

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Northern Illinois Gas Company d/b/a Nicor Gas Company)	
)	
Petition for an Order Re-Approving an Agreement for the)	Docket No. 09-0301
Provision of Facilities and Services and the Transfer of)	
Assets between Nicor Gas Company and Nicor Inc.)	
and its Subsidiaries.)	

STAFF MOTION TO COMPEL

NOW COMES Staff of the Illinois Commerce Commission (“Staff”), by and through its undersigned counsel, pursuant to 83 Ill. Adm. Code (“Code”) 200.350 and 200.370, hereby files this Motion to Compel (“Motion”) in the above captioned proceeding.

1. On or about May 6, 2010, Staff electronically served Staff Data Requests (“DR”) DAS 10.08, 10.10, 10.12 and 10.13 on Northern Illinois Gas Company, d/b/a Nicor Gas Company (“Nicor Gas” or “Company”). On or about May 25, 2010, the Company responded and objected to the DRs on relevance grounds (see Staff DRs and corresponding Company responses in Exhibits A, B, C, and D attached hereto). During the next few weeks of June, in the hopes of resolving the differences between Staff and the Company regarding the Company’s responses and objections, counsel for Staff and the Company, in addition to Staff and Company personnel, exchanged emails and had telephonic consultation in an attempt to amicably resolve differences regarding the DRs in question. On July 7, 2010, Staff served a discovery letter on the Company demanding production of the DR responses by close of business on July 9, 2010.

Conversations with Company counsel indicated that supplemental responses would be forthcoming, and the deadline was extended to Thursday, July 22, 2010. As of the date of this Motion, the Company has not provided any supplemental responses.

2. Given the Company's response, Staff respectfully states that reasonable attempts to resolve differences have failed within the meaning of 83 Ill. Adm. Code 200.350. Accordingly, Staff requests the Administrative Law Judge compel Nicor Gas to respond to and provide Staff with the information responsive to Staff DRs DAS 10.08, 10.10, 10.12 and 10.13.

3. The DRs in question all pertain to the billing services that Nicor Gas provides to its affiliate, Nicor Services, and the Third Party Billing Service ("TPBS") that Nicor Gas provides to its affiliate, Nicor Solutions, and third party Customer Select suppliers. Nicor Gas contends that the questions regarding TPBS are not relevant to this docket and are not reasonably calculated to lead to the discovery of admissible evidence. Despite this contention, the Company has already responded to other DRs in this case regarding TPBS; some of these DRs are attached to Staff's direct testimony (see ICC Staff Ex 2.0, Attachments K, L, M). The Company objects to further follow up questions which, Staff believes, will provide or lead to the discovery of admissible evidence regarding Nicor Gas' billing systems.

4. Nicor Gas has two billing systems. One was developed in the early 1990s for Nicor Services, a Nicor Gas affiliate, and the costs for it are covered by the Operating Agreement ("OA"). The second billing system is called Third Party Billing Service ("TPBS"), a tariffed service proposed by Nicor Gas and approved by the Commission in Docket Nos. 00-0620 and 00-0621.

5. Staff contends that information which would permit comparison of the two billing systems and which is being sought by the DRs is relevant for the following reasons:

- In Nicor Gas' last rate case (Docket No. 08-0363), Staff raised concerns regarding Nicor Gas' affiliated interest transactions and recommended that a proceeding be initiated to investigate whether the OA is in the public interest. The Commission agreed with Staff and ordered such an investigation. In order for the Commission to determine if the OA is in the public interest, the Commission must investigate if the services offered under the OA are being provided in a discriminatory manner. The OA is attached hereto as Exhibit E.
- The TPBS system about which Staff seeks discovery is provided to a Nicor Gas affiliate, Nicor Solutions, under the umbrella authority of the OA (Exhibits F, G, and H attached hereto are Nicor Gas' Response to Staff DR DLH 2.02 and its Exhibits 1 and 9, respectively). Thus, questions about that system and how it is similar or different from the billing system used to support another affiliate are relevant.
- In its last rate case, the Commission ordered Nicor Gas to file a petition to address criteria raised by Staff which included "the facilitation of affiliate endeavors through utility activities." One of the issues raised by Staff in that proceeding was TPBS.

The Commission ordered an investigation of services offered under the OA.

6. Section 2.2 of the OA lists services which may be performed on behalf of affiliates. Billing is listed in paragraph a. The Commission is charged in Section 7-101 of the Public Utilities Act (“Act”) with ensuring that the OA is in the public interest:

The Commission may condition such approval in such manner as it may deem necessary to safeguard the public interest. If it be found by the Commission, after investigation and a hearing, that any such contract or arrangement is not in the public interest, the Commission may disapprove such contract or arrangement. (220 ILCS 5/7-101)

The public interest is harmed when affiliates are given discriminatory preference. In order to protect the public interest, the Commission must determine if the services listed in Section 2.2 are being offered in a discriminatory manner.

7. Section 9-241 of the Act further prohibits utilities from providing discriminatory rates or services:

No public utility shall, as to rates or other charges, *services*, facilities or *in other respect*, make or grant any preference or advantage to any corporation or person or subject any corporation or person *to any prejudice or disadvantage.*” (220 ILCS 5/9-241) (emphasis added)

8. Section 550.20 of the Code also prohibits discrimination with regard to affiliates:

Gas utilities shall not provide affiliated interests or customers of affiliated interests preferential treatment or advantages relative to unaffiliated entities relative to unaffiliated entities or their customers in connection with services provided under tariffs on file with the Illinois Commerce Commission...This provision applies broadly to all aspects of service. (83 Ill. Adm. Code 550.20)

While the case may be made that corporate support services are excluded from this requirement, billing is not a corporate support service. The only exclusion allowed is for customer information and that is only in the context of corporate support as defined in Section 550.10 of the Code:

“Corporate support” means corporate oversight and governance involving administrative services (including travel administration, security, printing, graphics, custodial services, secretarial support, mail services, and records management), financial management services (including accounting, treasury, internal audit, tax, and financial reporting and planning), data processing, shareholder services, human resources, employee benefits, regulatory affairs, legal services, lobbying, and non-marketing research and development activities. Corporate support also includes strategic planning.

9. Staff has already provided testimony in this case that provides evidence of discriminatory behavior on Nicor Gas’ part with respect to billing services. (Staff Ex. 2.0, pp. 67-73) Staff needs more information to fully analyze the billing systems used by Nicor Gas to fully determine if discrimination is occurring. It is appropriate and reasonable to pursue this matter further.

10. The Commission should not approve an OA for Nicor Gas that contains non-corporate support services that Nicor Gas is not prepared to offer in a non-discriminatory manner. Such an OA would not be in the public interest. Therefore, a thorough and unconstrained investigation into the billing services must be allowed to provide a record that properly reflects these services.

The Commission ordered Nicor Gas to file a petition to address issues raised by Staff which included TPBS.

11. In its last rate case, the Commission ordered Nicor Gas to file a petition to address criteria raised by Staff which included “the facilitation of affiliate endeavors

through utility activities.” (Order, Docket No. 08-0363, p. 182, March 25, 2009) One of the issues raised by Staff in that proceeding was TPBS. The Commission ordered that:

Nicor (Gas) shall file a petition within 120 days of the date of a final Order in this proceeding seeking either re-approval of its current Operating Agreement, or, approval of a new affiliated interest transaction agreement; this petition shall address the criteria expressed by Staff, as is set forth in section XIV(C)¹ herein; and, it shall be supported by verified testimony. (Id., pp. 183-184)

In this proceeding, Nicor Gas witness O’Connor testifies as follows:

Staff proposed that this proceeding should address the following criteria: (1) when it is appropriate to charge the prevailing price and when it is appropriate to charge fully distributed costs; (2) consideration of Nicor (Gas) employees that are dedicated full-time to Nicor Gas’ affiliates; (3) facilitation of affiliate endeavors through utility activities; and (4) annual reporting and auditing requirements to the Commission. (Nicor Gas Ex. 1.0, pp. 3-4)

12. Mr. O’Connor then identifies the “facilitation of affiliate endeavors through utility activities” issues raised by Staff in the rate case. However, when he lists these issues, he provides an incomplete list. He states,

In her rebuttal testimony, Staff witness Hathhorn stated that the use of the Nicor Gas call center and the Nicor Inc. website to facilitate affiliate endeavors should be evaluated. Staff witness Sackett also discussed the call center and website, as well as a warranty service known as Gas Line Comfort Guard. (Id.)

Staff believes Mr. O’Connor provided an incomplete list of “affiliate endeavors through utility activities” which concerned Staff in the rate case. Mr. Sackett provided testimony on four issues and recommended that all four of them be addressed in the OA investigation. (Docket No. 08-0363, Staff Ex. 24.0R2, pp. 47-52) If the Commission

¹ While the Order lists section XIV(C) of the Order, Staff believes that was a typographical error, and the reference should have been to section XVI of the Order.

required that this proceeding address the facilitation of affiliate endeavors issues raised by Staff in the rate case, Staff believes that the Commission intended that TPBS also be addressed in the OA investigation, despite Mr. O'Connor's failure to list and address TPBS in his testimony. Therefore, Staff believes that TPBS and questions about it are relevant to this proceeding.

Nicor Gas offers TPBS to its affiliate Nicor Solutions.

13. In response to Staff DR DLH 2.02 which asked for a "listing of and copies of all agreements that Nicor Gas has executed with affiliates under the umbrella authority of its Operating Agreement," Nicor Gas provided in its response that one of such agreements is the agreement between Nicor Gas and its affiliate Nicor Solutions (see Exhibit H). This agreement is essentially the same agreement offered to Customer Select suppliers under TPBS (Exhibit I attached hereto is a sample agreement between Nicor Gas and Customer Select suppliers). In fact, in the Company's last rate case, Nicor Gas witness Gorenz stated that the billing service provided to Nicor Solutions is "much like the billing service that Nicor Gas offers to Customer Select suppliers. Accordingly, Nicor Solutions is charged the tariffed amount of \$0.25 per bill, which is the same charge assessed to Customer Select suppliers." (Docket No. 08-0363, Nicor Gas Ex. 45.0, p. 9) Therefore, questions regarding the TPBS are relevant because they provide information regarding a billing service provided to an affiliate under the umbrella authority of the OA. Comparisons and contrasts between the billing services that Nicor Gas provides to both affiliates are also relevant.

WHEREFORE, for all of the above articulated reasons, Staff respectfully requests that the Administrative Law Judge compel Nicor Gas to provide complete and full answers to Staff DRs DAS 10.08, 10.10, 10.12, and 10.13 and to order Nicor Gas to respond to any follow up DRs seeking similar types of information.

Respectfully submitted,

JOHN C. FEELEY
JENNIFER L. LIN

Office of General Counsel
Illinois Commerce Commission
160 North LaSalle St., Ste. C-800
Chicago, IL 60601
Phone: (312) 793-2877
Fax: (312) 793-1556
jfeeley@icc.illinois.gov
jlin@icc.illinois.gov

July 26, 2010

*Counsel for the Staff of the
Illinois Commerce Commission*

VERIFICATION

I, David Sackett, being first duly sworn, depose and state that I am an Economic Analyst III in the Energy Division of the Illinois Commerce Commission; that I sponsor the foregoing Motion to Compel; that I have personal knowledge of the information stated in the foregoing Motion; and that such information is true and correct to the best of my knowledge, information and belief.

David A. Sackett

Illinois Commerce Commission

Subscribed and sworn to before me
this 26th day of July, 2010.

Lisa Bowman

Notary Public



Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Illinois Commerce Commission
Ill.C.C. Docket No. 09-0301
DAS Tenth Set of Data Requests

- DAS 10.08 Q. With regard to DAS 5.02b where Nicor Gas states that the \$0.25 per bill estimate [provided to PEG] was not a cost-based charge,
- a. Was this a charge to use a modified third-party billing service system or a modified billing system used for Nicor Services?
 - b. What was the basis for this estimate?

