

## REQUIRED CONDITIONS OF APPROVAL

Each of the conditions enumerated below has been approved in the Order in this docket to which this Appendix A is attached. Implementation of each condition shall be consistent with the stated rationale for such condition, as explained in the order. Where any specific details of implementation are set forth in the order, implementation shall include such details.

1. Under Nicor Gas' inter-affiliate Operating Agreement, AGL Services Company shall pay Nicor Gas the fully distributed cost for services provided to AGL Services Company under that agreement.
2. The Services Agreement involving NG and AGL Services Company shall include the access to records paragraph set forth in ICC Staff Exhibit 8.0 at page 6.
3. The aforementioned Services Agreement shall provide that changes in allocation methods must be filed with the Commission, in the manner set forth in ICC Staff Exhibit 8.0 at page 7.
4. Nicor Gas shall conduct an annual internal audit of the aforementioned Services Agreement, in the manner set forth in ICC Staff Exhibit 14.0 at pages 4-5.
5. Nicor Gas shall conduct a triennial cost study of the services provided under the aforementioned Services Agreement, in the manner set forth in ICC Staff Exhibit 8.0 at page 13, as modified in ICC Staff Exhibit 14.0 at page 5.
6. Nicor Gas shall make an annual filing of a Billing Report for the aforementioned Services Agreement, in the manner set forth in ICC Staff Exhibit 14.0 at page 6.
7. The Joint Applicants shall directly charge or assign human resources-related costs, in the manner set forth in ICC Staff Exhibit 8.0 at page 17, as modified in ICC Staff Exhibit 14.0 at page 6.
8. The Joint Applicants shall file on e-Docket an executed copy of the Tax Allocation Agreement among Members of the AGL Resources Inc. Affiliated Group, in the manner set forth in ICC Staff Exhibit 8.0 at page 18.
9. The Joint Applicants shall file the final disposition of all journal entries on e-Docket, in the manner set forth in ICC Staff Exhibit 8.0 at page 19.
10. Sequent Energy Management, LP will not be a party to Nicor Gas' Operating Agreement.

11. There will be no right of last refusal for Sequent Energy Management, LP on spot purchases.
12. The Joint Applicants will consult with Staff and shall receive Commission approval before the Joint Applicants sign an asset management agreement.
13. There shall be a separate commercial paper program and a separate credit facility for Nicor Gas, which, if not in existence on the date Reorganization is closed, shall be established as soon as is reasonably practicable.
14. The Joint Applicants shall file a compliance report following the Reorganization, which shall include copies of post-merger Nicor Gas credit facilities; a complete copy of this filing shall be delivered contemporaneously to the Manager of the Commission's Finance Department.
15. For a period of five years following the closing of the Reorganization, the Joint Applicants shall maintain in Illinois the current number of full-time equivalent employees ("FTEs") - 51 full and 24 partial - in the following areas: Corrosion Control, the Technical Compliance Department, the Locating Services Department, the Transmission Integrity Management Program, and the Distribution Integrity Management Program.
16. For a period of five years following the closing of the Reorganization, the Joint Applicants shall maintain in Illinois management personnel directly responsible for the day-to-day supervision of the positions identified in paragraph 15.
17. For a period of five years following the closing of the Reorganization, the Joint Applicants shall maintain in Illinois the current level of training and quality assurance programs for compliance monitoring activities.
18. For a period of five years following the closing of the Reorganization, the Joint Applicants shall meet with the Commission Staff's Pipeline Safety Program Manager, or his designee(s), to discuss any proposed material change(s) to the job duties for any of the positions identified in paragraph 15.
19. Nicor Gas shall petition the Commission 90 days prior to the end of the five year period to determine whether Nicor Gas' performance concerning pipeline safety issues is reasonably comparable to pre-reorganization levels at Nicor Gas, or requires an extension of the commitment period for the items identified in paragraphs 15 and 16 beyond five years.
20. Nicor Gas shall review the petition and pipeline safety performance with Staff 60 days before filing the petition identified in paragraph 19.
21. The base rates of Nicor Gas shall be fixed at their current rates for a period of three years following the closing of the proposed Reorganization. Nicor Gas may file at its option a base rate case, in a time consistent with the provisions of the Public Utilities Act and the Commission's Rules, which would implement new

- distribution rates no earlier than three years following the date the proposed Reorganization closes. (To illustrate this provision, if the Reorganization closes on November 1, 2011, Nicor Gas' base rates shall be fixed until November 1, 2014. Nicor Gas would be allowed to file a general rate case at a time that would allow new rates to go into effect on or after November 1, 2014.) The Joint Applicants retain the right to request that the Commission waive, at the Commission's discretion, the timing provision set forth above if the financial integrity of Nicor Gas is jeopardized to the extent of negatively affecting customers. Under the terms of this provision, customers shall receive all of the achieved savings, if any, associated with the test year in that case, plus any additional savings that would otherwise be recognized under 83 Ill. Adm. Code Part 287 or prior Commission test year rulings, if any, as an embedded reduction to the cost of service from that period forward.
22. Sections 9-220(h) and (h-1) of the Public Utilities Act, as set forth in Public Act 097-0096 and Public Act 097-0239, require Nicor Gas, among other utilities, to enter into a sourcing agreement with a clean coal substitute natural gas ("SNG") brownfield facility and a clean coal SNG facility, or elect to file biennial rate cases in 2012, 2014, and 2016. As of August 24, 2011, Nicor Gas has not yet made such an election. Although the Joint Applicants assert that it is unlikely at this time that Nicor Gas would not enter into the referenced SNG sourcing agreements, if Nicor Gas should elect not to enter into such a sourcing agreement, the Act then requires that Nicor Gas file biennial rate cases in 2012, 2014, and 2016. Notwithstanding paragraph 21, above, rate case filings under such statutes are permitted, absent an SNG sourcing agreement.
  23. Achieved savings at Nicor Gas resulting from the proposed Reorganization, if any, and any additional savings resulting from the proposed Reorganization that would otherwise be recognized under 83 Ill. Adm. Code Part 287 or prior Commission test year rulings, if any, shall be flowed through to Nicor Gas customers as part of costs associated with the regulated intrastate operations for consideration in any future rate case involving Nicor Gas.
  24. The costs incurred in accomplishing the proposed Reorganization shall not be recovered through Illinois jurisdictional regulated rates in this or any future proceeding. For clarification, the "costs incurred in accomplishing the proposed Reorganization" are Transaction Costs, Change in Control Costs, Financing Costs, Separation Costs, and Legal and Other Professional Costs included in the Joint Applications' Supplemental Response to Staff Data Request RWB 3.01, Exhibit 5 (Staff Group Cross Exhibit 2 (Public) at 7-8 (NRE 004555-4556)), which shall not be recovered through Illinois jurisdictional rates.
  25. Nicor Gas shall file a post-merger report that describes Nicor Gas' post-merger capital structure and identifies capital structure adjustments that result from the Reorganization, to address Section 6-103 of the Act and, if there are push-down accounting adjustments to Nicor Gas' balance sheet, then Nicor Gas shall also

file a petition seeking Commission approval of a fair value study and resulting capital structure pursuant to Section 6-103.

26. The Joint Applicants shall revise Nicor Gas' short-term borrowing addendum to the Operating Agreement to comply with the Commission's money pool rules (83 Ill. Adm. Code 340) by permitting Nicor Gas to borrow from non-utility affiliates but not permitting Nicor Gas to make any cash advances to non-utility affiliates.
27. The Joint Applicants shall file a semi-annual compliance report on the Commission's e-Docket system in Docket No. 11-0046, reporting on the status of progress of all conditions imposed by the Commission in this case, and this reporting requirement shall remain in effect until all conditions have been satisfied or the Joint Applicants petition the Commission and receive approval to cease such reporting requirement, whichever comes first.
28. If, during the three-year period following the date on which the Reorganization is closed, any proceeding involving Nicor Gas' rates is initiated, and insofar as Nicor Gas' cost of capital is addressed in such proceeding, Nicor Gas shall base its debt and equity costs on a study that assumes Nicor Gas's credit rating to be the same as its rating immediately prior to the closing of the Reorganization. Such study shall be prepared by or on behalf of Nicor Gas, and no cost of such study shall be borne by ratepayers of Nicor Gas. Also, the study shall be presented to Staff, with all supporting data and work-papers, within a sufficient time to receive Staff recommendations before filing.
29. If, after the three-year period following the date on which the Reorganization is closed, any proceeding involving Nicor Gas' rates is initiated, and insofar as Nicor Gas' cost of capital is addressed in such proceeding, Nicor Gas shall file a study analyzing the impact, if any, of Nicor Gas' affiliation with AGL Resources and its other subsidiaries on the cost of capital of Nicor Gas. Such study shall be prepared by or on behalf of Nicor Gas, and no cost of such study shall be borne by ratepayers of Nicor Gas. Also, the study shall be presented to Staff, with all supporting data and work-papers, within a sufficient time to receive Staff recommendations before filing.
30. Nicor Gas' OA shall include in its inter-affiliate Operating Agreement only the language agreed to by Commission Staff and Joint Applicants, as stated in the Agreed Stipulation between Joint Applicants and Staff, filed in this docket on May 20, 2011 (Joint Applicant's Ex. 7.0), and as appearing in the Operating Agreement (Joint Applicant's Ex. 7.1) attached to the Agreed Stipulation. Additionally, Staff's proposed text for paragraph 2.2(e) of the Operating Agreement shall be included in the agreement and the JA's proposed text for that paragraph shall not be included. No language excluded by agreement between Staff and Joint Applicants, including (but not limited to) language authorizing Nicor Gas to perform repair services on behalf of its affiliate, Nicor Services (or

Nicor Energy Services), in fulfillment of obligations Nicor Services has to its customers under the GLCG product, shall appear in the Operating Agreement.

31. Nicor Gas shall maintain, for a period of three years after closing of the Reorganization, 2,070 full-time equivalent employees working in support of Nicor Gas' business, and shall maintain, for the same three-year period, that same level of full-time equivalent employees working in the State of Illinois. Nicor Gas shall also honor and abide by all union contracts in effect prior to completion of the Reorganization.
32. In fulfillment of the overall goals of Section 7-204 that JA be committed to maintaining Nicor Gas' pro-active stance on supporting economic development in Illinois, JA shall continue such activities, at a minimum, at the same level as Nicor Gas' current commitments to various social and charitable programs throughout its Illinois service territories. This condition does not create any presumption of reasonableness for the recovery of expenses related to charitable contributions in any future rate case, as such expenses will continue to be evaluated for reasonableness under Section 9-227 of the Act.
33. As long as AGL owns, controls, or manages Nicor Gas or its successor entity, it shall have at least one non-employee individual resident of Illinois on AGL's Board of Directors. AGL has sole discretion in selecting qualified candidates and determining which individual is the best qualified for such nomination.
34. In order that the Commission is apprised of the compliance by AGL of the many commitments and requirements of this Order, the CEO of AGL, on an annual basis, shall appear before the Commission to report on the status of its compliance with this Order

END OF REQUIRED CONDITIONS OF APPROVAL