

SETTLEMENT AGREEMENT

The Retail Energy Supply Association ("RESA"), Interstate Gas Supply of Illinois ("IGS"), and AGL Resources Inc., Nicor Inc., and Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas") (collectively referred to as the "Joint Applicants") are committed to working together to bring the benefits of customer choice and competition to retail customers in Nicor Gas' service territory.

To that end, RESA, IGS and the Joint Applicants (collectively, "the Parties") have had substantive discussions about the topics addressed in this Settlement Agreement (the "Agreement"). These discussions have led to the development of commitments, and represent a compromise that the Parties believe will result in achievement and implementation of reasonable and equitable solutions to the Parties' respective concerns and interests related to the proceedings in Ill. C. C. Dockets 11-0046 and 09-0301, concerning the reorganization proposed by the Joint Applicants. The events and circumstances that form the basis for the Parties' determination to enter this Agreement are highly unique and pertain solely to the state of restructuring and regulation in the natural gas market in Illinois at this time. This Agreement is the result of give and take among the Parties, all of whom have been represented by counsel, and memorializes the Parties' commitments. Thus, the Parties, intending to be legally bound and acknowledging the benefit to be derived from the mutual promises and commitments contained herein, agree as follows.

1. Purchase of Receivables Legislation/Tariff

RESA and IGS have drafted Proposed Legislation (set forth in Exhibit 1 to this Settlement Agreement) to establish a Purchase of Receivables Program ("PRP") to be offered by natural gas utilities in Illinois. The Proposed Legislation is currently being considered by the Illinois General Assembly. Nicor Gas agrees to take a publicly neutral position with respect to the Proposed Legislation, provided, however, that Nicor Gas reserves the right to change its position in the event that the Proposed Legislation in the form set forth in Exhibit 1 is amended in any manner that is materially adverse to Joint Applicants including but not limited to (i) failing to provide assurances that uncollectible expenses incurred by gas utilities as a result of the PRP will be recoverable through the gas utilities' uncollectible expense recovery riders, (ii) reducing the discount rate applicable to receivables purchased by gas utilities under the PRP to less than one percent, (iii) requiring gas utilities to purchase receivables from alternative gas suppliers prior to the due date of the receivables, (iv) requiring gas utilities to purchase receivables that relate to charges that are for services other than gas sales or that are not billed on the gas utilities' bills, (v) denying gas utilities recovery of all of their reasonably incurred

administrative costs associated with such PRP or (vi) denying gas utilities the proposed rate treatment associated with the purchase discounts.

In the event that the Proposed Legislation, or another version of the Proposed Legislation sponsored by RESA members and IGS that is substantially similar to the Proposed Legislation, is not enacted by the Illinois General Assembly by end of the Spring 2012, session (including subsequently signed by the Governor or automatically becoming law without signature after 60 days), within three months after the end of the Spring 2012 session Nicor Gas will file with the Illinois Commerce Commission ("Commission") tariff sheets revising its Schedule of Rates on file with the Commission to establish a PRP on substantially the terms set forth in the Proposed Legislation attached hereto as Exhibit 1. Nicor Gas agrees to use reasonable efforts to have its tariff filing approved by the Commission on the terms proposed in the filing. RESA and IGS also agree to use reasonable efforts to have the Nicor Gas tariff filing approved by the Commission on substantially the terms set forth in the Nicor Gas tariff filing.

2. Operational Changes in Nicor Gas' Transportation of Customer-Owned Gas Programs

RESA and IGS have requested that Nicor Gas make the following changes in its Transportation of Customer-Owned Gas Programs. RESA and IGS have categorized and prioritized the changes as follows:

#1 Priority: Timely Notice

- Nicor Gas will amend its current contracting documentation to include an indicator which specifies whether a customer is transferring to a new marketer with or without a storage balance.
- Upon issuance of a final invoice with the prior marketer, Nicor Gas will provide the new marketer with notice of the volume of gas in the customer's storage account at transfer.
- Nicor Gas will establish a password protected secure site in which files (reports) for individual marketers are provided. Reports to be included on this site include:
 - Daily report on all customers with canceled invoices including the reason for the invoice cancellation and the billing period involved
 - A report that indicates all of the customer whose invoices are based upon estimates instead of actual meter reads
- Nicor Gas will develop web-forms to be used for administrative transactions. Marketers will provide a corporate email address where Nicor Gas can send email confirmation of receipt of a completed web-form from the marketer.
 - The web-form process will be used for marketers to submit customer enrollments, cancellations and amendments to contracts to Nicor Gas. Upon receipt of the enrollment, cancellation or contract amendment, Nicor Gas will email confirmation of the transaction to the marketer.

