DOCKET NO. 11-0046
JOINT APPLICANTS
STATUS OF REQUIRED CONDITIONS OF APPROVAL
AS OF JUNE 8, 2012

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.

The Operating Agreement, effective December 9, 2011 and filed with the Illinois Commerce Commission ("the Commission") on February 15, 2012, included the requirement specified under Condition 1.

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.

The AGL Services Agreement, effective December 9, 2011 and filed with the Commission on March 12, 2012, included the requirement specified under Condition 2.

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.

The AGL Services Agreement, effective December 9, 2011 and filed with the Commission on March 12, 2012, included the requirement specified under Condition 3.

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.

The AGL Services Agreement, effective December 9, 2011 and filed with the Commission on March 12, 2012, included the requirement specified under Condition 4.

The first annual audit report will be for the year ended December 31, 2012 and will be filed with the Commission no later than July 1, 2013.

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.

The AGL Services Agreement, effective December 9, 2011 and filed with the Commission on March 12, 2012, included the requirement specified under Condition 5.

The first triennial cost study will cover the calendar years ending December 31, 2014.

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.

The AGL Services Agreement, effective December 9, 2011 and filed with the Commission on March 12, 2012, included the requirement specified under Condition 6.

The first annual billing report will be for the year ended December 31, 2012 and will be filed with the Commission no later than May 1, 2013.

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.

The AGL Services Agreement, effective December 9, 2011 and filed with the Commission on March 12, 2012, included the requirement specified under Condition 7. This change was implemented effective January 1, 2012.

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.

The Tax Allocation Agreement, effective January 1, 2012 and filed with the Commission on May 30, 2012, complies with the Condition 8.

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.

Push down accounting was not required, and therefore Nicor Gas was not required to make such journal entries. As noted in the Nicor Gas 10-K for the year ended December 31, 2011 and filed with the Securities and Exchange Commission on February 22, 2012: "On December 9, 2011, the previously announced merger between AGL Resources and Nicor was consummated and we became a wholly-owned subsidiary of AGL Resources. Because of our significant outstanding public debt, the impact of the acquisition (push-down accounting) is not required to be and has not been reflected in our consolidated financial statements."

10. Sequent Energy Management, LP will not be a party to Nicor Gas' Operating Agreement.

The Operating Agreement, effective December 9, 2011 and filed with the Commission on February 15, 2012, met the requirement specified under Condition 10, and Sequent Energy Management, LP is not a party to that agreement.

11. There will be no right of last refusal for Sequent Energy Management, LP on spot purchases.

As of the date of this report no agreement between Nicor Gas and Sequent Energy Management, LP includes a right of last refusal on spot purchases for Nicor Gas.

12. The Joint Applicants will consult with Staff and shall receive Commission approval before the Joint Applicants sign an asset management agreement.

As of the date of this report Nicor Gas is in compliance with Condition 12. The Company has not entered into 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.

The Credit Agreement among Northern Illinois Gas (d/b/a Nicor Gas) and various lenders, dated December 15, 2011 and filed with the Commission on December 19, 2011, included the requirement specified under Condition 13, establishing a separate commercial paper program and separate credit facility for Nicor Gas.

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.

The Credit Agreement among Northern Illinois Gas (d/b/a Nicor Gas) and various lenders, dated December 15, 2011, was filed with the Commission on December 19, 2011. A copy of this filing was also provided to Alan Pregozen, 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.

As of the date of this report Nicor Gas is in compliance with Condition 15. During the course of the initial integration of Nicor Gas and AGL Resources, safety has remained the primary goal of the organization. As such, these Illinois compliance positions have been retained, and have increased to 59 full and 24 partial full-time equivalent employees. This increase is attributed to the creation of two additional compliance positions and the transfer of six existing positions from other parts of the Company. Due to the organizational changes associated with the initial integration, some departmental names, job titles and reporting structures have been changed, but the composite responsibilities of those departments and positions have not been altered.

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.

As of the date of this report Nicor Gas is in compliance with Condition 16. All those responsible for direct day-to-day supervision of these compliance positions are based in Illinois.