- DAS 10.08 A. Objection - relevance. DAS 10.08 is not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving this objection: Nicor Gas notes that, also subject to objection, correspondence between the company and PEG speaks for itself and was provided in its entirety in response to DAS 2.14. Nicor Gas also notes that the data request calls for speculation as Nicor Gas has never actually provided such a billing service to non-affiliates and, as indicated in response to DAS 1.11 and 5.02(d), it does not have any present intention to do so in the future.

Witness: Gerald P. O'Connor

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Illinois Commerce Commission
Ill.C.C. Docket No. 09-0301
DAS Tenth Set of Data Requests

- DAS 10.10 Q. With regard to the sharing of billing services' FDC proposed in Docket No. 00-0620 by Nicor Gas regarding Third Party Billing Service ("TPBS") suppliers,
- a. Is this sharing reasonably based on cost causation measures? If so, please explain how.
 - b. Do TPBS suppliers contribute to billing costs, or those expenses associated with printing and mailing the bill, which includes postage, bill forms, envelopes, printing supplies, inserting, and other miscellaneous mailing expenses?
 - c. Does TPBS suppliers contribute to treasury costs, or those expenses related to receiving and opening mail, payment processing, electronic funds transfer activities, creating and storing customer records, analyzing and correcting payment records and maintenance of equipment?
 - d. Is this method appropriate at this time?
 - e. Please provide the proportion of FDC in that TPBS suppliers have been charged for each year since 2001. Please provide the requested information in an Excel spreadsheet with formulas intact. Please also provide the units for any prices or volumes provided.

- DAS 10.10 A. Objection - relevance. DAS 10.10 is not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving this objection, Nicor Gas refers to DAS 7.08, which also carried this same objection. In particular, please note the response to DAS 7.08 (d).

Witness: Gerald P. O'Connor

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Illinois Commerce Commission
Ill.C.C. Docket No. 09-0301
DAS Tenth Set of Data Requests

-
- DAS 10.12 Q. With regard to the Third Party Billing Service (“TPBS”),
- a. For each month since TPBS began please provide the estimated costs from lost bill insert revenues due to TPBS bills.
 - b. For each month since TPBS began please provide the actual costs from lost bill insert revenues due to TPBS bills.
 - c. For each month since TPBS began please provide the estimated costs from incremental call center costs due to TPBS bills.
 - d. For each month since TPBS began please provide the actual costs from incremental call center costs due to TPBS bills.
 - e. For each month since TPBS began please provide the estimated costs from incremental supplier questions due to TPBS bills.
 - f. For each month since TPBS began please provide the actual costs from incremental supplier questions due to TPBS bills.
 - g. For each month since TPBS began please provide the estimated programming costs due to TPBS bills.
 - h. For each month since TPBS began please provide the actual programming costs due to TPBS bills.
 - i. For each month since TPBS began please provide the estimated maintenance costs due to TPBS bills.
 - j. For each month since TPBS began please provide the actual maintenance costs due to TPBS bills.
 - k. For each month since TPBS began please provide the estimated rate administrative costs due to TPBS bills.
 - l. For each month since TPBS began please provide the actual rate administrative costs due to TPBS bills.
 - m. Please provide justification and data to support a 20% assumption for Rate Administrative costs for time spent on TPBS as stated on page 4 of DAS 7.09 Ex1.

Please provide the requested information in an Excel spreadsheet with formulas intact. Please also provide the units for any prices or volumes provided.

- DAS 10.12 A. Objection - relevance. DAS 10.12 is not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving this objection, Nicor Gas notes that the requested information, in particular parts (a) through (l), appear to refer to DAS 7.08 Exhibit 3. This exhibit, which was provided subject to objection and subject to the company’s qualification that it is not proposing that it reflects an appropriate methodology for use today, was solely created in an effort to respond to the request. Therefore the estimates used in that response do not reflect the cost tracking actually used by Nicor Gas and such data are not available in the manner requested.

Witness: Gerald P. O’Connor

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Illinois Commerce Commission
Ill.C.C. Docket No. 09-0301
DAS Tenth Set of Data Requests

- DAS 10.13 Q. With regard to the both the Third Party Billing Service (“TPBS”) and the billing service provided to Nicor Services,
- a. Why do the incremental costs estimated for TPBS differ from those allocated to Nicor Services?
 - b. Why did Nicor Gas propose to allocate FDC to TPBS based on a 50% sharing in Docket No. 00-0620 in the same year they changed their cost allocation method for Nicor Services to reflect a 7.2% sharing of these same costs?
 - c. Why does Nicor Gas charge TPBS suppliers on a per-bill basis while charging Nicor Services on a per-item basis?
 - d. What would the charge be per bill for 2008 through 2010 for Nicor Services billing services?
 - e. Please provide a detailed description of the system used to process the Nicor Services bills including all physical components. Note which of these components are used exclusively by this system. Also note which of these components are used by the main billing system.
 - f. Please provide a detailed description of the system used to process the TPBS bills including all physical components. Note which of these components are used exclusively by this system. Also note which of these components are used by the main billing system.
 - g. Do all bills print from the same printers regardless of the inclusion of GLCG or CS charges?
 - h. What electronic data does Nicor Services provide to Nicor Gas to generate GLCG bills?
 - i. What electronic data do TPBS suppliers provide to Nicor Gas to generate CS bills?
 - j. Please provide a copy of an actual customer bill showing a GLCG charge showing the pre-2006 format.
 - k. Please provide a copy of an actual customer bill showing a GLCG charge and another bill message showing the pre-2006 format.
 - l. Please provide a copy of an actual customer bill showing a GLCG charge and CS charges showing the pre-2006 format.
 - m. Please provide a copy of an actual customer bill showing a GLCG charge showing the post-2006 format.
 - n. Please provide a copy of an actual customer bill showing a GLCG charge and another bill message showing the post-2006 format.
 - o. Please provide a copy of an actual customer bill showing a GLCG charge and CS charges showing the post-2006 format.
- Please provide the requested information in an Excel spreadsheet with formulas intact. Please also provide the units for any prices or volumes provided.

DAS 10.13 A. Objection - relevance. DAS 10.13 is not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving this objection, please see responses to DAS 1.11, 3.13, 5.02, 6.01, 7.07, 7.08, 7.09, 10.08, 10.10 and 10.12.

Witness: Gerald P. O'Connor

RESTATED OPERATING AGREEMENT

Dated as of October 25, 2001

(restated to include
First Amendment dated as of September 13, 2004,
Second Amendment dated as of February 7, 2007
and Exhibit A is in effect as of June 1, 2009)

Among

NICOR Inc.

Northern Illinois Gas Company

d/b/a Nicor Gas Company

and

Each of the Entities Identified on Exhibit A Hereto

Nicor Gas Exhibit 1.1

ARTICLE I

Definitions and Interpretation 1
Section 1.1. *Definitions* 1
Section 1.2. *Purpose and Intent; Interpretation*..... 2

ARTICLE II

Use of Facilities and Services 2
Section 2.1. *Facilities* 2
Section 2.2. *Services*..... 3
Section 2.3. *Joint Purchasing* 4
Section 2.4. *Agreements, Etc.* 4

ARTICLE III

Asset Sales..... 4
Section 3.1. *Real Property Transfers* 4
Section 3.2. *Tangible Personal Property* 4
Section 3.3. *Intangible Assets*..... 4
Section 3.4. *NICOR Stock* 4
Section 3.5. *Agreements, Etc.* 5

ARTICLE IV

Charges; Payment 5
Section 4.1. *Charges* 5
Section 4.2. *Accounting*..... 5
Section 4.3. *Invoicing, Payment*..... 5

ARTICLE V

Cost Apportionment Methodology 6
Section 5.1. *General Principles* 6
Section 5.2. *Fully Distributed Costs* 7
Section 5.3. *Costs Charged to/from NICOR* 9
Section 5.4. *Allocations Among Parties Other Than Nicor Gas* 10

ARTICLE VI

Limitations of Liability 10
Section 6.1. *No Warranties For Facilities or Services* 10
Section 6.2. *Limited Warranties For Asset Sales* 10
Section 6.3. *No Partnership* 11
Section 6.4. *No Third Party Beneficiaries* 11

ARTICLE VII

Term..... 11
Section 7.1. *Term* 11
Section 7.2. *Termination* 11

ARTICLE VIII

Confidential Information 11

ARTICLE IX

Miscellaneous 12

Section 9.1. *Entire Agreement; Amendments* 12

Section 9.2. *New Parties* 12

Section 9.3. *Assignment* 12

Section 9.4. *Access to Records* 12

Section 9.5. *Partial Invalidity* 12

Section 9.6. *Waiver* 13

Section 9.7. *Governing Law* 13

ADDENDUM

Short-term Borrowing and Investing Between Parties

RESTATED OPERATING AGREEMENT

THIS RESTATED OPERATING AGREEMENT (this "Agreement") is made and entered into as of the 25th day of October, 2001 and amended by First Amendment dated as of September 13, 2004 and Second Amendment dated as of February 7, 2007, among NICOR Inc., an Illinois corporation ("NICOR"), Northern Illinois Gas Company, an Illinois corporation doing business as Nicor Gas Company ("Nicor Gas"), and each of the entities identified on Exhibit A hereto, as such Exhibit A may be amended from time to time in accordance with the provisions of this Agreement.

WITNESSETH:

WHEREAS, the parties are related by virtue of common ownership, directly or indirectly, of their equity securities by NICOR; and

WHEREAS, the parties believe that the central management of certain services, the provision to each other of certain services and facilities, and the transfer of certain property are or may be efficient and cost-effective, and the parties desire to make provision for these and other transactions as between Nicor Gas and a NICOR Entity or Entities;

WHEREAS, the parties are currently signatories to an Operating Agreement approved by the Illinois Commerce Commission in Docket No. 60256;

WHEREAS, this agreement is intended to supercede the Operating Agreement approved in Docket No. 60256.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the parties hereby agree as follows:

ARTICLE I

Definitions and Interpretation

Section 1.1. Definitions. As used in this Agreement, the following terms shall have the respective meanings set forth below unless the context otherwise requires:

"*Acquiring Party*" means a Party who desires to acquire real property, interests in real property, tangible personal property or Intangible Assets from a Selling Party.

"*ICC*" means the Illinois Commerce Commission.

"*Intangible Assets*" means items, other than tangible assets and real property, for which costs have been incurred to create future economic benefits that may or may not be recorded as assets on the Selling Party's financial statements. Intangible Assets include, but are not limited to, operational knowledge, software or intellectual property derived from internal research and development efforts.

Nicor Gas Exhibit 1.1

"Party" means each, and "Parties" means all, of the entities who are from time to time a party to this Agreement.

"Provider" means a Party who has been requested to, and who is able and willing to, furnish facilities, provide services or both to a Requestor under the terms of this Agreement.

"Requestor" means a Party who desires to use facilities, receive services or both, and has requested another Party to furnish such facilities, provide such services or both.

"Selling Party" means a Party who is willing to sell and transfer real property, interests in real property, tangible personal property or Intangible Assets to an Acquiring Party.

"NICOR Entity" means any of NICOR and the entities identified on Exhibit A hereto, as amended from time to time.

Section 1.2. Purpose and Intent; Interpretation. (a) The purposes and intent of this Agreement are to set forth procedures and policies to govern (i) transactions between a NICOR Entity and Nicor Gas, whether such transactions occur directly or indirectly as the end result of a series of related transactions and (ii) the allocation of certain joint service costs. It is not intended to govern transactions between NICOR Entities that do not involve Nicor Gas (although such entities may elect to apply the provisions of this Agreement to specific transactions) or to govern transactions between Nicor Gas and its subsidiaries. This Agreement shall be interpreted in accordance with such purposes and intent.

(b) The headings of Articles and Sections contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References to Articles, Sections and Exhibits refer to articles, sections and exhibits of this Agreement unless otherwise stated. Words such as "herein," "hereinafter," "hereof," "hereto," "hereby" and "hereunder," and words of like import, unless the context requires otherwise, refer to this Agreement (including the Exhibits hereto).