- The web-form process will be used for Nicor Gas to submit notice of the customers being removed from Rate 74 due to non-working phone lines to marketers. The web-form process along with Nicor Gas' recent method change which eliminated backdating of accounts with non-working phone lines, should resolve any issues with customers being removed from Rate 74.

#2 Priority: Improved Administrative Process

- Nicor Gas will establish a password protected secure site in which files (reports) for individual marketers are provided. Reports to be included on this site include:
 - Maintenance List that provides account information on meters that are not properly working.

#3 Priority: Improved Quality

- Nicor Gas will continue to evaluate its meter device program internally.
- Within the past few months Nicor Gas has changed its process for the Short Flat and Long Flat Files. With the new process, Nicor Gas releases the reports when it obtains the meter reads, however, shortly thereafter Nicor Gas evaluates accounts with abnormal usage and makes corrections which will be reflected in future files. Previously Nicor Gas evaluated abnormal usage at the time of billing. Nicor Gas will continue to make corrections on the accounts in the Short Flat and Long Flat Files shortly after the files are released rather than wait to make corrections at the time of billing. The marketers recognize that in order to obtain access to the Short Flat and Long Flat Files as soon as possible, there will be access to the files for a short period prior to Nicor Gas making its corrections to the accounts. Nicor Gas will also continue to evaluate common and recurring problems that create errors in these files in order to correct the root cause of any problem.

#4 Priority: Improved Transportation Service Configuration

- Nicor Gas will work with marketers to evaluate the feasibility of billing all transportation customers on a calendar month basis or in the alternative develop options that minimize the number of distinct billing cycles for transportation customers.
- Nicor Gas will work with marketers to evaluate the feasibility of allowing pooling of all Rider 25 customers or in the alternative develop options that allow marketers to at least pool some of their Rider 25 accounts.
- Nicor Gas will establish a password protected secure site in which files (reports) for individual marketers are provided. Reports to be included on this site include:
 - Aging Report that provides account information on customers whose invoices are delayed beyond the normal billing cycle timeline. Recently Nicor Gas has

implemented changes to decrease the volume of late invoices and Nicor Gas will continue to strive for reduction in the quantity of late invoices.

The Parties agree to form a Working Group consisting of at least one individual from Nicor Gas and one individual from interested RESA companies and IGS with expertise in transportation of customer-owned gas programs and at least one individual from Nicor Gas and one individual from interested RESA companies and IGS with expertise in computer programming to evaluate the above changes to Nicor Gas' transportation of customer-owned gas programs. To the extent the items described above identify specific changes to be implemented, the Joint Applicants agree to implement those #1 and #2 priority items within 12 months from the effective date of this Agreement and those #3 and #4 priority items within 24 months from the effective date of this Agreement, provided that Nicor Gas will not be required to implement any of the above changes if that change would cause Nicor Gas to incur an incremental cost in excess of \$500,000.

3. PROCEEDINGS IN ILL. C. C. DOCKETS 11-0046 and 09-0301

In light of the agreements set forth in Sections 1 and 2 above, RESA AND IGS have carefully considered how those agreements impact the matters presently at issue in Dockets 11-0046 and 09-0301. Based upon the agreements above and taking the settlement in totality, RESA AND IGS are of the opinion that the competitive issues pending in Docket 11-0046, including customer solicitation and billing issues, are resolved through the fulfillment by Joint Applicants of their commitments under this Agreement and, accordingly, agree to withdraw the following testimony in Ill. C. C. Docket 11-0046 and 09-0301:

Rebuttal Testimony of Teresa L. Ringenbach in Docket 09-0301 (IGS/RESA Ex. 1.0 in Docket 11-0046)

Direct Testimony of Vincent Parisi in Docket 11-0046 (IGS/RESA Ex. 2.0 in Docket 11-0046)

Direct Testimony of Jason R. Kawczynski in Docket 11-0046 (IGS/RESA Ex. 3.0 in Docket 11-0046)

Rebuttal Testimony of William Thomas in Docket 09-0301 (Manchester Ex. 1.0 in Docket 11-0046)

4. TERMS AND CONDITIONS

4.1 Except for claims related to breach of the Agreement, the Parties, including RESA, and the affiliates of IGS, AGL Resources, Nicor Inc. and Nicor Gas shall not challenge, oppose or raise claims inconsistent with this Agreement in any current or future proceeding before the

Commission or in any collateral attack thereof or any appeal therefrom before any court, regulatory agency or other forum. To the extent Joint Applicants enter into agreements or stipulations with the Commission Staff or any other party in Docket 11-0046 to resolve matters at issue in that Docket, including matters transferred from Docket 09-0301, RESA and IGS agree to not contest such agreements or stipulations.