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.

As of the date of this report Nicor Gas is in compliance with Condition 17. No changes have been made to the level of training or quality assurance programs that existed prior to the merger.

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.

Coming out of the initial integration of the companies, Nicor Gas has no current plans to materially change the job duties of personnel identified in paragraph 15. If such change arises at a future date, Nicor Gas will discuss such plans in advance with the Commission Staff's Pipeline Safety Program Manager, or his designee(s).

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.

No later than September 10, 2016, Nicor Gas will petition the Commission to determine whether Nicor Gas' performance of pipeline safety issues is comparable to pre-reorganization levels, or if the requirements of Conditions 15 and 16 should be extended.

20. Nicor Gas shall review the petition and pipeline safety performance with Staff 60 days before filing the petition identified in paragraph 19.

No later than July 12, 2016, Nicor Gas will review with Staff the petition to be filed with the Commission in compliance with Condition 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.

In compliance with Condition 21 the earliest date for Nicor Gas to file a request for a general rate increase would be January 8, 2014, eleven months prior to the three year anniversary of the merger close, December 9, 2014. As of the date of this report Nicor Gas has not requested a waiver of this provision.

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.

Nicor Gas did not elect under Public Act 097-0096 or Public Act 097-0239 to file biennial rate cases in 2012, 2014 and 2016.

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.

As of the date of this report Nicor Gas is in compliance with Condition 23. This Condition will be addressed more specifically at a future time when Nicor Gas files a request for a general rate increase. As noted above under Condition 21, the earliest date for Nicor Gas to file a request such a request would be January 8, 2014, eleven months prior to the three year anniversary of the merger close, December 9, 2014.

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.

As of the date of this report Nicor Gas is in compliance with Condition 24. This Condition will be addressed more specifically at a future time when Nicor Gas files a request for a general rate increase. As noted above under Condition 21, the earliest date for Nicor Gas to file such a request would be January 8, 2014, eleven months prior to the three year anniversary of the merger close, December 9, 2014.

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.

In compliance with Condition 25, on May 2, 2012 Nicor Gas filed with the Commission a post-merger report of our capital structure as of December 31, 2011 (i.e., post-merger). As indicated in response to Condition 9 above, push down accounting was not required to be and has not been reflected in Nicor Gas' consolidated financial statements.

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.

The Operating Agreement, effective December 9, 2011 and filed with the Commission on February 15, 2012, included the requirement specified under Condition 26.

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.

This report is intended to comply with Condition 27.

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 is 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.

As of the date of this report, no such proceeding has been initiated.

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 is 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.

The three year anniversary date of the Reorganization will be December 9, 2014. Condition 29 will be addressed at that time, if applicable.

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.

Operating Agreement, effective December 9, 2011 and filed with the Commission on February 15, 2012, included the requirement specified under Condition 30.

Nicor Gas ceased solicitation of affiliate products and repair support for affiliate products on November 23, 2011. Solicitation of Nicor Gas customers on calls outsourced from Nicor Gas to affiliates ceased on December 9, 2011. Required changes to the Nicor Gas website were implemented on December 9, 2011.

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.

As of the date of this report Nicor Gas is in compliance with Condition 31. The company has 2,087 employee positions in the State of Illinois. This total includes currently filled positions (2,007) in Illinois as well as open positions that the company is actively recruiting (80).

In addition, the company also has 2,147 full-time equivalent employees providing support in provision of utility service for Nicor Gas under the net of the Nicor Gas Operating Agreement and the AGL Services Agreement.

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.**

The planned 2012 charitable contributions made by or behalf of Nicor Gas are $2.2 million, in addition to 25 volunteer events in service to the community. This represents the same level of charitable contributions and community service activities for Nicor Gas as the company experienced in 2011.

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.**

AGL Resources, Inc. currently maintains more than the one non-employee individual resident of the state of Illinois on its Board of Directors.

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.**

During the fourth quarter of this year, it is anticipated that John W. Somerhalder II, the Chairman, President and Chief Executive Officer of AGL Resources, Inc. will appear before the Commission in compliance with Condition 34.