ARTICLE II

Use of Facilities and Services

Section 2.1. Facilities. Upon the terms and subject to the conditions of this Agreement, a Requestor may request a Provider or Providers to make available or provide, and, subject to the provisos at the end of this Section, such Provider or Providers may make available or provide to such Requestor, the use of:

(a) facilities, including, without limitation, office space, warehouse and storage space, transportation, repair facilities, manufacturing and production facilities, fixtures and office furniture and equipment;

Nicor Gas Exhibit 1.1

(b) computer equipment (both stand-alone and mainframe) and networks, peripheral devices, storage media, and software;

(c) communications equipment, including, without limitation, audio and video equipment, radio equipment, telecommunications equipment and networks, and transmission and switching capability;

(d) vehicles, including, without limitation, automobiles, trucks, vans, trailers, railcars, marine vessels, aircraft, transport equipment, material handling equipment and construction equipment; and

(e) machinery, equipment, tools, parts and supplies;

provided, however, that a Provider shall have no obligation to provide any of the foregoing, considering such factors as the extent that such item or items are not available (either because such Provider does not possess the item or the item is otherwise being used); and *provided further*, it is understood that a Provider has sole discretion in scheduling the use by a Requestor of facilities, equipment or capabilities so as to avoid interference with such Provider's operations.

Section 2.2. Services. Upon the terms and subject to the conditions of this Agreement, a Requestor may request a Provider or Providers to provide, and, subject to the provisos at the end of this Section, such Provider or Providers may provide to such Requestor:

(a) administrative and management services, including, without limitation, accounting (including, without limitation, bookkeeping, budgeting, forecasting, billing, accounts receivable and accounts payable administration, and financial reporting); audit; executive; finance; cash management (including, without limitation, electronic fund transfers, cash receipts processing, managing short-term borrowings and investments with third parties, and short-term borrowing and investing between Parties to this Agreement subject to the limitations and at the interest rates specified in the Addendum to this Agreement); governmental affairs; insurance; information systems services; investment advisory services; legal; library; record keeping; secretarial and other general office support; real estate management; security holder services; tax; treasury; and other administrative and management services;

(b) personnel services, including, without limitation, recruiting; training and evaluation services; payroll processing; employee benefits administration and processing; labor negotiations and management; and related services;

(c) purchasing services, including, without limitation, preparation and analysis of product specifications, requests for proposals and similar solicitations; vendor and vendor-product evaluations; purchase order processing; receipt, handling, warehousing and disbursement of purchased items; contract negotiation and administration; inventory management and disbursement; and similar services;

(d) operational services, including, without limitation, drafting and technical specification development and evaluation; consulting; engineering; environmental; construction; design; resource planning; economic and strategic analysis; research; testing; training; public and governmental relations; and other operational services; and

(e) customer solicitation, customer support and other marketing-related services, including, without limitation, customer lists and other customer-related information; *provided, however*, that a Provider shall have no obligation to provide any of the foregoing, considering such factors as the extent that it is not capable of providing such service (either because such Provider does not have personnel capable of providing the requested service or the service is otherwise being used); and *provided further*, it is understood that a Provider has sole discretion in scheduling the use by a Requestor of services so as to avoid interference with such Provider's operations.

Section 2.3. *Joint Purchasing.* A Party may also request that another Party or Parties enter into arrangements to effect the joint purchase of goods or services from third parties; *provided, however*, that if Nicor Gas is so requested to enter into and agrees to participate in such arrangements, it shall do so only if its fully distributed cost for such goods or services is not thereby increased. In the event that any such arrangements are established, one Party may be designated as, or serve as, agent for the other Parties to the arrangement and may administer the arrangement (including billing and collecting amounts due the vendor(s)) for the other Parties.

Section 2.4. *Agreements, Etc.* A Provider and Requestor may evidence their agreement with respect to the availability, provision or use of the facilities, services and activities described in this Article II by entering into an agreement, lease, license or other written memorandum or evidence; *provided* such agreement, lease, license or other written memorandum or evidence shall not contain terms inconsistent with this Agreement; and *further provided* that this Section 2.4 shall not be deemed to require any such agreement, lease, license or other written memorandum or evidence.

ARTICLE III Asset Sales

Section 3.1. *Real Property Transfers.* Upon the terms and subject to the conditions of this Agreement, an Acquiring Party may purchase from a Selling Party, and the Selling Party may sell to the Acquiring Party, real property or interests in real property.

Section 3.2. *Tangible Personal Property.* Upon the terms and subject to the conditions of this Agreement, an Acquiring Party may purchase from a Selling Party, and the Selling Party may sell to the Acquiring Party, tangible personal property. This Section 3.2 shall not apply to joint purchasing arrangements (and the transactions thereunder) entered into pursuant to Section 2.3 of this Agreement.

Section 3.3. *Intangible Assets.* An Acquiring Party may enter into an agreement with a Selling Party to purchase, and the Acquiring Party may purchase from the Selling Party and the Selling Party may sell to the Acquiring Party pursuant to such agreement, Intangible Assets.

Section 3.4. *NICOR Stock.* Upon the terms and subject to the conditions of this Agreement, NICOR may issue and sell to Nicor Gas shares of NICOR Common Stock for the sole purpose of enabling Nicor Gas to meet its obligations to its directors and employees in respect of compensation (it being understood that Nicor Gas would cause any shares so purchased and received to be reissued to such directors and employees in payment of such compensation obligations).

Section 3.5. *Agreements, Etc.* An Acquiring Party and a Selling Party may evidence their agreement with respect to the sale of real property and/or tangible personal property described in Sections 3.1 or 3.2 by entering into an agreement or other written memorandum or evidence; *provided* such agreement or other written memorandum or evidence shall not contain terms inconsistent with this Agreement; and *further provided* that this Section 3.5 shall not be deemed to require any such agreement or other written memorandum or evidence.

ARTICLE IV Charges; Payment

Section 4.1. *Charges.* (a) Charges for assets sold and transferred under Sections 3.1, 3.2 and 3.4 shall be determined in accordance with the provisions of Section 5.1(a); charges for the use of facilities, equipment, capabilities or services under Sections 2.1 and 2.2 shall be determined in accordance with Section 5.1(b); and charges for assets sold and transferred under Section 3.3 shall be determined in accordance with the provisions of Section 5.1(c). By acquiring real property, interests therein, tangible personal property or Intangible Assets in accordance with the provisions of Article III, an Acquiring Party shall be deemed to have agreed to pay, and shall pay, to the Selling Party the charge determined therefor in accordance with Section 5.1(a) or, in the case of Intangible Assets, Section 5.1(c). By requesting the use of facilities, equipment, capabilities and/or services, a Requestor shall be deemed to have agreed to pay, and shall pay, to the Provider or Providers the charge determined therefor in accordance with Section 5.1(b).

(b) Charges related to arrangements under Section 2.3 for the joint purchase of goods or services shall be determined in accordance with Section 5.1(a), in the case of asset transfers, and Section 5.1(b), in the case of services and overhead, administrative and other costs.

Section 4.2. *Accounting.* Each Party shall maintain adequate books and records with respect to the transactions subject to this Agreement and shall establish unique account numbers in its general ledger system which shall be used to record the costs to be apportioned to the other Parties. Each Party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by this Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 4.3. *Invoicing, Payment.* Invoicing and payment for the facilities and services specified in Article II, the asset sales specified in Article III or the joint services costs specified in Section 5.3(a) shall be as follows:

(a) for the use of facilities, equipment or capabilities specified in Section 2.1 or the provision of services specified in Section 2.2, a Provider shall invoice the Requestor on a monthly basis for the charges therefor as provided in Section 4.1(a), and such invoices shall be payable within thirty days of receipt;

Nicor Gas Exhibit 1.1

(b) for joint purchasing arrangements specified in Section 2.3, a Party participating in any such arrangement shall be invoiced for charges as provided in Section 4.1(b), which invoices will be payable according to the terms set by the vendor(s) providing the purchased goods or services, or if a Party has been selected to administer such arrangement, pursuant to invoices rendered by such Party or the vendor of the goods or services, which invoices will be payable no later than thirty days of receipt;

(c) for the sale of real property or interests in real property specified in Section 3.1, the Acquiring Party shall pay the charges therefor as provided in Section 4.1(a) to the Selling Party upon the closing of the sale and transfer of such real property or interests therein;

(d) for the sale of tangible personal property specified in Section 3.2, or intangible assets specified in Section 3.3, the Selling Party shall invoice the Acquiring Party for the charges therefor as provided in Section 4.1(a), and such invoices shall be payable within thirty days of receipt;

(e) for the transfer of NICOR Common Stock specified in Section 3.4, Nicor Gas shall pay the charges therefor as provided in Section 4.1(a) and such payment shall be made to NICOR concurrently with the issuance and delivery of the shares of such stock; and

(f) for joint service costs under Section 5.3(a), NICOR shall invoice the other Parties for such costs as provided in Section 5.3(c), and such invoices shall be payable within thirty days of receipt.

Late payments shall bear a rate of interest representing NICOR's cost of funds, as determined by contacting NICOR's commercial paper dealers, but shall in no event exceed the then-effective rate of interest announced by Bank of America Illinois in Chicago, Illinois. The interest shall be based on the period of time that the payment is late.

ARTICLE V

Cost Apportionment Methodology

Section 5.1. General Principles. The following general principles shall be used in setting charges for transactions between Nicor Gas and NICOR Entities:

(a) Sales of Assets. Asset sales between Nicor Gas and a NICOR Entity shall be charged by the Selling Party to the Acquiring Party at: (i) the fair market value of the transferred asset, as evidenced by (1) the prevailing price for which the same or similar assets are offered for sale to the general public by the Selling Party (e.g., for Nicor Gas, the tariffed charge or other pricing mechanism approved by the ICC) or, if no such prevailing price exists, (2) the price at which nonaffiliated vendors offer the same or similar assets for sale by reference to quoted market prices, independent appraisals or other objectively determinable evidence or, if no such fair market value is objectively or practicably determinable, (ii) the historical cost of the asset to the Selling Party, less all applicable valuation reserves.

Nicor Gas Exhibit 1.1

(b) Use of Facilities or Services.

(i) Facilities or services provided by Nicor Gas to a NICOR Entity shall be charged by the Provider to the Requestor at: (1) the prevailing price for which the facility or service is provided for sale to the general public by the Provider (i.e., the tariffed rate or other pricing mechanism approved by the ICC) or, if no such prevailing price exists, (2) an amount equal to or greater than the fully distributed cost (determined as provided in Section 5.2) incurred by the Provider in providing such facility or service to the Requestor.

(ii) Facilities or services provided by a NICOR Entity to Nicor Gas shall be charged by the Provider to the Requestor at: (1) the prevailing price for which the facility or service is provided for sale to the general public by the Provider (i.e., the price charged to nonaffiliates if such transactions with nonaffiliates constitute a substantial portion of such NICOR Entity's total revenues from such transactions) or, if no such prevailing price exists, (2) an amount not to exceed the fully distributed cost (determined as provided in Section 5.2) incurred in providing such facility or service.

(c) Sales of Intangible Assets. Intangible Asset sales between Nicor Gas and a NICOR Entity shall be charged by the Selling Party to the Acquiring Party (i) under a mechanism to reflect the fair market value of the asset as determined by an appraisal or other fair market value study or, if no such fair market value is objectively or practicably determinable, (ii) at the fully distributed cost incurred to purchase or develop the asset, adjusted to reflect imputed amortization of, if applicable, any carrying costs on the unrecorded asset.

Costs shall be charged to a Party in accordance with these general principles using either a direct charge or an allocation methodology. Costs of assets or services specifically attributable to a Party should be charged directly to such Party. Joint and common costs not specifically attributable to a Party should be charged to the appropriate Parties based on specific allocation methodologies. The Parties intend to develop and implement a set of guidelines to address applications of the foregoing general principles.

Section 5.2. Fully Distributed Costs. Costs charged on a fully distributed cost basis shall reflect the amounts of direct labor, direct materials and direct purchased services associated with the related asset or service as provided in subsections (a) and (b). These amounts shall be increased by a portion of indirect costs to reflect labor, administrative and general and other overhead amounts as provided in subsection (c).

(a) Direct Costs. Costs incurred that are specifically attributable to a Party shall be directly charged to the appropriate account.

(i) Direct Labor: Amounts of direct labor charged to a Party shall be based on actual direct labor, reflecting the effects of overtime and nonproductive time.

Nicor Gas Exhibit 1.1

For most employees, direct labor shall be charged to a Party pursuant to the following methodology: an employee shall report each month the number of hours incurred in performing activities for such Party. Based on the time reported each month, the regular, predetermined account distribution for the employee shall be adjusted to reflect the distribution of direct labor charges to the appropriate affiliate function.

Some individuals, departments or organizations may provide a recurring, predictable level of services to a Party or Parties. For these individuals, departments or organizations, at a minimum annual reviews shall be performed to determine a normal distribution of time to such Party or Parties. The distribution percentages derived from such reviews shall then be used to allocate time with respect to each month. Significant deviations of actual activity from these predetermined percentages shall be reported and shall result in adjustments to the predetermined distribution of direct labor charges to the affiliate accounts.

Overtime shall be reflected in the direct labor rates charged to a Party. For bargaining unit employees, direct labor shall be charged based on the base and overtime pay amounts under a Party's collective bargaining agreements. Likewise, for non-bargaining employees who are compensated for overtime, direct labor shall be charged based on the base pay amounts incurred for such employees, including overtime. For management employees not compensated for overtime, direct labor charged to affiliates shall be adjusted, on a departmental or organizational basis, to reflect estimated overtime incurred based on an overtime review performed annually.

All direct labor charges shall be increased by a factor to reflect nonproductive time. The nonproductive time factor shall be developed based on a review of actual nonproductive time incurred for the previous year. The nonproductive time factor reflects time incurred for vacations, holidays, disability, jury duty and other paid absences.

(ii) Direct Materials and Purchased Services. Amounts incurred for materials or purchased services directly attributable to a Party shall be charged directly to the appropriate account for that Party.

(b) Allocated Costs. Costs incurred that are not specifically attributable to a Party but that have joint benefit to two or more Parties shall be charged to the appropriate Parties based on specified allocation methodologies. The allocation methodologies used shall be reasonably based on cost causative measures to ensure an equitable allocation among such Parties.

(c) Indirect Costs. The direct and allocated costs apportioned to a Party or Parties shall be increased to reflect indirect labor, administrative and general and other overhead amounts. These indirect costs are not specifically identifiable or attributable to the direct costs incurred on behalf of a Party.

All direct labor charges apportioned to a Party (either apportioned directly or using an allocation methodology) shall be increased by a loading factor to reflect indirect labor-driven costs. For each Party, this loading factor shall be determined annually based on actual indirect labor-driven charges incurred during the prior year as a percentage of total direct labor charges incurred in that year. The labor

Nicor Gas Exhibit 1.1

loading shall include payroll taxes; medical, dental and vision insurance costs; pension and other postretirement health care benefits costs; incentive compensation plan costs; employee savings plans costs; training costs; other employee benefits; the employee benefits department costs; communications and computer support and facilities costs.

Facilities costs include buildings and related property, such as equipment, machinery, furniture and fixtures, and related services, such as mail delivery and library services. These indirect charges shall include an amount to reflect the cost of such assets (e.g., depreciation, operations, maintenance, utilities, insurance, real estate taxes, etc.) and, for owned assets or assets leased under capital leases, a return equal to the rate of return on rate base most recently authorized for Nicor Gas by the ICC.

Section 5.3. *Costs Charged to/from NICOR.* NICOR shall maintain unique account numbers in its general ledger system: Consolidated Pool accounts (as described in Section 5.3(a)) and Unallocated Pool accounts (as described in Section 5.3(b)). All costs incurred by NICOR and not directly charged to another Party and all costs apportioned and billed to NICOR by other Parties shall be charged to one of these two types of accounts.

(a) Consolidated Pool Costs. The Consolidated Pool accounts shall be charged with costs related to activities that jointly benefit all of the Parties. Each month, the costs accumulated in the Consolidated Pool shall be apportioned and billed to the Parties (other than NICOR) using a two-factor formula methodology. A representative listing of the types of Nicor services for which costs shall be charged to the Consolidated Pool is as follows:

Accounting	Forecasting
Auditing	Governmental Affairs
Branding and Other Marketing	Information Systems
Budgeting	Investor Relations
Corporate Planning	Legal
Corporate Secretary's Office	Risk Management
Executive Services	Shareholder Services
Financial Reporting	Tax Administration
Finance	

(b) Unallocated Costs. The Unallocated accounts shall be charged with costs that have been determined as not appropriate for apportionment by NICOR to the other Parties. These costs primarily relate to NICOR's diversification and divestiture activities.

(c) Two-Factor Formula Methodology. Monthly, costs charged to the Consolidated Pool shall be apportioned and billed by NICOR to the other Parties based on a two-factor formula methodology. Under this approach, each such Party wholly owned by NICOR (other than non-operating Parties) is allocated and billed for a portion of the total costs in the Consolidated Pool based on an average of such Party's gross payroll and total asset amounts relative to the corresponding averages for the other wholly owned operating Parties. To adjust for seasonality in operations, the gross payroll amounts used in this allocation shall be the twelve-month-ended amounts through the prior quarter-end. The total asset amount shall reflect the month-end balance from the prior quarter ended. Non-operating affiliates are those that exist solely for the purpose of enabling Nicor Inc. to perform its corporate

function and which do not engage in the active management or oversight of any enterprise doing business with third parties. For majority-owned Parties that are not wholly owned, the two-factor formula shall consider only the proportional ownership share of such Party's gross payroll and total assets. Affiliates that are not controlled by Nicor Inc. are precluded from becoming Parties to this Agreement. For purposes of this Agreement, control exists when Nicor Inc. holds, directly or indirectly, more than 50 percent of the voting rights of the entity's common stock or more than 50 percent of the seats on the board of directors or other oversight committee.

Section 5.4. *Allocations Among Parties Other Than Nicor Gas.* Nothing in this article, or any other article, shall limit or restrict the rights of Parties other than Nicor Gas to allocate costs among themselves, so long as it does not adversely impact Nicor Gas, such as by increasing Nicor Gas' costs. If a Nicor Entity charges Nicor Gas based upon its fully distributed costs, and such costs include any intercompany charges from affiliates, such intercompany charges shall be determined in accordance with the cost apportionment methodology described in this Agreement

ARTICLE VI Limitations of Liability

Section 6.1. *No Warranties For Facilities or Services.* Each Party acknowledges and agrees that any facilities, equipment or capabilities made available, and any services provided, by a Provider to a Requestor hereunder, are so made available or provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANDING ANY ORAL OR WRITTEN STATEMENT BY A PARTY'S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES (INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 6.2. *Limited Warranties For Asset Sales.* (a) Except as provided in Section 6.2(b), each Party acknowledges and agrees that any real property, interests in real property, tangible personal property or Intangible Assets sold and transferred in accordance with Article III is so sold and transferred WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANDING ANY ORAL OR WRITTEN STATEMENT BY A SELLING PARTY'S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES (INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

(b) In connection with a sale and transfer of real property, interests in real property, tangible personal property, Intangible Assets or NICOR stock pursuant to Article III, the Selling Party shall be deemed to have represented and warranted to the Acquiring Party that: (i) title conveyed is good, (ii) conveyance of such title is authorized and rightful, and (iii) the title so conveyed is free and clear of all liens, claims, encumbrances or security interests of persons or entities claiming by or through the Selling Party, except, in the case of this clause (iii), as the Acquiring Party and the Selling Party may otherwise agree.

Section 6.3. *No Partnership.* The Parties acknowledge and agree that this Agreement does not create a partnership between, or a joint venture of, a Party and any other Party. Each Party is an independent contractor and nothing contained in this Agreement shall be construed to constitute any Party as the agent of any other Party except as expressly set forth in Section 2.3.

Section 6.4. *No Third Party Beneficiaries.* This Agreement is intended for the exclusive benefit of the Parties hereto and is not intended, and shall not be deemed or construed, to create any rights in, or responsibilities or obligations to, third parties.

ARTICLE VII

Term

Section 7.1. *Term.* This Agreement will be effective on the date it is approved by the ICC and shall continue, unless terminated as provided in Section 7.2.

Section 7.2. *Termination.* Any Party may terminate this Agreement as to it by providing at least 30 days prior written notice to the other Parties of the effective date of such termination. In addition, this Agreement shall terminate as to a Party upon the date that NICOR determines that such Party shall no longer be a party to this Agreement and shall automatically terminate as to a Party upon the date that NICOR ceases, directly or indirectly, to own equity securities in such Party. Any such termination shall not affect the terminating Party's accrued rights and obligations under this Agreement arising prior to the effective date of termination or its obligations under Section 9.4.

ARTICLE VIII

Confidential Information

Each Party shall treat in confidence all information which it shall have obtained regarding the other Parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the Parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a Party is required to disclose confidential information to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The obligation of a Party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such Party from a source other than the Party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.

ARTICLE IX
Miscellaneous

Section 9.1. *Entire Agreement; Amendments.* Upon its effectiveness as provided in Section 7.1, this Agreement shall constitute the sole and entire agreement among the Parties with respect to the subject matter hereof and shall supersede all previous agreements, proposals, oral or written, negotiations, representations, commitments and all other communications between some or all of the Parties. Except as provided in Section 9.2 with respect to new Parties and except that NICOR may amend Exhibit A to this Agreement to delete any terminated Party, this Agreement shall not be amended, modified or supplemented except by a written instrument signed by an authorized representative of each of the Parties hereto.

Section 9.2. *New Parties.* Any other entity which is or may become an affiliate of NICOR or any of the other Parties to this Agreement may become a party to this Agreement by executing an agreement adopting all of the terms and conditions of this Agreement. Such agreement must be signed by NICOR in order to become effective, but need not be signed by any other Party to this Agreement. Upon such execution, such entity shall be deemed to be a Party and shall be included within the definition of "Party" for all purposes hereof, and Exhibit A shall be amended to add such entity. Nicor Gas shall notify the ICC by means of an informational filing each time a new Party becomes eligible to receive or provide services and facilities under this Agreement. This informational filing should include the name and business purpose of the Party and its relationship to Nicor Gas.

Section 9.3. *Assignment.* This Agreement may not be assigned by any Party without the prior written consent of NICOR.

Section 9.4. *Access to Records.* During the term of this Agreement and for a period of seven years after the expiration or termination of this Agreement as to a Party, such Party shall have reasonable access to and the right to examine any and all books, documents, papers and records which pertain to services and facilities provided by the other Parties under this Agreement to such Party, and such Party shall provide access to, and the opportunity to examine, all such records which pertain to services and facilities provided to the other Parties under this Agreement by such Party. Each Party shall maintain all such records for a period of seven years after expiration or termination of this Agreement as to such Party. In addition, during the term of this Agreement and for a period of seven years after the expiration or termination of this Agreement as to a Nicor Entity, the ICC shall have access to the books and records of such Nicor Entity as they relate to transactions between such Nicor Entity and Nicor Gas to the extent allowed under Section 7-101 of the Illinois Public Utilities Act and subject to Section 5-108 of the Illinois Public Utilities Act.

Section 9.5. *Partial Invalidity.* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable. In the event that it is determined that the charges for a particular transaction covered by

Nicor Gas Exhibit 1.1

this Agreement were not determined properly for any reason, such determination and/or finding shall not affect the validity of such transaction; *provided, however*, that if the transaction involved Nicor Gas and a NICOR Entity, NICOR (or, if NICOR so determines, such NICOR Entity) shall pay to or reimburse Nicor Gas, or Nicor Gas shall pay to or reimburse such NICOR Entity, as the case may be, for the difference between the amount that was charged in connection with the transaction and the charge that is determined to be proper under the provisions of Article V.

Section 9.6. Waiver. Failure by any Party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such Party may have against any other Party nor in any way affect the validity of this Agreement or any part hereof or the right of such Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

Section 9.7. Governing Law. This Agreement shall be governed by, construed and interpreted pursuant to the laws of the State of Illinois.

IN WITNESS WHEREOF, the Parties have each caused this Agreement to be executed by a duly authorized representative as of the day and year first above written.

NICOR INC.

By: _____
Name:
Title:

NORTHERN ILLINOIS GAS COMPANY

By: _____
Name:
Title:

BIRDSALL, INC.

By: _____
Name:
Title:

TROPIC EQUIPMENT LEASING INC.

By: _____
Name:
Title:

TROPICAL SHIPPING AND
CONSTRUCTION COMPANY LIMITED

By: _____
Name:
Title:

NICOR ENERGY VENTURES COMPANY

By: _____
Name:
Title:

NICOR ENERGY MANAGEMENT SERVICES COMPANY

By: _____
Name:
Title:

NICOR ENERGY SERVICES COMPANY

By: _____
Name:
Title:

NICOR ENERGY SOLUTIONS INC.

By: _____
Name:
Title:

NICOR ENERCHANGE L.L.C.

By: _____
Name:
Title:

NICOR HOME SERVICES, L.L.C.

By: _____
Name:
Title:

Nicor Gas Exhibit 1.1

NICOR HORIZON, INC.

By: _____
Name:
Title:

NICOR OIL & GAS CORPORATION

By: _____
Name:
Title:

NICOR NATIONAL INC.

By: _____
Name:
Title:

NICOR MINING INC.

By: _____
Name:
Title:

NICOR PURCHASING, L.L.C.

By: _____
Name:
Title:

NICOR SOLUTIONS, L.L.C.

By: _____
Name:
Title:

NI-GAS EXPLORATION INC.

By: _____
Name:
Title:

Nicor Gas Exhibit 1.1

PRAIRIE POINT ENERGY, L.L.C.

By: _____
Name:
Title:

IBT SOLUTIONS, L.L.C.

By: _____
Name:
Title:

SEVEN SEAS INSURANCE COMPANY, INC.

By: _____
Name:
Title:

CYPRESS CREEK GAS STORAGE, L.L.C.

By: _____
Name:
Title:

CENTRAL VALLEY GAS STORAGE, L.L.C.

By: _____
Name:
Title:

Nicor Gas Exhibit 1.1

Exhibit A

Parties to the Operating Agreement

NICOR Inc. (Parent)
Northern Illinois Gas Company
Birdsall, Inc.
Tropic Equipment Leasing Inc.
Tropical Shipping and Construction Company Limited
NICOR Energy Ventures Company
NICOR Energy Management Services Company
NICOR Energy Services Company
NICOR Energy Solutions Inc.
NICOR Enerchange L.L.C.
NICOR Home Services, L.L.C.
NICOR Horizon, Inc.
NICOR Oil & Gas Corporation
NICOR National Inc.
NICOR Mining Inc.
NICOR Purchasing, L.L.C.
NICOR Solutions, L.L.C.
NI-Gas Exploration Inc.
Prairie Point Energy, L.L.C.
IBT Solutions, L.L.C.
Seven Seas Insurance Company, Inc.
Cypress Creek Gas Storage, L.L.C.
Central Valley Gas Storage, L.L.C.

ADDENDUM
Short-term Borrowing and Investment between Parties

Cash advances made by Nicor Gas to NICOR Inc. pursuant to this Agreement shall be in accordance with the following terms and in accordance with 83 Ill. Administrative Code Part 340 (Money Pool Agreements) as adopted by Illinois commerce Commission (the "ICC") Order effective June 15, 2004 in Docket No. 02-0581, as the same may be amended or modified by the ICC from time to time:

(a) To the extent that Nicor Gas possesses excess cash and no outstanding short term borrowings, cash advances can be made to NICOR Inc. to the extent that it continues to meet the requirements of Section 340.40(b)(1), (2) or (3); and

(b) the interest rate on cash advances from Nicor Gas to NICOR Inc. shall be calculated at the higher of (i) the interest rate at which NICOR Inc. could have borrowed the funds pursuant to an existing bank credit agreement(s) or commercial paper facility(ies) entered into between NICOR Inc. and an unaffiliated third party or parties, or (ii) the rate the utility would have earned on existing short term investment accounts maintained during the same period.

Cash advances made by a NICOR Entity to Nicor Gas pursuant to this Agreement shall be in accordance with the following terms and in accordance with 83 Ill. Administrative Code Part 340 (Money Pool Agreements) as adopted by ICC Order effective June 15, 2004 in Docket No. 02-0581, as the same may be amended or modified by the ICC from time to time:

(a) The balance of case advances shall not at any time exceed the unused balance of funds actually available to Nicor Gas under Nicor Gas' existing bank credit agreement(s) or commercial paper facility(ies) entered into between Nicor Gas and an unaffiliated third party or parties; and

(b) the interest rate on cash advances from NICOR Entity to Nicor Gas shall be calculated at the lower of (i) the interest rate at which Nicor Gas could have borrowed the funds pursuant to an existing bank agreement(s) or commercial paper facility(ies) entered into between Nicor Gas and an unaffiliated third party or parties, or (ii) the NICOR Entity's actual interest cost, including issuance costs, for the funds obtained or used to provide the cash advance to Nicor Gas.

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Illinois Commerce Commission
Ill.C.C. Docket No. 09-0301
DLH Second Set of Data Requests

DLH 2.02 Q. Provide a listing of and copies of all agreements that Nicor Gas has executed with affiliates under the umbrella authority of its Operating Agreement.

DLH 2.02 A. Please see the attached Exhibit 1, which provides a listing of all such currently effective agreements between Nicor Gas and affiliated interests.

Also attached are Exhibits 2 through 10 and Confidential Exhibits 11 through 15, as noted on Exhibit 1.

Witness: Gerald P. O'Connor

**List of Current Agreements between Nicor Gas and Affiliated Interests
 Parties to the Operating Agreement**

<u>1st Party</u>	<u>2nd Party</u>	<u>Description</u>	<u>DLH 2.02 EXHIBIT #</u>
Nicor Gas	Nicor Prairie Point Energy, LLC (a)	Small Customer Transportation Program Supplier Aggregation Agreement	Exhibit 2
Nicor Gas	Prairie Point Energy, LLC (a)	Customer Select Program Supplier Consolidated Billing Services Agreement	Exhibit 3
Nicor Gas	Nicor Prairie Point Energy, LLC (a)	1st Amendment: Customer Select Program Supplier Consolidated Billing Services Agreement	Exhibit 4
Nicor Gas	Nicor Prairie Point Energy, LLC (a)	2nd Amendment: Customer Select Program Supplier Consolidated Billing Services Agreement	Exhibit 5
Nicor Gas	Nicor Advanced Energy, LLC (a)	Customer Select Residential Customer Mailing List License Agreement	Exhibit 6
Nicor Gas	Nicor Prairie Point Energy, LLC d/b/a Nicor Advanced Energy (a)	Residential & Small Commercial Customer Data License Agreement	Exhibit 7
Nicor Gas	Nicor Advanced Energy (a)	Advertising Agreement	Exhibit 8
Nicor Gas	Nicor Fixed Bill, L.L.C. (b)	Billing Services Agreement	Exhibit 9
Nicor Gas	Nicor Enerchange, L.L.C.	Hub Services Agreement	Exhibit 10
Nicor Gas	IBT (c)	Moving Calls Service Agreement CONFIDENTIAL	Exhibit 11
Nicor Gas	IBT Solutions LLC d/b/a IBT Solutions (c)	1st Amendment: Moving Calls Service Agreement CONFIDENTIAL	Exhibit 12
Nicor Gas	IBT Solutions LLC d/b/a IBT Solutions (c)	2nd Amendment: Moving Calls Service Agreement CONFIDENTIAL	Exhibit 13
Nicor Gas	IBT Solutions LLC d/b/a IBT Solutions (c)	3rd Amendment: Moving Calls Service Agreement CONFIDENTIAL	Exhibit 14
Nicor Gas	IBT Solutions LLC (c)	Third Party Service Request Agreement CONFIDENTIAL	Exhibit 15

NOTES:

The 2nd Party noted above is directly from the individual agreements. For clarification, the legal name for certain entities listed above is as follows:

- (a) Prairie Point Energy L.L.C. d/b/a Nicor Advanced Energy
- (b) Nicor Fixed Bill, LLC changed its name to Nicor Solutions, L.L.C. as of January 31, 2003
- (c) IBT Solutions L.L.C. d/b/a IBT Solutions

NICOR GAS BILLING SERVICE AGREEMENT

This Billing Service Agreement ("Agreement") is effective the ~~12-10~~ day of 2002 ("Effective Date"). For good and valuable consideration, Northern Illinois Gas Company, d/b/a Nicor Gas Company ("Nicor Gas" or "Company") agrees to include Nicor Fixed Bill, L.L.C. ("Nicor Fixed Bill") charges to the Nicor Gas customer ("Customer") on the Company's bill, ("Billing Services"). Nicor Gas and Nicor Fixed Bill shall be collectively referred to as "parties." The parties hereby agree to the following terms and conditions:

1. Scope of Agreement.

Nicor Gas agrees to provide the Billing Services to Nicor Fixed Bill and Nicor Fixed Bill agrees to pay the fees set forth in Schedule A, attached hereto.

2. Term of Agreement.

This Agreement shall be for one year from the Effective Date ("Initial Term"). The Agreement shall automatically renew and extend for successive one (1) year terms, commencing at the conclusion of the Initial Term or any renewal term. This Agreement shall terminate if notice, is given by Nicor Fixed Bill or Nicor Gas at least ninety (90) days prior to the end of the then current term. However, if Nicor Fixed Bill does not have 25,000 Customers on the Fixed Bill Program within six (6) months after the effective date of this Agreement, this Agreement will immediately terminate. Upon termination, obligations of a continuing nature shall continue to be binding and in full force and effect including, without limitation, those reflected in: paragraph 7, "File Security, Retention and Transfer at Time of Termination; paragraph 9, "Warranty and Limitation of Liability"; paragraph 10, "Indemnification"; and paragraph 11, "Default; Termination Upon Default".

3. Charges.

- 3.1 Except as provided in Schedule A, attached hereto, fees for the Billing Services shall not be changed by Nicor Gas during the Initial Term. Thereafter, however, such fees may be changed effective at any renewal date with at least one hundred-twenty (120) days prior written notice to Nicor Fixed Bill. If such notice is given, Nicor Fixed Bill may, by giving written notice to Nicor Gas at least forty-five (45) days prior to the effective date of any such changes, reject the Billing Services, whereupon the obligations of both parties with respect to all Billing Services shall terminate.
- 3.2 There shall be added to all invoices for Billing Services an amount equal to any applicable sales or other taxes levied, based on, arising from or in any way connected with the furnishing of Billing Services to Nicor Fixed Bill. All invoices for the Billing Services rendered hereunder shall be due and payable fourteen (14) days after receipt of the invoice. If Nicor Fixed Bill fails to pay any such amounts when due, Nicor Gas may, at its option, and after giving at least ten (10) days prior written notice, discontinue furnishing Billing Services unless and until all such past due amounts are paid in full, all without impairment of any other remedy which may be available to Nicor Gas.
- 3.3 Nicor Fixed Bill recognizes that Nicor Gas' level of personnel staffing, computer equipment selections, hardware resource allocations, hardware and software lease term selections, equipment and software purchases, and general resource planning so as to fulfill its contractual obligations hereunder are based on the assumption that this Agreement will remain in effect for its full Initial Term and any renewal term and that any prior termination of this Agreement

will result in substantial damages to Nicor Gas. At the same time, however, Nicor Gas recognizes that it is in the interests of Nicor Fixed Bill to have the right to terminate this Agreement, other than as provided in paragraphs 2 and 11 herein, should it so desire. Nicor Fixed Bill, therefore, is granted the right, at its option, to terminate this Agreement for its convenience and without cause at any time after the Initial Term by giving ninety (90) days prior written notice of termination, and by paying to Nicor Gas an amount in cash which shall be the product resulting from multiplying the number of months remaining in the Agreement's current term on the date of termination by the highest billed service fee amount during the last six-month period (or since the effective date in the event six months have not accrued), it being agreed that such sum constitutes reasonable liquidated damages to be sustained by Nicor Gas by reason of such early termination.

