STATE OF ILLINOIS)
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COUNTY OF SANGAMON)

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company d/b/a Nicor Gas Company	:	
	:	09-0260
Petition for authority pursuant to Section 6-102 of the Illinois Public Utilities Act: to issue and sell First Mortgage Bonds all in an aggregate principal amount not to exceed $50,000,000 in a single series.	:	

AFFIDAVIT OF ROCHELLE PHIPPS

I, Rochelle Phipps, being duly sworn upon oath, depose and state as follows:

1. I am a Senior Financial Analyst in the Financial Analysis Division of the Illinois Commerce Commission ("Commission").

2. On May 28, 2009, Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas" or "Company") filed a petition for authority pursuant to issue and sell First Mortgage Bonds (the "Bonds") in an aggregate principal amount not to exceed $50,000,000 in a single series pursuant to Section 6-102(b) of the Illinois Public Utilities Act, (220 ILCS 5/6-102) ("Act").

3. The Company requests Commission authority to issue the Bonds to replace the First Mortgage Bonds 5.37% Series, which matured on February 1, 2009. The Company states it did not refinance the maturing bonds immediately due to turbulent

market conditions and because the Company's cash position generally improves during the first two quarters of the fiscal year. (Nicor Gas Ex. 1.0, p. 3)

4. The Company states it and the purchasers will negotiate the exact terms of the Bonds, which will be issued and sold through a private placement during 2009. The Company expects the Bonds (1) will mature not more than 10 years from their date of original issue; (2) will have approximately a six percent interest rate; (3) will sell at par; and (4) will contain such optional, special and mandatory redemption provisions as may be negotiated by Nicor Gas. At the time the Bonds are issued, the Company and Trustee under the Company's Bond Indenture will enter into a Supplemental Indenture. The lien of the Bond Indenture, as supplemented, will secure the Bonds. (Nicor Gas Ex. 1.0, p. 4)

5. The Company has stated that the Bond issuance is for the purpose of refunding, redeeming or refinancing stock, bonds, notes or other evidences of indebtedness and for general corporate purposes such as financing rate base and capital expenditures. (Company Petition, par. 6) The Company also provided Staff supplemental information that indicates "general corporate purposes" refers to the Company's rate base assets (*i.e.*, property, plant and equipment, gas in storage, material and supplies and cash working capital) and that the Company expects to invest approximately $200 million in rate base additions to property, plant and equipment during 2009. (Company response to ICC Staff data request FD 1.02) The Company states further that to the extent that the proceeds from the proposed bond issuance are not needed for other expenditures on the issue date, the proceeds of the issuance would be used to pay down short-term debt outstanding on the issuance date. (Company response to ICC Staff data request FD 2.01, which is provided as Attachment A to this affidavit)

6. Pursuant to Section 6-108 of the Act, the Company agrees to pay a fee in an amount equal to 24 cents for every $100 of the principal amount of indebtedness authorized by the Commission. (Company Petition, par. 7) The fee on $50,000,000 of new indebtedness is $120,000, which is to be paid no later than 30 days after service of the Commission Order authorizing the issuance of the proposed indebtedness. The fee is calculated as follows:

$50,000,000 x ($0.24/$100) = $120,000

7. The Company's proposal is also subject to 83 Illinois Administrative Code Part 240, which requires the petitioner to file reports relative to the issuance of the proposed indebtedness and application of the proceeds, unless the Commission Order provides otherwise (Section 240.30).

8. Staff does not object to the Company's request and recommends the Commission issue an Order, pursuant to Section 6-102(a) of the Act, authorizing the issuance of the Bonds and identifying the applicable provisions of the Act and Administrative Code.

9. The Company's response to Staff data request 2.01 indicates that proceeds will not be used to redeem stock or refund, redeem or refinance outstanding long-term indebtedness. Consequently, Staff recommends that the Company's description of the authorized use of proceeds be narrowed accordingly. Specifically, Staff recommends that the Commission Order explicitly state the purpose of the proceeds is rate base additions to property, plant and equipment during 2009 and, to the extent that the proceeds from the proposed bond issuance are not needed for other expenditures on the issue date, to pay down short-term debt outstanding on the issuance date.

10. Staff further recommends that the Commission order the Company to pay a $120,000 fee pursuant to Section 6-108 of the Act and file reports relating to the issuance of the securities approved in this Order pursuant to 83 Ill. Adm. Code Part 240.

11. In Staff's judgment, the proposed transaction meets the requirement of Section 6-102 of the Act. Therefore, Staff recommends the Commission grant Nicor Gas the authority requested in its Petition and add Staff's proposed language to the Commission Order granting such financing authority.

FURTHER AFFIANT SAYETH NOT.

Rochelle Phipps
Rochelle Phipps

Subscribed and sworn to before me
this 23rd day of June 2009.

Meri L Sanders
(Notary Public)

OFFICIAL SEAL
MERI L. SANDERS
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 7-19-2011

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Illinois Commerce Commission
Ill.C.C. Docket No. 09-0260
FD Second Set of Data Requests

FD 2.01 Q. In Docket No. 08-0363, the Company's response to JF 17.01, including Ex. 1 to that response, shows a pro forma $50 million reduction to the Company's short-term debt balances for February and March 2009 due to a temporary delay in refinancing 2/1/2009 FMB bonds (see Column C of Ex. 1). That is, the Company's response to JF 17.01 implies that all the proceeds from the Company's proposed financing will be used to refund outstanding short-term debt.

Nevertheless, paragraph six (6) of the Company's petition in this docket states:

> The issuance is for the purpose of refunding, redeeming or refinancing outstanding stock, bonds, notes or other evidences of indebtedness and for general corporate purposes such as financing rate base and capital expenditures.

A. Please specify whether the Company's response to JF 17.01 or the Petition in this case is correct. If possible, please reconcile the two statements

B. Does the Company expect that some of the proceeds from the new bonds will be used to retire short-term debt? If the answer is yes, how much short-term debt does the Company expect to retire from the proceeds of the new bonds? If the answer is no, please identify the debt issues that the Company expects will be retired from the proceeds the new bonds and the amount of those debt issues that will be retired.

C. Does the Company expect that some of the proceeds from the new debt will be issued to retire the 2/1/2009 FMB bonds? If the answer is yes, how much of the 2/1/2009 FMB bonds will be retired from the proceeds of new bonds?

FD 2.01 A. A. Both responses are correct. In response to data request JF 17.01 in Docket No. 08-0363, the Company provided updated monthly short-term debt balances at the request of Staff. It also provided a worksheet showing pro-forma balances, which was intended to provide the Staff with additional insight regarding the impact on 2008-2009 short-term debt balances of two unusual items, including the delay in refinancing of the February 1, 2009 First Mortgage Bond maturity. As previously noted, the Company normally refinances existing long-term debt when it matures, but refinancing of the February 1, 2009 maturity was delayed due to volatile bond market conditions during the first quarter of 2009.

FD 2.01 A.
Continued

In regard to the Petition, the underlying reason for the issuance of new bonds is to replace the February 1, 2009 maturity.

B. To the extent that the proceeds from the proposed bond issuance are not needed for other expenditures on the issuance date, Nicor Gas expects that short-term debt outstanding on the issuance date, if any, would be paid down from proceeds of the issuance.

C. From a sequential perspective, no. The First Mortgage Bonds that matured in February 2009 were redeemed at their maturity date. The proposed new First Mortgage Bond issuance has not yet occurred so the proceeds from that issuance were not available to Nicor Gas in February 2009. However, as noted above, the reason for the proposed new First Mortgage Bond issuance is to replace, on a delayed basis, the bonds that matured in February 2009.

Witness: Douglas M. Ruschau