4.2 In the event that, subsequent to the effectiveness of this Agreement, any material provision of this Agreement is found invalid or unenforceable or is overturned or modified or deleted by a court of the Commission or another tribunal, then this Agreement shall become void on a going-forward basis fifteen days after the order or decision is entered, unless amended by the Parties to address such provision or to confirm the continued effectiveness of the remaining provisions of the Agreement.

4.3 The Parties agree that the Agreement, in its totality, is the result of compromise.

4.4 No amendment or waiver of any provision of this Agreement, nor consent to any departure therefrom, shall be effective unless the same shall be in writing and signed by all of the Parties. Any such waiver shall be effective only in the specific instance and for the specific purpose for which given.

4.5 This Agreement shall be governed by and interpreted in accordance with the laws of the State of Illinois. Any disputes among the Parties regarding the enforcement of this Agreement shall be resolved through the commencement of appropriate action in the Circuit Court of DuPage County, Illinois.

4.6 This Agreement (including its exhibits) is entered to narrow certain issues among the Parties so as to avoid the time, expense and uncertainty of litigation with respect to those issues. This Agreement and the attached exhibits (including any drafts thereof and any correspondence, other communications or discussions related thereto) shall not constitute, and they shall not be construed or interpreted to constitute, an admission of any kind by any Party with respect to any legal or factual issue in any proceedings, appeals or issues being addressed under this Agreement (or the attached exhibits) or with respect to any other proceeding or dispute. This Agreement and the attached exhibits (including any drafts thereof and any correspondence, other communications or discussions related thereto) shall not be offered or entered into evidence by any Party in any proceeding before the Commission (other than in Dockets 11-0046 or 09-0301) or any other administrative agency or in any court, except in connection with proceedings related to the performance, implementation or enforcement of this Agreement. The matters memorialized in this Agreement shall be construed as an indivisible whole. This paragraph shall become effective upon the execution of this Agreement by all of the Parties and shall remain effective notwithstanding any failure of the remaining provisions of this Agreement to become effective.

4.7 If any future law or regulation is enacted that any Party believes, in good faith, has a material impact on its rights and obligations arising under this Agreement, the Parties shall meet to discuss what action, if any, should be taken.

4.8 This agreement may be executed in any number of identical counterparts, each of which when executed and delivered shall be original, but all such counterparts shall constitute but one and the same instrument. The Parties agree that facsimile signatures (including by fax and e-mail) shall be sufficient as original signatures to demonstrate execution of this Agreement by one or more parties hereto.

4.9 Each of the signatories to this Agreement represents and warrants that he or she has the right and authority to enter into this Agreement and to bind the Party on whose behalf he or she has signed, including REISA, and the affiliates of IGS, AGL Resources, Nicor Inc, and Nicor Gas.

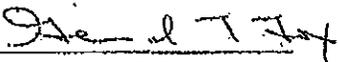
4.10 This Agreement (including exhibits) contains the entire and complete agreement of the Parties as to the matters set forth herein and supersedes any and all prior agreements with respect to those matters.

4.11 This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns.

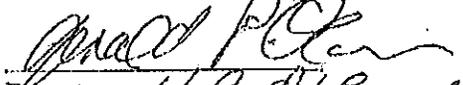
4.12-3 Nothing in this Agreement, either expressed or implied, is intended or shall be interpreted to give or confer any rights or remedies upon or to any person or entity other than the Parties.

IN WITNESS WHEREOF, the Parties set forth their respective signatures as of this 18th day of May, 2011.

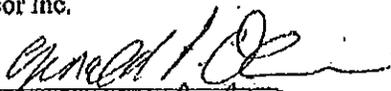
Retail Energy Supply Association


By: Gerard T. Fox
Attorney for REISA

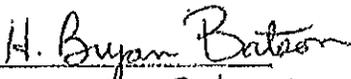
Northern Illinois Gas Company d/ba/ Nicor Gas


By: Gerald P. J. Connor
SVP - Nicor Gas

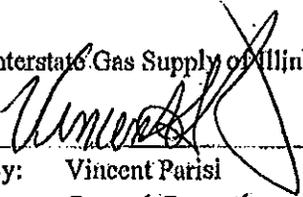
Nicor Inc.


By: GERALD P. O'CONNEL
SVP - Nicor INC

AGL Resources Inc.


By: H. Bryan Batson
SVP. AGL Resources

Interstate Gas Supply of Illinois



A handwritten signature in black ink, appearing to read 'Vincent Parisi', is written over a horizontal line.

