

DOCKET NO. 11-0046
JOINT APPLICANTS
STATUS OF REQUIRED CONDITIONS OF APPROVAL
AS OF JUNE 5, 2015

As of the date of this report, Nicor Gas has fulfilled the requirements of Conditions 1, 2, 3, 7, 8, 9, 13, 14, 21, 22, 25, 26, 28, 30 and 31. The following report provides the current status on the remaining 19 conditions to the merger:

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 annual audit report for the year ended December 31, 2014 was filed with the Commission on June 5, 2015.

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 covering the calendar year ending December 31, 2014 was filed May 1, 2015.

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 annual billing report for the year ended December 31, 2014 was filed with the Commission on May 1, 2015.

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.

- 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 continued compliance with Condition 15. The company has 61 full and 25 partial full-time equivalent employees in Illinois to maintain these responsibilities.

- 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.

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.

- 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.

- 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.

- 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.

- 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.**

No such proceeding has been initiated as of the date of this filing, but Nicor Gas and AGL Resources will comply with this condition as necessary.

- 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.**

In 2015, Nicor Gas will invest \$2.2 million in community support activities, which includes charitable giving as well as other community outreach initiatives. This represents the same level of investment in community programs and activities for Nicor Gas as the company experienced prior to the merger. Nicor Gas' 2015 outreach initiatives include: 20 volunteer events – 19 as part of the company's annual Volunteer Day in the Community and one tax prep assistance volunteer event through the West Chicago Live United Neighborhood Network, , 50 natural gas safety education events and 18 STEM (Science, Technology, Engineering, Mathematics) Career Expos in support of our Workforce Development initiatives.

- 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 three (3) non-employee individual residents of the state of Illinois on its Board of Directors: Mr. Norman R. Bobins, Chief Executive of Norman Bobins Consulting, LLC; Ms. Brenda J. Gaines, Retired President and CEO of Diners Club North America, a division of Citigroup; and Mr. John E. Rau, President and CEO of Miami Corporation.

- 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.**

John W. Somerhalder II, the Chairman, President and Chief Executive Officer of AGL Resources and Beth Reese, Senior Vice President of AGL Resources and President of Nicor Gas, appeared before the Commission on December 17, 2014 in compliance with Condition 34.