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July 30, 2010

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Nicor Gas Company, Docket No. PR10-__-000
Petition for Rate Approval and Revised Operating Statement**

Dear Ms. Bose:

On behalf of Northern Illinois Gas Company, d/b/a Nicor Gas Company ("Nicor Gas"), enclosed for filing is Nicor Gas' Application for Approval of Rates and Revised Operating Statement filed pursuant to Section 284.123 of the regulations of the Federal Energy Regulatory Commission ("Commission"). Also enclosed is a form of notice of application suitable for publication in the Federal Register. Under separate cover, the Commission will receive the filing fee of \$11,520.

If you have any questions about this filing, please contact the undersigned.

Respectfully submitted,

_____/s/_____
Christopher A. Schindler
Counsel for Nicor Gas Company

Enclosures

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

In the Matter of)
Northern Illinois Gas Company) Docket Nos. PR10-____-000
d/b/a Nicor Gas Company)

**APPLICATION OF NICOR GAS COMPANY FOR APPROVAL OF RATES PURSUANT
TO SECTIONS 284.224 AND 284.123 OF THE COMMISSION’S REGULATIONS**

Pursuant to Sections 284.224 and 284.123(b)(2) of the Rules and Regulations of the Federal Energy Regulatory Commission (“FERC” or Commission”), Northern Illinois Gas Company d/b/a Nicor Gas Company (“Nicor Gas”) hereby submits this application to: (i) establish new service rates to be effective September 1, 2010 for services pursuant to Nicor Gas’ blanket certificate issued to it in Docket No. CP92-481-000, (ii) establish a new storage loss recovery mechanism to be effective September 1, 2010, to be applied on all storage injections pursuant to storage service contracts executed on or after September 1, 2010, and (iii) to incorporate minor housekeeping corrections and clarifications in Nicor Gas’ Operating Statement, as described herein.

I. CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications with regard to this matter should be addressed to:

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*Designated for official service list

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II. DESCRIPTION OF NICOR GAS

The exact legal name of Nicor Gas is Northern Illinois Gas Company. Its principal place of business is located at 1844 Ferry Road, Naperville, Illinois 60563-9600. Nicor Gas is an intrastate gas distribution company engaged in the business of selling and distributing gas to more than 2.1 million customers in the State of Illinois. Nicor Gas is subject to the jurisdiction of the Illinois Commerce Commission (the “ICC”) under the Illinois Public Utilities Act. Nicor Gas’ principal place of business is located at 1844 Ferry Road, Naperville, Illinois 60563-9600.

Nicor Gas is a Hinshaw pipeline and holds a limited jurisdiction blanket certificate pursuant to Section 284.224 of the Commission’s Regulations.¹

III. DESCRIPTION OF RATE FILING

A. Storage Loss Adjustment Factor

Nicor Gas is filing to revise its General Terms and Conditions to provide for a Storage Loss Adjustment factor to be applied to all customer-owned gas delivered for injection into Transporter’s storage capacity pursuant to a Hub Services agreement, as describe in more detail below. The proposed Storage Loss Adjustment factor is set forth in Exhibit C and is based on the supporting worksheets, included herein.

Nicor Gas incurs physical surface losses of gas at its storage locations. While Nicor Gas meters all gas delivered to its storage fields and all gas delivered from its storage fields, a small

¹ *Northern Illinois Gas Co.*, 61 FERC ¶ 62,060 (1992) (issuing blanket certificate).

volume of gas is consumed after measurement on delivery for injection and before measurement on withdrawal during the normal operations of its storage fields.

This consumption is not separately metered nor is it practical to measure. Components of physical storage losses that are addressed through the proposed Storage Loss Adjustment factor include, but are not limited to, the use of gas for field operations and maintenance procedures such as well logging, well remedial work, well maintenance, withdrawal well heaters, dump valves, and the loss of gas from Emergency Shut Down (ESD) tests, compressor blow downs, gathering line and wellhead blow downs, corrosion coupon exchanges, purges and blowing drips.

These physical storage losses that are addressed through the proposed Storage Loss Adjustment factor do not include the use of gas that is specifically and directly measured at Nicor Gas' storage fields, such as compressor fuel consumption and building use. Physical storage losses take place after the master meter measurement at each storage facility when on injection and before the master meter measurement at each storage facility when on withdrawal.