4. Reliance on Information Provided.

Nicor Gas shall rely on the accuracy of all information provided to Nicor Gas by Nicor Fixed Bill. Nicor Fixed Bill shall promptly inform Nicor Gas of any incorrect data or information. Nicor Fixed Bill shall bear the cost of correction and pay any damages arising therefrom if the correction of such data results in costs to Nicor Gas which exceed those incurred in the process of routinely receiving and preparing correct data for normal usage.

5. Standards of Conduct Compliance.

Nicor Fixed Bill unconditionally warrants, covenants and represents that it will comply with its contractual obligations substantially similar to those included in Nicor Gas Standards of Conduct Section of Rider 16.

6. Modifications in the Services.

Upon giving reasonable advance notice to Nicor Fixed Bill, Nicor Gas, at its expense, may make any modifications, changes, adjustments or enhancements to the Billing Services which it considers to be suitable or which are required by law or governmental regulation.

7. File Security, Retention and Transfer at Time of Termination.

7.1 Nicor Gas shall take all reasonable steps to ensure that access to Nicor Fixed Bill's computerized files and records are available only to Nicor Gas and Nicor Gas' agents or contractors. Nicor Gas reserves the right, at its expense, to issue and change procedures from time-to-time to improve or protect file security.

7.2 Nicor Gas shall take all reasonable precautions to prevent the loss or alteration of Nicor Fixed Bill's computerized files and records accessed or retained by Nicor Gas, but Nicor Gas cannot and does not guarantee or indemnify against any such loss or alteration. Accordingly, Nicor Fixed Bill shall, at its expense, keep copies of the source documents of the information delivered to Nicor Gas and shall maintain a backup procedure for reconstruction of lost or altered Nicor Fixed Bill's computerized files and records to the extent deemed necessary by Nicor Fixed Bill. Nicor Gas shall promptly inform Nicor Fixed Bill of any such lost or altered data or information and upon notice from Nicor Gas, Nicor Fixed Bill shall retransmit all such data or information. Nicor Gas shall retain Nicor Fixed Bill's computerized files and records in accordance with Schedule A, attached hereto, and made a part hereof.

8. Government Regulation.

8.1 Each party shall: a) to the extent relevant, be responsible for compliance with all applicable

laws, rules, and regulations including, without limitation, the rules of any applicable national or regional Automated Clearinghouse Association ("ACH"); and, b) establish, maintain, and be responsible for error resolution procedures. The parties will cooperate with one another in the investigation and resolution of any alleged errors.

- 8.2 Should a governmental agency which has regulatory authority over Nicor Fixed Bill wish to review the Billing Services, Nicor Fixed Bill agrees to pay Nicor Gas for all costs incurred in the preparation of data for inspection, examination or audit for such services.

9. Warranty and Limitation of Liability.

- 9.1 Nicor Gas warrants that it will exercise reasonable care in the performance of its obligations under this Agreement. NICOR GAS MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES PROVIDED HEREUNDER. Because of the extreme difficulty of fixing actual damages for any failure of Nicor Gas to perform its obligations hereunder, or from any failure of Nicor Gas to perform any obligations imposed by law, the parties agree that Nicor Gas' liability hereunder for any loss, shall be limited to liquidated damages in the amount of the Billing Services' fees paid by Nicor Fixed Bill to Nicor Gas for the two (2) calendar months immediately preceding the month in which the event occurred which gave rise to the damages. The provisions of this paragraph apply even though the loss or damage, irrespective of cause or origin, results, directly or indirectly, either from performance or nonperformance of obligations imposed by this Agreement.
- 9.2 IN NO EVENT WILL NICOR GAS BE RESPONSIBLE FOR (A) ANY INCIDENTAL, INDIRECT, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING LOST REVENUES OR PROFITS, LOSS OF BUSINESS OR LOSS OF DATA REGARDLESS OF WHETHER IT WAS ADVISED, HAD REASON TO KNOW, OR IN FACT KNEW OF THE POSSIBILITY THEREOF; OR (B) FOR ANY LOSS OR DAMAGE TO THE OTHER PARTY OR TO A CUSTOMER, DIRECT OR CONSEQUENTIAL, ARISING OUT OF OR IN ANY WAY RELATED TO ACTS OR OMISSIONS OF THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, VARIOUS COURIER SERVICES, THE FEDERAL RESERVE BANK, OTHER BANKS WITH WHICH THE OTHER PARTY DEALS OR THE EMPLOYEES OR AGENTS OF SUCH BANK OR ANY FINANCIAL INSTITUTION WHICH RECEIVES OR ORIGINATES ENTRIES OR PAYS ELECTRONIC DEBITS FROM THE SUPPLIER ACCOUNTS.
- 9.3 Nicor Gas shall not be liable for any delay or other failure of performance caused by factors beyond its reasonable control, such as, but not limited to, strikes, insurrection, war, fire, acts of God, acts of terrorism, governmental acts or regulation, or acts of third parties. If, after the date of this Agreement, any law, regulation, or ordinance, whether federal, state, or local, becomes effective which substantially and materially alters the ability of Nicor Gas to perform Billing Services hereunder, Nicor Gas, after making a bona fide effort to overcome the impairment, shall have the right to terminate this Agreement, without penalty, upon thirty (30) days written notice to Nicor Fixed Bill.

10. Indemnification.

Nicor Fixed Bill agrees to indemnify Nicor Gas, its officers, directors, and employees from and

against any and all loss, liability, cost and expense, including reasonable attorneys' fees, incurred by any one or more of them by reason of any and all claims, demands, suits or proceedings, made or brought against any one or more of them arising from or related to any act or omission of Nicor Fixed Bill or the breach of any obligation, responsibility, warranty, or representation of Nicor Fixed Bill to Nicor Gas related to the operation, promotion, or use of the Billing Services pursuant to this Agreement.

11. Default; Termination Upon Default.

- 11.1* In the event of a material default of this Agreement, the non-defaulting party shall have an immediate right to terminate this Agreement in the event a default remains uncured for thirty (30) days after notice thereof to the defaulting party.
- 11.2* All expenses incurred by the non-defaulting party in terminating the relationship under this Agreement shall be borne by the defaulting party.

12. General.

- 12.1* Nicor Fixed Bill acknowledges that it has not been induced to enter into this Agreement by any representation or warranty not set forth in this Agreement. This Agreement contains the entire agreement of the parties with respect to its subject matter and supersedes all existing agreements and all other oral, written or other communications between them concerning its subject matter. This Agreement shall not be modified in any way unless such modification is in writing and signed by both parties.
- 12.2* This Agreement may not be assigned by Nicor Fixed Bill, in whole or in part, without the prior written consent of Nicor Gas.
- 12.3* This Agreement shall be binding upon and shall inure to the benefit of Nicor Gas and Nicor Fixed Bill and their respective successors and permitted assigns.
- 12.4* If any provision of this Agreement (or any portion thereof) shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remainder hereof, shall not in any way be affected or impaired thereby.
- 12.5* The headings in this Agreement are intended for convenience of reference and shall not affect its interpretation.
- 12.6* The individuals executing this Agreement on behalf of Nicor Gas and Nicor Fixed Bill do each hereby represent and warrant that they are duly authorized by all necessary action to execute this Agreement on behalf of their respective principals.
- 12.7* This Agreement is made in the State of Illinois, and shall be construed and interpreted in accordance with the laws of the State of Illinois without regard to choice of law principles.
- 12.8* The parties do not intend the benefits of this Agreement to inure to any third party, and nothing contained herein shall be construed as creating any right, claim or cause of action in favor of any such third party against either of the parties hereto.
- 12.9* Nothing in this Agreement shall be deemed to limit: (i) the applicability of any relevant statutes of limitation or repose; or (ii) any waivers contained in this Agreement.

13. Notices.

Service of all notices under this Agreement shall be in writing and sent by Certified Mail, return receipt requested, postage paid, addressed to the party to be served notice, or by nationally recognized overnight mail service, at the following addresses. All such notices and communications shall be effective upon receipt.

Nicor Gas

Nicor Fixed Bill, L.L.C.

Name: Nicor Gas Company
c/o Billing Services Program
Address: 1844 Ferry Road
Naperville, Illinois 60563

Nicor Fixed Bill, L.L.C.
P.O. Box 3042
Naperville, IL 60566-9704

Nicor Fixed Bill, L.L.C. Bank Information:

Name: _____

Name: _____

Address: _____

Account Number: _____

City, State, Zip: _____

Routing Number: _____

14. Non-Disclosure

Nicor Gas shall not disclose any information it is aware of or has access to other parties, including other Nicor Inc. subsidiaries which are not wholly owned by Nicor.

15. Entire Agreement

This Agreement constitutes entire agreement of the parties with respect to the subject matter herein and cancels and supersedes any prior understandings and agreements of the parties with respect to such subject matter. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than those expressly set forth in this Agreement.

NICOR GAS COMPANY

NICOR FIXED BILL, L.L.C.

Signature: Albert E. Harms

Signature: [Handwritten Signature]

By: Albert E. Harms

By: _____

Title: Manager - Rate Research

Title: _____

Date: 11/4/02

Date: _____

cfk

Schedule A
Billing Services Agreement Addendum

Nicor Gas and Nicor Fixed Bill have entered into a Billing Services Agreement dated _____, 2002 ("Agreement"). This Addendum further specifies the Billing Services Nicor Fixed Bill has elected to receive. All terms capitalized but not otherwise defined herein shall have the meanings attributed to them in the Agreement.

1. Services.

Nicor Gas' Billing Services is comprised of Nicor Gas products, services, and support systems which enable Nicor Gas to present bills, on Nicor Fixed Bills' behalf, to Nicor Fixed Bills' customers who have elected to enroll in the Nicor Fixed Bill program (Fixed Bill Program). The Billing Services will also enable Nicor Gas to electronically deliver remittance files to Nicor Fixed Bill. Nicor Gas reserves the right to review and approve product(s) to be billed by Nicor Gas on behalf of Nicor Fixed Bill pursuant to this Agreement.

2. Third Party Service Providers.

Each party shall be liable for the acts or omissions of employees or its third party provider ("Provider") while transmitting, receiving, storing or handling Billing Services' data, or performing related activities, for such party as though they were the party's own acts or omissions, and for purposes of the Agreement and this Addendum the Provider shall be deemed to be an agent of that party. Any party utilizing a Provider shall ensure that it is a contractual obligation of the Provider that no change in the data content of the Billing Services' data is made or disclosed to any unauthorized person.

3. System Operation.

Each party, at its own expense, shall provide and maintain the requisite equipment, software, services and testing necessary to effectively and reliably transmit and receive Billing Services' data in compliance with the specifications set for in Appendix 1 hereto. Each party, at its own expense, will be responsible for retaining an emergency backup plan for its equipment, software, and services to effectively and reliably transmit and receive Billing Services' data in the event its equipment, software and/or services fails, is not in service or is otherwise inaccessible.

4. Security Procedures.

Nicor Gas reserves the right to make an emergency suspension of transmitted Billing Services' data to protect resources from illegal access or damage. Any action taken by Nicor Gas pursuant to this provision shall not constitute termination of the Agreement or this Addendum.

5. Garbled Transmissions.

If any transmitted Billing Services' data is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party, within one business day, (if identifiable from the received transmitted data) in a reasonable manner. The originating party shall be obligated to retransmit the Billing Services' data upon receipt of notice from Nicor Gas. Notwithstanding the above, Nicor Gas will not be liable for the consequence of unintelligible or garbled transmission, if the error is or should be in all circumstances reasonably detectable to Nicor Fixed Bill.

6. Nicor Gas' Obligations.

- 6.1 Customer Enrollment:** Nicor Fixed Bill will maintain the enrollment site, receive and record customer enrollments, create and maintain a database of Customers, and notify Nicor Gas of enrollments via electronic files transmitted to Nicor Gas. Thereafter for so long as this Agreement remains in effect, or until instructions to the contrary are received by Nicor Gas, Nicor Fixed Bill will bill its customers under the Fixed Bill Program using Nicor Gas' Billing Services.
- 6.2 Bill Preparation:** Nicor Fixed Bill will provide electronically to the Company its billing data in conformance with the specifications set forth in Appendix 1 hereto ("Billing Charges"). Nicor Gas has absolute discretion as to the Nicor Fixed Bills' text on the billing line and in what format it will appear. Changes to such descriptions will be reviewed and approved on a case by case basis. In addition to the Billing Charges, Nicor Gas shall also print the previous balance, payment received, thank you; total due, Nicor Fixed Bills' name and phone number on the Company's bill. Nicor Fixed Bill shall adhere to existing Nicor Gas file format for the billing interface between Nicor Gas and Nicor Fixed Bill.
- 6.3 Payment Processing:** The Company agrees to process payments received from Customers as part of the fee assessed for providing Billing Services. Processing Customer payments shall mean the collection - via cash, check, money order, electronic funds transfer, or by any other means of legal tender; made by mail, in-person, electronically or through one of the Company's authorized agents; and the deposit of such payment into one of the Company's financial institutions. Any payments received from Customers along with any credit balances appearing on the Customer's Nicor Gas account shall be applied to the Nicor Fixed Bill total amount due.
- 6.4 Remittance Deliveries:** Nicor Gas will electronically initiate payment to Nicor Fixed Bill as frequently as such payment data becomes available for transfer to Nicor Fixed Bill. Remittance of Customer's payments received by Nicor Gas will be sent via ACH to the financial institution designated by Nicor Fixed Bill in the Agreement. In the event a remittance date falls on a bank holiday, Nicor Gas will remit Customer payments, on the next business day which is not a bank holiday.
- 6.5 Records:** Nicor Gas will maintain records of all Customer's bill presentation and payment activity in compliance with all applicable federal, state and local regulations and provide such information related thereto as Nicor Fixed Bill may reasonably request upon reasonable notice to Nicor Gas during regular business hours.

7. Supplier's Obligations.

- 7.1 Processing:** Nicor Fixed Bill will transmit accurate and timely Nicor Fixed Bill customer charges pursuant to the Fixed Bill Program to Nicor Gas in conformance with the specifications set forth in Appendix 1 hereto of this Addendum. Nicor Fixed Bill further agrees that upon notification from a financial institution that there are insufficient funds to settle a Customer's payment, Nicor Gas will charge back the credit given to the Customer and to Nicor Fixed Bill. Such charge back to Nicor Fixed Bill will reduce any remittance due to Nicor Fixed Bill from

Nicor Gas. Nicor Fixed Bill further agrees that should there be a balance outstanding for insufficient funds after such charge back to the weekly remittance, such balance will be immediately due Nicor Gas.

- 7.2 **Customer Service:** Nicor Gas will respond to Customer inquiries regarding the Billing Services provided to Nicor Fixed Bill on a best efforts basis. If Nicor Gas is unable to satisfy a Customer's inquiry related to Billing Services, the Company will provide Nicor Fixed Bills' customer service department's phone number to the Customer for discussion with a Nicor Fixed Bill representative, who will respond to the specific Billing Service inquiry.
- 7.3 **Charges:** Nicor Fixed Bill agrees to pay Nicor Gas as per the Nicor Gas Terms and Conditions effective January 18, 2002 under the Third Party Billing Services clause on Sheet No. 52.5 (currently \$0.25 per bill). Nicor Fixed Bill agrees that Nicor Gas will have access to Nicor Fixed Bill funds to automatically debit Nicor Fixed Bill funds to Nicor Gas on the Customer's bill issue date. Nicor Gas will show these charges on Nicor Fixed Bill's monthly bill issued in conjunction with this Agreement.
- 7.4 **Agreement:** The Agreement shall govern all other aspects of the parties' rights, duties, and obligations with respect to the delivery of the Billing Services.
- 7.5 **Financial Assurance:** Upon request from Nicor Gas, Nicor Fixed Bill shall provide a deposit, guaranty or irrevocable letter of credit in an amount acceptable to Nicor Gas.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first written above.

NICOR GAS COMPANY

Signature: Albert E Harms

Name: Albert E Harms

Title: Manager Rate Research

Date: 11/4/02

NICOR FIXED BILL, L.L.C.

Signature: [Signature]

Name: _____

Title: _____

Date: _____

efe

Northern Illinois Gas Company
D/B/A Nicor Gas Company
Customer Select Program
Nicor Gas Consolidated Billing Services Agreement

In connection with its small customer transportation program (“Customer Select”) under Riders 15 and 16, Northern Illinois Gas Company, d/b/a Nicor Gas Company (“Nicor Gas” or “Company”) agrees to include the Supplier’s (“Supplier”) charges to the Nicor Gas customer (“Customer”) on the Company’s bill, process payments and remit the proceeds (“Billing Services”) to the Supplier under the following terms and conditions:

1. Scope of Agreement.

Nicor Gas agrees to provide the Billing Services to Supplier and Supplier agrees to pay the fees set forth in Schedule A, attached hereto.

2. Term of Agreement.

This Agreement (“Master Agreement”) shall be effective as of _____ (“Effective Date”) and shall remain in force for a period of one (1) year (“Initial Term”). The Master Agreement shall automatically renew and extend for successive one (1) year terms, commencing at the conclusion of the Initial Term or any renewal term, unless contrary notice is given by Supplier or Nicor Gas at least ninety (90) days prior to the end of the then current term. Upon termination, obligations of a continuing nature shall continue to be binding and in full force and effect including, without limitation, those reflected in: paragraph 7, “File Security, Retention and Transfer at Time of Termination; paragraph 9, “Warranty and Limitation of Liability”; paragraph 10, “Indemnification”; and paragraph 11, “Default; Termination Upon Default”.

3. Charges.

- 3.1** Except as provided in Schedule A, attached hereto, fees for the Billing Services shall not be changed by Nicor Gas during the Initial Term. Thereafter, however, such fees may be changed effective with at least ninety (90) days prior written notice to Supplier. If such notice is given, Supplier may, by giving written notice to Nicor Gas at least forty-five (45) days prior to the effective date of any such changes, reject the Billing Services, whereupon the obligations of both parties with respect to all Billing Services shall terminate.
- 3.2** There shall be added to all invoices for Billing Services an amount equal to any applicable sales or other taxes levied, based on, arising from or in any way connected with the furnishing of Billing Services to Supplier. All invoices for the Billing Services rendered hereunder shall be due and payable fourteen (14) days after receipt of the invoice. If Supplier fails to pay any such amounts when due, Nicor Gas may, at its option, and after giving at least ten (10) days prior written notice, discontinue furnishing Billing Services unless and until all such past due amounts are paid in full, all without impairment of any other remedy which may be available to Nicor Gas.
- 3.3** Supplier recognizes that Nicor Gas’ level of personnel staffing, computer equipment selections, hardware resource allocations, hardware and software lease term selections, equipment and software purchases, and general resource planning so as to fulfill its contractual obligations hereunder are based on the assumption that this Master Agreement will remain in effect for its full Initial Term and any renewal term and that any prior termination of this Master Agreement will result in substantial damages to Nicor Gas. At the same time,

however, Nicor Gas recognizes that it is in the interests of Supplier to have the right to terminate this Master Agreement, other than as provided in paragraphs 2 and 11 herein, should it so desire. Supplier, therefore, is granted the right, at its option, to terminate this Master Agreement for its convenience and without cause at any time after the Initial Term by giving ninety (90) days prior written notice of termination, and by paying to Nicor Gas an amount in cash which shall be the product resulting from multiplying the number of months remaining in the Master Agreement's current term on the date of termination by the highest billed service fee amount during the last six-month period (or since the effective date in the event six months have not accrued), it being agreed that such sum constitutes reasonable liquidated damages to be sustained by Nicor Gas by reason of such early termination.

4. Reliance on Information Provided.

Nicor Gas shall rely on the accuracy of all information provided to Nicor Gas by Supplier. Supplier shall promptly inform Nicor Gas of any incorrect data or information. Supplier shall bear the cost of correction and pay any damages arising therefrom if the correction of such data results in costs to Nicor Gas which exceed those incurred in the process of routinely receiving and preparing correct data for normal usage.

5. Uses of the Billing Services.

Supplier shall use the Billing Services in compliance with the Customer Select program and with Nicor Gas, tariff requirements, including applicable Terms and Conditions, as modified from time-to-time.

6. Modifications in the Services.

Upon giving reasonable advance notice to Supplier, Nicor Gas, at its expense, may make any modifications, changes, adjustments or enhancements to the Billing Services which it considers to be suitable or which are required by law or governmental regulation.

7. File Security, Retention and Transfer at Time of Termination.

7.1 Nicor Gas shall take all reasonable steps to ensure that access to Supplier's computerized files and records are available only to Nicor Gas and Nicor Gas, agents or contractors. Nicor Gas reserves the right, at its expense, to issue and change procedures from time-to-time to improve or protect file security.

7.2 Nicor Gas shall take all reasonable precautions to prevent the loss or alteration of Supplier's computerized files and records accessed or retained by Nicor Gas, but Nicor Gas cannot and does not guarantee or indemnify against any such loss or alteration. Accordingly, Supplier shall, at its expense, keep copies of the source documents of the information delivered to Nicor Gas and shall maintain a backup procedure for reconstruction of lost or altered Supplier's computerized files and records to the extent deemed necessary by Supplier. Nicor Gas shall promptly inform Supplier of any such lost or altered data or information and upon notice from Nicor Gas, Supplier shall retransmit all such data or information. Nicor Gas shall retain Supplier's computerized files and records in accordance with Schedule A, attached hereto, and made a part hereof.

8. Government Regulation.

- 8.1** Each party shall: a) to the extent relevant, be responsible for compliance with all applicable laws, rules, and regulations including, without limitation, the rules of any applicable national or regional Automated Clearinghouse Association (“ACH”); and, b) establish, maintain, and be responsible for error resolution procedures. The parties will cooperate with one another in the investigation and resolution of any alleged errors.
- 8.2** Supplier shall provide all required notices and disclosures to the appropriate regulatory authorities and to affected Customers concerning the initiation or termination of this Master Agreement or of Billing Services, or of any substantial changes in the Billing Services being provided to the Supplier.
- 8.3** Should a governmental agency which has regulatory authority over Supplier wish to review the Billing Services, Supplier agrees to pay Nicor Gas for all costs incurred in the preparation of data for inspection, examination or audit for such services.

9. Warranty and Limitation of Liability.

- 9.1** Nicor Gas warrants that it will exercise reasonable care in the performance of its obligations under this Master Agreement. NICOR GAS MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES PROVIDED HEREUNDER. Because of the extreme difficulty of fixing actual damages for any failure of Nicor Gas to perform its obligations hereunder, or from any failure of Nicor Gas to perform any obligations imposed by law, the parties agree that Nicor Gas’ liability hereunder for any loss, shall be limited to liquidated damages in the amount of the Billing Services’ fees paid by Supplier to Nicor Gas for the two (2) calendar months immediately preceding the month in which the event occurred which gave rise to the damages. The provisions of this paragraph apply even though the loss or damage, irrespective of cause or origin, results, directly or indirectly, either from performance or nonperformance of obligations imposed by this Master Agreement.
- 9.2** IN NO EVENT WILL NICOR GAS BE RESPONSIBLE FOR (A) ANY INCIDENTAL, INDIRECT, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING LOST REVENUES OR PROFITS, LOSS OF BUSINESS OR LOSS OF DATA REGARDLESS OF WHETHER IT WAS ADVISED, HAD REASON TO KNOW, OR IN FACT KNEW OF THE POSSIBILITY THEREOF; OR (B) FOR ANY LOSS OR DAMAGE TO THE OTHER PARTY OR TO A CUSTOMER, DIRECT OR CONSEQUENTIAL, ARISING OUT OF OR IN ANY WAY RELATED TO ACTS OR OMISSIONS OF THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, VARIOUS COURIER SERVICES, THE FEDERAL RESERVE BANK, OTHER BANKS WITH WHICH THE OTHER PARTY DEALS OR THE EMPLOYEES OR AGENTS OF SUCH BANK OR ANY FINANCIAL INSTITUTION WHICH RECEIVES OR ORIGINATES ENTRIES OR PAYS ELECTRONIC DEBITS FROM THE SUPPLIER ACCOUNTS.
- 9.3** Neither party shall be liable for any delay or other failure of performance caused by factors beyond its reasonable control, such as, but not limited to, strikes, insurrection, war, fire, acts of God, governmental acts or regulation, or acts of third parties. If, after the date of this Master Agreement, any law, regulation, or ordinance, whether federal, state, or local, becomes effective which substantially and materially alters the ability of either party to perform Billing Services hereunder, the affected party, after making a bona fide effort to

overcome the impairment, shall have the right to terminate this Master Agreement, without penalty, upon thirty (30) days written notice to the other party.

10. Indemnification.

Supplier agrees to indemnify Nicor Gas, its officers, directors, and employees from and against any and all loss, liability, cost and expense, including reasonable attorneys' fees, incurred by any one or more of them by reason of any and all claims, demands, suits or proceedings, made or brought against any one or more of them arising from or related to any act or omission of Supplier or the breach of any obligation, responsibility, warranty, or representation of the Supplier to Nicor Gas related to the operation, promotion, or use of the Billing Services pursuant to this Master Agreement.

11. Default; Termination Upon Default.

11.1 In the event of a material default of this Master Agreement, the non-defaulting party shall have an immediate right to terminate this Master Agreement in the event a default remains uncured for thirty (30) days after notice thereof to the defaulting party.

11.2 All expenses incurred by the non-defaulting party in terminating the relationship under this Master Agreement shall be borne by the defaulting party.

12. General.

12.1 Supplier acknowledges that it has not been induced to enter into this Master Agreement by any representation or warranty not set forth in this Master Agreement. This Master Agreement contains the entire agreement of the parties with respect to its subject matter and supersedes all existing agreements and all other oral, written or other communications between them concerning its subject matter. This Master Agreement shall not be modified in any way unless such modification is in writing and signed by both parties.

12.2 This Master Agreement may not be assigned by Supplier, in whole or in part, without the prior written consent of Nicor Gas, which consent shall not be unreasonably withheld or delayed. Supplier agrees to give Nicor Gas notice of any such intended assignment of its rights and obligations under this Master Agreement.

12.3 This Master Agreement shall be binding upon and shall inure to the benefit of Nicor Gas and Supplier and their respective successors and permitted assigns.

12.4 If any provision of this Master Agreement (or any portion thereof) shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remainder hereof, shall not in any way be affected or impaired thereby.

12.5 The headings in this Master Agreement are intended for convenience of reference and shall not affect its interpretation.

12.6 The individuals executing this Master Agreement on behalf of Nicor Gas and Supplier do each hereby represent and warrant that they are duly authorized by all necessary action to execute this Master Agreement on behalf of their respective principals.

12.7 This Master Agreement is made in the State of Illinois, and shall be construed and interpreted in accordance with the laws of the State of Illinois without regard to choice of law principles.

12.8 The parties do not intend the benefits of this Master Agreement to inure to any third party, and nothing contained herein shall be construed as creating any right, claim or cause of action in favor of any such third party against either of the parties hereto.

12.9 Nothing in this Master Agreement shall be deemed to limit: (i) the applicability of any relevant statutes of limitation or repose; or (ii) any waivers contained in this Master Agreement.

13. Notices.

Service of all notices under this Master Agreement shall be in writing and sent by either U.S. Certified Mail, return receipt requested, postage paid, addressed to the party to be served notice, or by nationally recognized overnight mail service, at the following addresses. All such notices and communications shall be effective upon receipt.

	<u>Nicor Gas</u>	<u>Supplier</u>
Name:	Nicor Gas	_____
Address:	c/o Customer Select Program 7W	_____
	P.O. Box 190	_____
	Aurora, Illinois	_____
	60563-9600	_____

14. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter herein and cancels and supersedes any prior understandings and agreements of the parties with respect to such subject matter. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than those expressly set forth in this Agreement.

Supplier Bank Information: (To be completed by the Supplier.)

Name:	_____	Contact:	_____
Address:	_____	Account Number:	_____
Address:	_____	Routing Number:	_____

**FOR
NICOR GAS:**

Submitted By:

Name: Nicor Gas

Date Received from Supplier _____

Accepted By _____

Official Capacity

Date Accepted _____

FOR THE SUPPLIER:

Supplier _____

Accepted By _____
Please Print

Signature _____

Official Capacity

Date Accepted _____

Schedule A

Service Addendum for Billing Services

Nicor Gas and Supplier have entered into a Billing Services Agreement dated _____ (the "Master Agreement"). This Addendum further specifies the Billing Services Supplier has elected to receive. All terms capitalized but not otherwise defined herein shall have the meanings attributed to them in the Master Agreement.

1. Services.

Nicor Gas' Billing Services is comprised of Nicor Gas products, services, and support systems which enable Nicor Gas to present bills, on Supplier's behalf, to Supplier's customers who have elected to enroll in the **Customer Select** program. The Billing Services will also enable Nicor Gas to electronically deliver remittance files to Supplier.

2. Third Party Service Providers.

Each party shall be liable for the acts or omissions of employees or its third party provider ("Provider") while transmitting, receiving, storing or handling Billing Services' data, or performing related activities, for such party as though they were the party's own acts or omissions, and for purposes of the Master Agreement and this Addendum the Provider shall be deemed to be an agent of that party. Any party utilizing a Provider shall ensure that it is a contractual obligation of the Provider that no change in the data content of the Billing Services' data is made or disclosed to any unauthorized person.

3. System Operation.

Each party, at its own expense, shall provide and maintain the requisite equipment, software, services and testing necessary to effectively and reliably transmit and receive Billing Services' data in compliance with the specifications set for in the Appendix 1 hereto. Each party, at its own expense, will be responsible for retaining an emergency backup plan for its equipment, software, and services to effectively and reliably transmit and receive Billing Services' data in the event its equipment, software and/or services fails, is not in service or is otherwise inaccessible.

4. Security Procedures.

Nicor Gas reserves the right to make an emergency suspension of transmitted Billing Services' data to protect resources from illegal access or damage. Any action taken by Nicor Gas pursuant to this provision shall not constitute termination of the Master Agreement or this Addendum.

5. Garbled Transmissions.

If any transmitted Billing Services' data is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party, within one business day, (if identifiable from the received transmitted data) in a reasonable manner. The originating party shall be obligated to retransmit the Billing Services' data upon receipt of notice from Nicor Gas. Notwithstanding the above, Nicor Gas will not be liable for the consequence of unintelligible or garbled transmission, if the error is or should be in all circumstances reasonably detectable to the Supplier.

6 Nicor Gas' Obligations.

- 6.1 Customer Enrollment:** Nicor Gas will maintain the enrollment site, receive and record customer enrollments, create and maintain a database of Customers, and notify Supplier of enrollments via electronic files transmitted to Supplier. Thereafter for so long as this Master Agreement remains in effect, or until it has received instructions to the contrary from a Customer, will bill its Customer for commodity services using Nicor Gas' Billing Services.
- 6.2 Bill Preparation:** As part of service under Riders 15 and 16, Nicor Gas will provide Suppliers with Customer gas usage ("Consumption") data as such data becomes available through the normal course of providing normal utility meter reading operations. The Supplier will provide electronically to the Company its billing data in conformance with the specifications set forth in Appendix 1 hereto ("Billing Charges") within three (3) business days of receiving the Customer's Consumption data from Nicor Gas. The Supplier's Billing Charges shall consist of a maximum of three (3) charges and descriptions to appear on the Customer's regular utility bill. The descriptions to appear on the bill shall be submitted to the Company by March 15 for the upcoming program year. Changes to such descriptions will be reviewed and approved on a case by case basis. In addition to the Billing Charges, Nicor Gas shall also print the previous balance, payment received, thank you; total due, Supplier's name and phone number on the Company's bill.
- 6.3 Payment Processing:** The Company agrees to process payments received from Customers as part of the fee assessed for providing Billing Services. Processing customer payments shall mean the collection - via cash, check, money order, electronic funds transfer, or by any other means of legal tender; made by mail, in-person, electronically or through one of the Company's authorized agents; and the deposit of such payment into one of the Company's financial institutions. Any payments received from Customers along with any credit balances appearing on the Customer's Nicor Gas account shall first be applied to Nicor Gas' non-gas commodity charges which the Company will bill the Customer, with the remainder applied to satisfy the Supplier's total amount due. Any amounts in excess of satisfying Nicor Gas' and the Supplier's bills shall be applied to the Customer's Nicor Gas account as a credit for future use.
- 6.4 Remittance Deliveries:** Nicor Gas will electronically initiate payment to the Supplier as frequently as such payment data becomes available for transfer to the Supplier. Remittance of Customer's payments received by Nicor Gas will be sent via ACH to the financial institution designated by the Supplier upon completion of Nicor Gas' internal processing. In the event a remittance date falls on a bank holiday, Nicor Gas will remit Customer payments, on the next business day which is not a bank holiday.
- 6.5 Records:** Nicor Gas will maintain records of all Customer's bill presentation and payment activity in compliance with all applicable federal, state and local regulations and provide such information related thereto as the Supplier may reasonably request upon reasonable notice to Nicor Gas during normal business hours.

7. Supplier's Obligations.

- 7.1 Processing:** Supplier will transmit accurate and timely Customer Billing Charges to Nicor Gas in conformance with the specifications set forth in Appendix 1 hereto of this Service Addendum. Supplier further agrees that upon notification from a financial institution that there are insufficient funds to settle a Customer's payment, Nicor Gas will charge back the credit given to the Customer and to the Supplier. Such charge back to the Supplier will reduce any remittance due to the Supplier from Nicor Gas. Supplier further agrees that should there be a balance outstanding for insufficient funds after such charge back to the weekly remittance, such balance will be immediately due Nicor Gas.
- 7.2 Customer Service:** Nicor Gas will respond to Customer inquiries regarding the Billing Services provided to the Supplier on a best efforts basis. If Nicor Gas is unable to satisfy a Customer's inquiry related to Billing Services, the Company will provide the Supplier's customer service department's phone number to the Customer for discussion with a Supplier's representative. Supplier will then respond to the specific Billing Service inquiry concerning the content of the Supplier Billing Charge presented.
- 7.3 Charges:** Supplier agrees to pay Nicor Gas \$.25 per bill issued under this Billing Services Agreement. Nicor Gas will show these charges on the Supplier's monthly bill issued in conjunction with service under Riders 15 and 16. Payment will be due at the same time payment is due for providing service under these Riders.
- 7.4 Master Agreement:** The Master Agreement shall govern all other aspects of the parties' rights, duties, and obligations with respect to the delivery of the Services.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first written above.

**FOR
NICOR GAS:**

FOR THE SUPPLIER:

Submitted By:

Name Nicor Gas

Supplier _____

Date Received from Supplier _____

Accepted By _____
Please Print

Accepted By _____

Signature _____

Official Capacity

Official Capacity

Date Accepted _____

Date Accepted _____