By: Vincent Parisi
General Counsel

AMENDMENT TO SENATE BILL 1653

AMENDMENT NO. _____. Amend Senate Bill 1653 by deleting Section 5 and inserting in lieu thereof the following:

Section 5. The Public Utilities Act is amended by changing Section 19-145 and by adding a new Section 19-150 as follows:

(220 ILCS 5/19-145)

Sec. 19-145. Automatic adjustment clause tariff; uncollectibles.

(a) A gas utility shall be permitted, at its election, to recover through an automatic adjustment clause tariff the incremental difference between its actual uncollectible amount as set forth in Account 904 in the utility's most recent annual Form 21 ILCC and the uncollectible amount included in the utility's rates for the period reported in such annual Form 21 ILCC. The Commission may, in a proceeding to review a general rate case filed subsequent to the effective date of the tariff established under this Section, prospectively switch, from using the actual uncollectible amount set forth in Account 904 to using net write-offs in such tariff, but only if net write-offs are also used to determine the utility's uncollectible amount in rates. In the event the Commission requires such a change, it shall be made effective at the beginning of the first full calendar year after the new rates approved in such proceeding are first placed in effect and an adjustment shall be made, if necessary, to ensure the change does not result in double-recovery or unrecovered uncollectible amounts for any year. For purposes of this Section, "uncollectible amount" means the expense set forth in Account 904 of the utility's Form 21 ILCC or cost of net write-offs as appropriate. In the event the

1 utility's rates change during the period of time reported in its
2 most recent annual Form 21 ILCC, the uncollectible amount
3 included in the utility's rates during such period of time for
4 purposes of this Section will be a weighted average, based on
5 revenues earned during such period by the utility under each set
6 of rates, of the uncollectible amount included in the utility's
7 rates at the beginning of such period and at the end of such
8 period. This difference may either be a charge or a credit to
9 customers depending on whether the uncollectible amount is more
10 or less than the uncollectible amount then included in the
11 utility's rates.

12 (b) The tariff may be established outside the context of a
13 general rate case filing, and shall specify the terms of any
14 applicable audit. The Commission shall review and by order
15 approve, or approve as modified, the proposed tariff within 180
16 days after the date on which it is filed. Charges and credits
17 under the tariff shall be allocated to the appropriate customer
18 class or classes. In addition, customers who do not purchase
19 their gas supply from a gas utility and whose receivables are
20 not included in a purchase of receivable program under Section
21 19-150 shall not be charged by the utility for uncollectible
22 amounts associated with gas supply provided by the utility to
23 the utility's customers. Upon approval of the tariff, the
24 utility shall, based on the 2008 Form 21 ILCC, apply the
25 appropriate credit or charge based on the full year 2008 amounts
26 for the remainder of the 2010 calendar year. Starting with the
27 2009 Form 21 ILCC reporting period and each subsequent period,
28 the utility shall apply the appropriate credit or charge over a
29 12-month period beginning with the June billing period and
30 ending with the May billing period, with the first such billing
31 period beginning June 2010.

1 (c) The approved tariff shall provide that the utility shall
2 file a petition with the Commission annually, no later than
3 August 31st, seeking initiation of an annual review to reconcile
4 all amounts collected with the actual uncollectible amount in
5 the prior period. As part of its review, the Commission shall
6 verify that the utility collects no more and no less than its
7 actual uncollectible amount in each applicable Form 21 ILCC
8 reporting period. The Commission shall review the prudence and
9 reasonableness of the utility's actions to pursue minimization
10 and collection of uncollectibles which shall include, at a
11 minimum, the 6 enumerated criteria set forth in this Section.
12 The Commission shall determine any required adjustments and may
13 include suggestions for prospective changes in current
14 practices. Nothing in this Section or the implementing tariffs
15 shall affect or alter the gas utility's existing obligation to
16 pursue collection of uncollectibles or the gas utility's right
17 to disconnect service. A utility that has in effect a tariff
18 authorized by this Section shall pursue minimization of and
19 collection of uncollectibles through the following activities,
20 including but not limited to:

- 21 (1) identifying customers with late payments;
22 (2) contacting the customers in an effort to obtain
23 payment;
24 (3) providing delinquent customers with information
25 about possible options, including payment plans and assistance
26 programs;
27 (4) serving disconnection notices;
28 (5) implementing disconnections based on the level
29 of uncollectibles; and
30 (6) pursuing collection activities based on the
31 level of uncollectibles.

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1 (d) Nothing in this Section shall be construed to require a
2 utility to immediately disconnect service for nonpayment.

3 (Source: P.A. 96-33, eff. 7-10-09.)

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5 (220 ILCS 5/19-150 new)

6 Sec. 19-150. Purchase of receivables. A gas utility with
7 more than 100,000 customers that offers transportation service
8 to residential and small commercial customers shall file a
9 tariff pursuant to Article IX of this Act within 6 months after
10 the date of this amendatory Act of the 96th General Assembly
11 that provides qualifying alternative gas suppliers with the
12 option to have the gas utility purchase their receivables for
13 gas sales made to residential retail customers and small
14 commercial customers as those terms are defined in Section 19-
15 105 of this Act and that are charged on the gas utility's bill.
16 For purposes of this section, a qualifying alternative gas
17 supplier is an alternative gas supplier that is certified under
18 Section 19-110 of this Act and that includes its charges for gas
19 sales made in a gas utility's service area on that gas utility's
20 bill pursuant to Section 19-135 of this Act. Receivables for gas
21 sales of qualifying alternative gas suppliers that are charged
22 on the gas utility's bill shall be purchased by the gas utility
23 at a discount rate of one percent. The rate will include one-
24 half percent to be retained by the gas utility for recovery of
25 deemed intangible costs and neither that portion of the rate nor
26 the deemed intangible costs are subject to review by the
27 Commission. The remaining one-half percent is for recovery of
28 all utility costs incurred in its administration of the purchase
29 of receivables program (other than the deemed intangible costs
30 that are not subject to review by the Commission) and is subject
31 to periodic review by the Commission. Any portion of the one-
32 half percent intended for recovery of administrative costs

1 (other than deemed intangible costs that are not reviewable by
2 the Commission) that is found by the Commission, after notice
3 and hearing, to be in excess of prudent and reasonable costs
4 shall be refunded to all customers, including customers of
5 qualifying alternative gas suppliers using purchase of
6 receivables. In making a just and reasonable determination on
7 the administrative costs (other than deemed intangible costs
8 that are not reviewable by the Commission), the Commission shall
9 consider the gas utility's reasonable start up costs and
10 administrative costs associated with the gas utility's purchase
11 of receivables, the impact if used by the gas utility of an
12 automatic adjustment clause tariff pursuant to Section 19-145 of
13 this Act to recover uncollectible expense, and whether the gas
14 utility recovers uncollectible expense from customers of
15 qualifying alternative gas suppliers through any of its existing
16 rates or charges. Reasonable start-up costs and administrative
17 costs associated with the gas utility's purchase of receivables
18 should in the first instance be recovered from qualifying
19 alternative gas suppliers through the utility's discount rate
20 assessed by the utility on those qualifying alternative gas
21 suppliers who have the utility purchase their receivables. In
22 order to prevent barriers to suppliers use of a purchase of
23 receivables program and ensure full cost recovery for the gas
24 utility in a timely manner, a portion of the gas utility's
25 reasonable start-up costs (subject to reasonable carrying
26 charges as determined by the Commission) may be deferred for
27 later recovery from qualifying alternative gas suppliers who
28 have the gas utility purchase their receivables through the
29 discount rate or a monthly per bill fee if such deferral is
30 deemed to be necessary by the Commission. The gas utility
31 retains the rights to (i) impose the same terms on retail
32 customers supplied by qualifying alternative gas suppliers with

1 respect to credit and collection, including requests for
2 deposits, and (ii) disconnect the retail customers, if it does
3 not receive payment for its tariffed services or purchased
4 receivables, in the same manner that it would be permitted to if
5 the retail customers purchased gas supply service from the gas
6 utility. The tariff filed pursuant to this Section shall permit
7 the gas utility to recover from retail customers any uncollected
8 receivables that may arise as a result of the purchase of
9 receivables under this Section, may also include other just and
10 reasonable terms and conditions, and shall provide for recovery
11 of the prudently incurred costs associated with the provision of
12 this service pursuant to this Section. Nothing in this Section
13 permits the double recovery of uncollectible expenses from
14 customers.

15 Amounts collected by the utility attributable to the one-
16 half percent portion of the discount rate for deemed intangible
17 costs shall not be used by the Commission to lower the base rate
18 revenue requirement of the utility in any subsequent rate case.

19 In order to limit the implications on short term debt of
20 the utility, a utility may choose to delay purchase of unpaid
21 receivables until the bill due date. Other than for initial
22 implementation of the purchase of receivables program when so
23 choosing a utility shall remit payments to the alternative gas
24 suppliers no more than two business days following the due date.

25

26 Section 99. This Act takes effect upon becoming law."