Historically, Nicor Gas accounted for these physical storage losses as a component of a withdrawal factor that was applied to storage withdrawals.² The storage losses accounted for in this manner were allocated solely to intrastate customers, specifically between those customers served under Nicor Gas' merchant service and those customers served under Nicor Gas' unbundled transportation tariffs, or transportation customers. All customers who are consumers of gas on Nicor Gas' system but are not sales customers are considered "transportation customers". The portion allocated to "transportation customers" was recovered as a component of

² The single withdrawal factor that applied to storage withdrawals accounted for physical storage surface losses, but also reflected an adjustment to storage inventory that was necessary to reflect the tendency of inventory volumes to become ineffective over time. Effective July 1, 2009, the ineffective volumes will, per the ICC Order in Nicor Gas' most recently completed rate case (ICC

an unaccounted-for gas adjustment³, applied as a reduction to the gas volumes delivered to Nicor Gas on behalf of those transportation customers.

Although the unaccounted-for gas has not been directly collected from any interstate customers as a percentage reduction from deliveries, the dollar value of gas losses⁴ was included in the storage cost of service used in the calculation of firm, interruptible and priority interruptible storage rates for interstate customers in the last FERC rate case.

On March 25, 2009, the ICC issued an Order in ICC Docket No. 08-0363 in response to Nicor Gas' general rate filing directing Nicor Gas to, among other things, change its methodology for calculating, allocating and recovering gas storage losses. Nicor Gas has begun the process of implementing these changes, including revisions to its tariffs under the jurisdiction of the ICC. As part of this directive, and to maintain a level of comparability between services Nicor Gas offers under authority of the ICC and those services it offers under its FERC approved Operating Statement, Nicor Gas is seeking authorization from the FERC to include in its FERC Operating Statement a new provision to apply a Storage Loss Adjustment factor to Hub activities involving storage injections; specifically, Interruptible Storage Service (ISS), Firm Storage Service (FSS), Priority Interruptible Storage Service (PSS), Parking and Loaning Services (PALS) and Interruptible Balancing Service (IBS).

In compliance with the ICC's Order, Nicor Gas ceased its previous method of calculating, allocating and recovering storage losses effective June 30, 2009. In this filing, Nicor Gas has not

Docket No. 08-0363), be replaced by Nicor Gas as operationally necessary and will be treated as a capital expense.

³ "Unaccounted-For Gas Adjustment", defined on 5th Revised Sheet No. 47 of Northern Illinois Gas Company d/b/a Nicor Gas Company's ICC Gas Tariff.

included the dollar value of gas losses, or Account 823, in the storage cost of service used in determining the proposed storage rates contained herein.

Beginning July 1, 2009, Nicor Gas implemented processes related to the estimation, allocation and recovery of storage losses, to comply with the provisions of the Order in ICC Docket No. 08-0363. These processes were designed to capture the information necessary to quantify, allocate and recover the costs from the appropriate classes of customers, including Hub shippers, in accordance with the ICC directive.⁵ Nicor Gas has implemented practices to estimate physical storage losses through observing, monitoring and recording the unmeasured consumption of gas for storage field operations and maintenance.

After physical storage loss volumes have been determined, volumes are allocated between customer classes based on estimates of their daily utilization of Nicor Gas' storage facilities. The customer classes are sales customers, transportation customers and customers that utilize Nicor Gas' storage under the Hub services provided under either Nicor Gas' intrastate Hub storage tariff approved by authority of the ICC (Rate 21) or interstate Hub storage services offered under the authority of Nicor Gas' FERC approved Operating Statement.⁶

In this filing, Nicor Gas is proposing to implement a new recovery mechanism, the Storage Loss Adjustment factor, to recover the portion of physical storage loss that is allocated to Hub storage customers. Nicor Gas made a similar filing with the ICC to implement a recovery

⁴ Recorded in Account 823, "Gas Losses", Underground Storage Expenses, Gas Operation and Maintenance Expenses; as reported in Northern Illinois Gas Company d/b/a Nicor Gas Company's Annual Report to the ICC.

⁵ Storage Loss Measurement and Accounting Policy and Accounting for Storage Losses GA Procedure #59, attached as Exhibit E.

⁶ Hub customers are shippers that utilize Nicor Gas' Hub services, provided under either Nicor Gas' intrastate Hub storage tariff approved by authority of the Illinois Commerce Commission

mechanism, essentially the same as proposed here, except for technical differences necessitated by the rules of each jurisdiction, and the ICC has approved that filing.

Nicor Gas has calculated the Storage Loss Adjustment factor at 0.41 percent, as shown on Exhibit C. This is based upon the level of Nicor Gas storage capacity utilized by Hub shippers applied to the portion of physical losses at its storage fields allocated to Hub shippers.

B. Revised Rates for Transportation and Storage Services

This filing also proposes to revise rates for Nicor Gas' interstate transportation and storage services. The proposed rates are set forth in Exhibit A and are based on the cost-of-service and billing determinant information and data included in Schedules to Exhibit A.

The rates are based on Nicor Gas' cost of service for 2009 and the average billing determinants for a three year period ending December 31, 2009. Nicor Gas derived the cost-of-service using depreciation rates, return on equity, and debt costs that are based on levels last approved by the ICC in 2009.⁷ Nicor Gas established billing determinants for rate design purposes for its transportation services based upon the average throughput for the three years ending December 31, 2009. Storage service billing determinants are based on (a) the average of the maximum daily withdrawal volumes for the three years ending December 31, 2009, and (b) the average of the net storage volumes cycled as of the end of the storage withdrawal seasons ended in 2009, 2008 and 2007.

The rate designs for all services are identical to those underlying the settlement rates approved in Docket Nos. PR93-11-000, PR94-19-000, PR96-13-000, PR99-18-000, PR02-18-000, PR05-12-000 and PR08-29-000. Specifically, firm storage rates include an equal allocation

(Rate 21) or interstate Hub storage services offered under the authority of Nicor Gas' FERC approved Operating Statement.

⁷ Northern Illinois Gas Company d/b/a Nicor Gas, ICC Docket No. 08-0363.

of costs to deliverability and capacity charges, and interruptible rates continue to be designed as a daily charge on a shipper's daily balances, rather than a monthly charge on average monthly balances. The proposed rates for parking and loan services and interruptible balancing services continue to be based on the aggregate of the interruptible storage and transportation rates. The proposed rates set forth in the Operating Statement's "Statement of Currently Effective Rates" also include footnote clarifications as to whether the rates are applied on a daily or monthly basis.

The proposed rate changes are summarized as follows:

- The Commodity Charge for Interruptible Transportation Service is proposed to decrease from \$0.0807 to \$0.0780;
- The Prepayment Charge for Priority Interruptible Transportation Service is proposed to decrease from \$1.2270 to \$1.1861 and the Commodity Charge is proposed to decrease from \$0.0403 to \$0.0390;
- The Reservation Charge for Firm Transportation Service is proposed to decrease from \$2.4541 to \$2.3721;
- The Commodity Charge for Interruptible Storage Service is proposed to decrease from \$0.1483 to \$0.1066;
- The Prepayment Charge for Priority Interruptible Storage Service is proposed to decrease from \$2.2547 to \$1.6216 the Injection Commodity Charge is proposed to decrease from \$0.0741 to \$0.0533;
- The Deliverability Charge for Firm Storage Service is proposed to decrease from \$2.2547 to \$1.6216; the Capacity Charge is proposed to decrease from \$0.0336 to \$0.0227;
- The Commodity Charge for Parking and Loan Service is proposed to decrease from \$0.2289 to \$0.1846 and
- The Commodity Charge for Interruptible Balancing Service on Agreeing Interstate Pipelines is proposed to decrease from \$0.2289 to \$0.1846.

The underlying information supporting these rates is contained in 13 separate schedules, as required by Section 154.313, and are attached hereto.

C. Fuel Charges

In this filing Nicor Gas is proposing to revise its fuel charge provision from 0.55% to 0.87%. Nicor Gas calculated the 0.87% Hub fuel retention rate based upon a three-year average; consistent with Nicor Gas' use of a three-year average for calculating transportation and storage billing determinants for rate design purposes. Under Section 5.1 of the current Operating Statement, Nicor Gas charges fuel for firm, priority interruptible and interruptible transactions which may be paid either (i) in kind or (ii) the monetary equivalent of such fuel at the price reported in the Gas Daily Daily's NGPL Chicago Citygate Large End User Daily Index on the date the parties agree to the terms of the Transaction Request and Agreement Form. The workpaper supporting Nicor Gas' calculation of the fuel charge is attached as Exhibit B.

IV. DESCRIPTION OF CHANGES TO OPERATING STATEMENT

Nicor Gas also submits a revised Operating Statement. The proposed revisions, set forth in the marked copy attached as Exhibit D, are designed to reflect new rates, the new storage loss allocation charge and procedures discussed above, as well as minor housekeeping changes designed to correct and clarify.

Section 1. Definitions

Under Section 1, Definitions, the following revisions were made -

- Nicor Gas has added the term, "Storage Loss Adjustment", which refers to the quantity of shipper's gas retained by Nicor Gas at the time of delivery for storage injection in accordance with Section 5.1. Recovery from all shippers for storage losses has been directed by the ICC in their Order in ICC Docket 08-0363 and therefore, the definition

should be incorporated in the Operating Statement in order to explain how it is applied and recovered.

- Nicor Gas made a minor correction to the definition of “Btu” by removing the apostrophe in “Btu’s” to clarify that “Btus” is plural rather than possessive.
- Nicor Gas has also made a minor correction to the definition of “Capacity”, “Deliverability”, “Injection Right” and “thermally equivalent” by removing the apostrophe in “MMBtu’s” to clarify that “MMBtus” is plural rather than possessive.

Section 2. Interstate Hub Services

Under Section 2, Hub Services, the following revisions were made -

- Sections 2.3 - Interruptible Storage Service (“ISS”), 2.4 - Firm Storage Service (“FSS”), 2.5 - Priority Interruptible Storage Service (“PSS”), 2.8 - Parking and Loaning Services (“PALS”) and 2.9 - Interruptible Balancing Service on Agreeing Interstate Pipeline (“IBS”), have been modified to include language to clarify that fuel and Storage Loss Adjustment charges are applicable to deliveries made for injections pursuant to these services.
- The references to fuel charges have been removed from Section 2.6.2, a subsection of 2.6 - Firm Transportation Service, as fuel is assessed on storage injections only, and is therefore not appropriate to include in section 2.6.2.

Section 5. Rates and Adjustments to Rates

Under Section 5.1 - Rates, the following revisions were made;

- The fuel Charge determination section has been modified to clarify that in addition to firm and interruptible storage services, priority interruptible storage service, PALS and IBS are also subject to fuel on deliveries for injections pursuant to these services.

- The fuel rate has been updated to 0.87%, and is supported by Exhibit B.
- Nicor Gas has added the Storage Loss Adjustment Charge provision to explain how the percentage will be applied to all deliveries made for injections only. The Company proposes to make this Charge effective September 1, 2010, subject to refund.

Under Section 5.2 - Adjustments to Rates, the following revision has been made;

- Nicor Gas has modified this section to provide the right the seek authorization from the FERC to make adjustments to the Storage Loss Adjustment Charge.

Under Section 5.6 - Cash-Out of Storage and Parking and Loaning Balances;

- Nicor Gas removed the apostrophe in “MMBtu’s” to clarify that “MMBtus” is plural rather than possessive.

Section 9. Quality

- Nicor Gas removed the apostrophe in “MMBtu’s” to clarify that “MMBtus” is plural rather than possessive.

V. REQUEST FOR PROMPT APPROVAL

The information and supporting data provided with this application demonstrate that the proposed rates and charges are fair and equitable and that the Operating Statement revisions are consistent with Commission policy and precedent. Nicor Gas respectfully requests that the Commission complete its review of the proposed rates, charge and revisions to its Operating Statement as soon as possible, preferably within the 150 day period specified in Section 284.123(b)(2)(ii) of the Commission’s Regulations. Approval of final rates and terms and conditions of service will provide Nicor Gas and its shippers with certainty necessary to help facilitate their business objectives.

VI. OTHER REQUIREMENTS

The following exhibits are included with this Application:

- Exhibit A: Proposed Rates, and rate and billing determinant schedules and information, as required by Section 154.313;
- Exhibit B: Fuel charge calculation workpaper;
- Exhibit C: Storage Loss Adjustment factor calculation workpapers;
- Exhibit D: Operating Statement, clean and redlined;
- