Fixed Payroll Template

- The Senior Finance Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

The budget file is sent to the following budget preparers for completion:

Director, Rates and Financial Analysis⁴⁷
Senior Manager Financial & Risk Analysis⁴⁸
Senior Manager Internal Controls and Insurance⁴⁹
Assistant Treasurer⁵⁰
Senior Vice President of Finance and Treasurer⁵¹
Director, Corporate Planning and Research⁵²

- The budget preparers utilize the fixed payroll template to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

⁴⁶ Susan Lee

⁴⁷ Bob Mudra

⁴⁸ Brian May

⁴⁹ Dan Lambert

⁵⁰ Pat McQueeny

⁵¹ Gerry O'Connor

⁵² Janet Weiss

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, the budgets are sent to the Senior Finance Business Analyst for consolidation. The Senior Finance Business Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget for Finance and Treasury is sent to the Senior Vice President of Finance and Treasurer for review and refinement.
- After senior vice presidential review, any necessary revisions are made to the consolidated budgets.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Senior Finance Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

Property & Casualty Insurance

- The Senior Manager Internal Controls and Insurance works with outside insurance brokers to determine the cost of corporate insurance for the budget year.
- The Senior Manager Internal Controls and Insurance provides this information to the Senior Finance Business Analyst.
- The Senior Finance Business Analyst loads the information into Essbase.
- The total amount loaded for property and casualty insurance is verified against the amount approved by ERC.

Intercompany Billing

- The budget preparers determine the intercompany billings for their areas based on history and projected workload. Most intercompany billing is for payroll associated with work performed for the affiliates. Additional non-payroll charges include:
 - Bank fees for the retirement accounts (provided by Money Management)
- The budget preparers enter these intercompany amounts into their respective templates along with their other departmental expenses and send it to the Senior Finance Business Analyst to be uploaded.

2009 Budget Process for Accounting

Operating Expense

The Senior Accounting Business Analyst⁵³ prepares an Excel file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Accounting area employees to the Senior Accounting Business Analyst.

Fixed Payroll Template

- The Senior Accounting Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

The budget file is sent to the following budget preparers for completion:

Investor Relations Administrator⁵⁴
Senior Manager Accounting⁵⁵
Manager Financial Reporting⁵⁶
Senior Manager Financial Accounting⁵⁷
Manager Corporate Accounting⁵⁸
Director Federal and State Taxes⁵⁹
Manager Financial Planning and Analysis⁶⁰
Assistant Controller⁶¹

- The budget preparers utilize the fixed payroll template to account for additional new hires, position terminations, departmental transfers, summer help, or interns.

⁵³ Greg Warner

⁵⁴ Andy McIntosh

⁵⁵ Bob Hatley

⁵⁶ Dave Totosz

⁵⁷ Marianne Lorenz

⁵⁸ Dan Webb

⁵⁹ Jeff Gabriel

⁶⁰ Kary Brunner

⁶¹ Jim Gorenz

- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, the budgets are sent to the Senior Accounting Business Analyst for consolidation. The Senior Accounting Business Analyst reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.
- The consolidated budget for Accounting is sent to the Vice President and Controller⁶² for review and refinement.
- After vice presidential review, any necessary revisions are made to the consolidated budgets.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Senior Accounting Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

Future Health Care

- The budget for future health care is determined based on actuarial studies. The Financial Reporting Manager provides the annual amount for future health care to the Senior Accounting Business Analyst.
- The Senior Accounting Business Analyst straight lines the annual amount to arrive at the monthly breakdowns.
- The Senior Accounting Business Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Financial Reporting Manager and approved by ERC.

Pension Provision

- The Financial Reporting Manager determines the annual amount for the pension provision based on actuarial studies and provides the annual amount to the Senior Accounting Business Analyst.
- The Senior Accounting Business Analyst straight lines the annual amount to arrive at the monthly breakdowns.
- The Senior Accounting Business Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Financial Reporting Manager and approved by ERC.

⁶² Karen Pepping

External Audit Fees

- The Financial Reporting Manager works with the VP and Controller to determine the annual amount for the audit fees and provides the monthly amount to the Senior Accounting Business Analyst.
- The Senior Accounting Business Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Financial Reporting Manager and approved by ERC.

A&G Capitalized

- After the expense components for capitalized A&G have been determined, the portion to be capitalized is calculated by the Senior Accounting Business Analyst based on the current capitalization rate and activities included in the pool.
- After supervisory review, the Senior Accounting Business Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount approved by ERC.

Intercompany Billing

- The budget preparers determine the intercompany billings for their areas based on history and projected workload. Most intercompany billing is for payroll associated with work performed for the affiliates.
- The budget preparers enter these intercompany amounts into their respective templates along with their other departmental expenses and send it to the Senior Accounting Business Analyst to be uploaded.

Capital

Allowance for Funds Used during Construction (AFUDC) – Cap Type 930

- The Senior Supervisor of Plant Accounting provides the monthly amount for AFUDC to the Senior Accounting Business Analyst.
- The Senior Accounting Business Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount provided by the Senior Supervisor of Plant Accounting and approved by CMT.

A&G Capitalized – Cap Type 940

- After the expense components for capitalized A&G have been determined, the portion to be capitalized is calculated by the Senior Accounting Business Analyst based on the current capitalization rate and activities included in the pool.
- The Senior Accounting Business Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount approved by CMT.

Pension – Cap Type 941

- The total expenditures for pensions are based on actuarial studies commissioned by the Financial Reporting department. The appropriate capitalization percentage based

on the current capitalization rate is applied to the total expenditure to arrive at the capital pension budget.

- After approval by CMT, the Senior Accounting Business Analyst uploads the information into Essbase.
- The Senior Accounting Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Future Health Care – Cap Type 943

- The total expenditures for future health care are provided by the actuarial studies. The appropriate capitalization percentage based on the current capitalization rate is applied to the total expenditure to arrive at the capital future health care budget.
- After approval by CMT, the Senior Accounting Business Analyst uploads the information into Essbase.
- The Senior Accounting Business Analyst then verifies that the loaded amount is the same as the amount approved by CMT.

Payroll Taxes – Cap Type 950

- After the departmental budgets including payroll have been loaded by all the Business Analysts, the payroll portion to be capitalized is calculated by the Senior Accounting Business Analyst based on the current capitalization rate and activities included in the pool.
- The Senior Accounting Business Analyst then loads the information into Essbase.
- Verification of the amount loaded is performed to ensure that it ties to the amount approved by CMT.

General Plant -- Cap Type 500

- The Senior Accounting Business Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the Vice President and Controller, the Senior Accounting Business Analyst provides this information to the cap type owner for corporate consolidation.
- After the Senior Accounting Business Analyst is notified by the cap type owner that the budget has been approved by CMT, the Senior Accounting Business Analyst loads the budget for general plant for the Accounting area into Essbase.
- The Senior Accounting Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

2009 Budget Process for Executive Office, Internal Audit, Legal, Government Affairs and Community Relations

Operating Expense

The Legal Business Analyst⁶³ prepares an Excel file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 2 years of historical data and the budget for 2008. The budget file also contains a fixed payroll template and a template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active legal, internal audit, community relations, government affairs, and executive office employees to the Legal Business Analyst.

Fixed Payroll Template

- The Legal Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

Based on discussions with the managers, the Legal Business Analyst then completes the budget file.

- The fixed payroll template is utilized to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

Non-payroll Expenditures

- Once the payroll expenditures have been completed, the non-payroll expenditures, except outside services, are entered into the 2009 budget templates by the Legal Business Analyst based on historical usage. The expenditures are broken down by activity and account category. The corporate assumptions for non-payroll inflationary increases are utilized in the development of the budgets.
- The Legal Business Analyst meets with the following budget preparers individually to review the 2009 budget for their area and to determine the outside service charges for the budget year as well as to document any assumptions utilized for budgeting purposes.

⁶³ Laura Wiskari

Assistant General Counsel⁶⁴
Director of Internal Audit⁶⁵
Assistant Vice President of Governmental Relations⁶⁶
Senior Manager of Claims & Litigation⁶⁷
Senior Vice President General Counsel and Secretary⁶⁸
Manager, Community Relations⁶⁹
CEO and President⁷⁰

- The budget preparers and Legal Business Analyst then meet with their respective officers to review, revise, and challenge the budget as necessary.
- The Legal Business Analyst incorporates any revisions into the templates.
- The Legal Business Analyst then consolidates all the revised templates and sends each officer a revised consolidated annual budget.
- The Legal Business Analyst completes the monthly breakdowns based on historical data.
- The monthly breakdowns are reviewed and approved by the managers and officers.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Legal Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

PBR & Special Investigations

- The Associate General Counsel⁷¹ works with outside legal firms to determine the amount needed for the budget year.
- The Associate General Counsel provides this information to the Legal Business Analyst.
- The Legal Business Analyst loads the information into Essbase.
- The total amount loaded for PBR & Special Investigations is verified against the amount approved by ERC.

Directors Fees

- The Legal Business Analyst meets with the Senior Vice President General Counsel and the Corporate Governance Specialist⁷² to determine the budget needed for the year based on projected retainer, number of directors, number of meetings planned and historical costs.
- The Legal Business Analyst loads the information into Essbase and communicates the budget to the Human Resources Business Analyst.

⁶⁴ Jill Kelly, Neil Maloney and Bridget Shahan

⁶⁵ Mike Zumach

⁶⁶ Scott Lewis

⁶⁷ Pat Fennell

⁶⁸ Paul Gracey

⁶⁹ Margi Schiemann

⁷⁰ Russ Strobel

⁷¹ Dan McNamara

⁷² Nettie Lambert

- The total amount loaded for directors fees is verified against the amount approved by ERC.

Intercompany Billing

- The intercompany billing charges for each area are determined by the various managers and officers based on historical data and known items such as planned audits for the affiliates. Primarily, officer payroll billed to the affiliates is determined using a fixed percentage. These percentages are based on prior time studies conducted by the officers adjusted for any special projects for the affiliates that may require time above and beyond normal. Those officers that do not bill a fixed percentage estimate their work to be performed and communicate this to the Legal Business Analyst.
- The Legal Business Analyst enters these intercompany amounts into the budget templates along with the other departmental expenses to be uploaded.

Capital

General Plant -- Cap Type 500

- The Legal Business Analyst determines the amount needed based on historical expenditures for small tools, furniture, and office equipment. Current year special requests and projects are also taken into consideration.
- After approval by the managers, the Legal Business Analyst provides this information to the cap type owner for corporate consolidation.
- After the Legal Business Analyst is notified by the cap type owner that the budget has been approved by CMT, the Legal Business Analyst loads the budget for general plant into Essbase.
- The Legal Business Analyst then verifies that the loaded amount is the same as the amount provided to the cap type owner.

2009 Budget Process for Nicor Gas Business Development

Operating Expense

The Senior Business Development (BD) Business Analyst⁷³ prepares an Excel file to aid in the development of the 2009 budget. The file contains the monthly breakdowns of 3 years of historical data, an average of 3 years historical data, and the budget for 2008. The budget file also contains a fixed payroll template and a blank template to detail out the 2009 budget.

Payroll Expenditures

Human Resources provides the payroll information for all active employees to Management Accounting. Management Accounting provides the payroll information for all active Business Development employees to the Senior BD Business Analyst.

Fixed Payroll Template

- The Senior BD Business Analyst then enters the annual salary information for management and clerical personnel into the fixed payroll template to determine the monthly breakdowns for the budget year taking into account the corporate merit increase assumption provided by Human Resources. The merit increases are assumed to take place in March. This template spreads the annual salary amounts into the months based on workdays per month. Any car allowances to be received by management personnel are also entered into the fixed payroll template.
- Fixed payroll is then allocated to the appropriate activities based on the activity that each employee is primed to.

The budget file is sent to the following budget preparers for completion:

Senior Manager Business Development⁷⁴
Gas Accounting - Supervisor of Accounting⁷⁵

- The budget preparers utilize the fixed payroll template to account for additional new hires, position terminations, departmental transfers, summer help, or interns.
- The monthly budgeted headcount is determined based on current headcount adjusted for known new hires, position terminations, departmental transfers, and seasonal work.

Non-payroll Expenditures

- Once the budget preparers have completed the payroll expenditures, they enter non-payroll expenditures into the 2009 budget templates. The expenditures are broken down monthly by activity and account category. They utilize the corporate assumptions for non-payroll inflationary increases in the development of their budgets.
- After these templates are completed by the budget preparers, they are sent to the Senior BD Business Analyst for consolidation. The Senior BD Business Analyst

⁷³ Greg Warner

⁷⁴ Chris Finch

⁷⁵ Madhu Pallath

reviews the consolidated budgets to ensure that the overall amount is reasonable and consistent with given guidelines.

- The consolidated budget is sent to the Executive Vice President of Diversified Ventures⁷⁶ for review, clarification, and refinement.
- After vice presidential review, any necessary revisions are made to the consolidated budgets. The revised budget is sent back to the Executive Vice President of Diversified Ventures for final review and approval.
- The final 2009 budget is loaded into Essbase after approval by ERC.
- The Senior BD Business Analyst verifies that the loaded amounts tie out to the amounts approved by ERC.

Selected Items

None

Intercompany Billing

- The Gas Accounting - Supervisor of Accounting notifies the Senior BD Business Analyst of the intercompany percentage to be billed out for the Chicago Hub and Asset Planning and Development. The Senior BD Business Analyst then calculates the dollars associated with intercompany billing.
- The Senior Manager of Business Development notifies the Senior BD Business Analyst of the intercompany amounts to be billed out for diversification projects.
- These intercompany amounts are entered into their respective templates by the Senior BD Business Analyst along with the other departmental expenses to be uploaded into Essbase.

Capital

None

⁷⁶ Daniel Dodge

2009 Budget Process for Nicor Corporate

Consolidated Pool

The consolidated pool is used to accumulate expenses incurred on behalf of all subsidiaries. It is then allocated to all the subsidiaries based on Nicor's 2-factor calculation. For 2009, Nicor Gas received 73.11% of the consolidated pool charges.

