

**Nicor Gas
Pro Forma 2009 Credit Ratios
Assuming Staff Proposal**

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Moody's Calculation with Staff Adjustment

		<u>12/31/2009</u>
1	<u>EBIT/Interest Coverage</u>	
2	Numerator	
3	Net Income ^(a)	\$ 54,629
4	Income Tax Expense, Net ^(b)	\$ 28,159
5	Less: Income Tax (Expense) On Other Income	\$ 108
6	Interest Expense	<u>\$ 40,204</u>
7	EBIT Before Moody's Adjustment's	\$ 123,100
8	Moody's Pretax Income Adjustment (Pension Credit)	\$ (20,400)
9	Moody's Interest Expense Adjustment (Rental Expense * 1/3)	<u>\$ 367</u>
10	Numerator Total	\$ 103,067
11	Denominator	
12	Interest Expense	\$ 40,204
13	Moody's Interest Expense Adjustment (Rental Expense * 1/3)	<u>\$ 367</u>
14	Denominator Total	\$ 40,571
15	EBIT/Interest Coverage - line 10 / line 14	2.5

		<u>12/31/2009</u>
16	<u>Retained Cash Flow/Debt</u>	
17	Numerator	
18	Funds From Operations:	
19	Net Income ^(a)	\$ 54,629
20	Depreciation	\$ 178,400
21	Deferred Income Tax Expense & Investment Tax Credits	<u>\$ (10,055)</u>
22	Funds From Operations Total	\$ 222,974
23	Less: Dividends Paid	\$ (23,386)
24	Less: Dividends On Preferred Stock	<u>\$ (67)</u>
25	RCF Before Moody's Adjustment	\$ 199,521
26	Moody's FFO Adjustment (Rental Expense * 2/3)	<u>\$ 733</u>
27	Numerator Total	\$ 200,254
28	Denominator	
29	ST Debt - 12/31/2009	\$ 623,300
30	LT Debt - 12/31/2009	\$ 498,246
31	Current Portion Of LT Debt	\$ 500
32	Redeemable Preferred Stock	\$ 2,100
33	Moody's LT Debt Adjustment (Rental Expense * 8)	<u>\$ 8,800</u>
34	Denominator Total	\$ 1,132,946
35	RCF/Debt - line 27 / line 34	17.7%

36	Staff Adjustments For Rate Relief		
37	(a) Net Income Before Proposed Rate Increase	\$ 17,826	
38	Staff Proposed Rate Increase	<u>\$ 36,803</u>	(1) 61,078 * (1-.39745)
39	Adjusted Net Income	\$ 54,629	
40	(b) Income Tax Expense Before Proposed Rate Increase	\$ 3,884	
41	Staff Proposed Rate Increase	<u>\$ 24,275</u>	(1) 61,078 * .39745
42	Adjusted Income Tax Expense	\$ 28,159	

43 ⁽¹⁾ Marginal Tax Rate = 39.745%

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		<u>12/31/2009</u>
1	<u>Debt/Book Capitalization</u>	
2	Numerator	
3	ST Debt - 12/31/2009	\$ 623,300
4	LT Debt - 12/31/2009	\$ 498,246
5	Current Portion Of LT Debt	\$ 500
6	Redeemable Preferred Stock	\$ 2,100
7	Debt Before Moody's Adjustment	\$ 1,124,146
8	Moody's LT Debt Adjustment (Rental Expense * 8)	\$ 8,800
9	Numerator Total	\$ 1,132,946
10	Denominator	
11	ST Debt - 12/31/2009	\$ 623,300
12	LT Debt - 12/31/2009	\$ 498,246
13	Current Portion Of LT Debt	\$ 500
14	Redeemable Preferred Stock	\$ 2,100
15	Equity - 12/31/2009	\$ 681,231
16	LT Deferred Taxes	\$ 301,176
17	Less: Goodwill	\$ -
18	Book Capitalization Before Moody's Adjustment	\$ 2,106,553
19	Moody's LT Debt Adjustment (Rental Expense * 8)	\$ 8,800
20	Moody's Book Equity Adjustment (LIFO Revaluation Reserve)	\$ 317,381
21	Denominator Total	\$ 2,432,734
22	Debt/Book - line 9 / line 21	46.6%

		<u>12/30/2009</u>
23	<u>FCF/FFO</u>	
24	Numerator	
25	Funds From Operations:	
26	Net Income ^(a)	\$ 54,629
27	Depreciation	\$ 178,400
28	Deferred Income Tax Expense (Benefit) & Investment Tax Credit	\$ (10,055)
29	Funds From Operations Total	\$ 222,974
30	Working Capital Changes	\$ 84,142
31	Less: Capital Expenditures	\$ (225,000)
32	Less: Dividends Paid	\$ (23,386)
33	Numerator Total	\$ 58,730
34	Denominator	
35	Funds From Operations:	
36	Net Income ^(a)	\$ 54,629
37	Depreciation	\$ 178,400
38	Deferred Income Tax Expense (Benefit) & Investment Tax Credit	\$ (10,055)
39	Funds From Operations Before Moody's Adjustment	\$ 222,974
40	Moody's FFO Adjustment (Rental Expense * 2/3)	\$ 733
41	Denominator Total	\$ 223,707
42	FCF/FFO - line 33 / line 41	26.3%

43	Staff Adjustments For Rate Increase	
44	(a) Net Income Before Proposed Rate Increase	\$ 17,826
45	Staff Proposed Rate Increase	\$ 36,803
46	Adjusted Net Income	\$ 54,629

(1) 61,078 * (1 - .39745)

47 (1) Marginal Tax Rate = 39.745%