Departmental Expenses

- The budget for the departmental expenses is based on the payroll and non-payroll billed to affiliates information for Nicor Gas which is loaded by all the Business Analysts into Essbase.
- The billed to affiliates amounts are distributed to the Nicor Corporate activities and accounts by all the Business Analysts.

Benefit Expense

- The budget for the benefit expenses is provided to the Senior Accounting Business Analyst by the Senior Supervisor of Corporate Accounting⁷⁷ after managerial approval.
- The Senior Accounting Business Analyst enters the benefit expense into the template to be uploaded into Essbase.

Branding

Branding is split – 50% to the consolidated pool and 50% to unallocated expenses that remain at the Nicor Inc. level.

- The total budget for branding is provided to the Human Resources Business Analyst by the Senior Vice President of Human Resources and Corporate Communications.
- The Human Resources Business Analyst enters the benefit expense into the template to be uploaded into Essbase.

Payroll Additive

- The payroll additive is calculated by the Supervisor of Financial Business Analysis. It is based on the management level of those employees that are charging time to the consolidated pool. Each management level has an associated percentage that is charged to the same activity that their payroll gets charged to.
- After managerial review of the calculation, the Senior Accounting Business Analyst loads the payroll additive for all Nicor Inc. activities into Essbase.

Unallocated Expenses

Unallocated expenses are deemed to be Nicor Inc. expenses and are not to be shared by any affiliates. Diversification Cost, Unallocated Branding, the Allocated Pool Credit, and some Miscellaneous Unallocated expenses were not included in the consolidated pool for 2009 because they do not impact Nicor Gas.

⁷⁷ Brian Czerak

2009 Cap Type Owners

Owner	Cap Type	Description
Markgraff	050 & 051	New Business Services
Nance	077 thru 081	New Business Main
Koif	060 & 061	Replacement Services
Koif	082 & 083	Replacement Main
Koif	062 & 063	Cross Ties
Fox	084 & 085	System Improvement - Main
Bell	086 & 087	Public Improvement - Main
Stercay	088	Miscellaneous Revisions
Johnson	095	Meters - Rate 74
Johnson	094	Meters
Koif	089	Reimbursables
Markgraff	093	New Industrial Meters
Nichols	097	Strategic Planning
Markgraff	140 & 145	Contributions Collected
Nance	150	Other New Business
J. Hynes	160	Other Capital
Stercay	092 & 170	Replacement Pressure Sets
C. Hynes	175	Replacement Regulators
J. Hynes	180	Estimated Services Removal Cost
C. Hynes	200	Corrosion Activity
Deters	466 thru 471	Supply Operations Storage
Deters	472 thru 479	Supply Operations Transmission - West & South
Whybark	472 thru 479	System Operations Transmission - Central
Loftus	500	Miscellaneous General Plant
Reyes	520 thru 526, 550, 560	Information Technologies
Loftus	540	Land and Buildings
Hunter	570	Fleet
Hunter	575	Fleet Auction Proceeds
Whitfield	580	New Technologies
Hunter	577	Capitalized Fleet
Gorenz	578	Capitalized Fleet Depreciation
Martin	900	Stores Handling
Various	910	Engineering Overheads - Regions
Bell	920	Engineering Overheads - G.O.
Gorenz	930	AFUDC
Gorenz	940	A & G
Bacidore	941	Pension
Bacidore	942	Employee Insurance
Bacidore	943	Future Health Care
Bacidore	945	Other Benefits
Gorenz	950	Payroll Taxes
Various	960	Indirect Departmental Expenses (IDE)
Loftus	980	Capitalized Facilities (Bldgs & Grds)
Fox	100 thru 102, 465, 480	Revenue Generating

Role of Management Accounting

The role of Management Accounting in the 2009 budget process is to oversee the budget process and to provide high-level, consolidated reports to senior management.

- Management Accounting establishes the timeline for the budget process based on guidelines given by senior management.
- Management Accounting disseminates the general guidelines concerning inflationary rates and merit increases to all Budget Analysts. Any additional information relative to the budget process is communicated through Management Accounting.
- Management Accounting distributes blank templates and presentations to the Budget Analysts.
- Management Accounting ensures that Essbase has been recalculated as often as is necessary to facilitate the budget process. Troubleshooting is performed when necessary.
- Management Accounting distributes budget presentations to ERC and CMT members.
- Management Accounting communicates information from ERC and CMT to the Business Analysts/preparers and coordinates any revisions or additional requests for information.
- Management Accounting confirms that the information loaded into Essbase ties to the presentations made to the ERC and CMT committees. Selected items are also tied out to ensure proper Essbase loading.
- Reasonableness checks are performed by Management Accounting to ensure proper Essbase loading.
- Consolidated reports showing the overall company budget by officer are generated and distributed by Management Accounting once all budgets have been loaded by the Business Analysts.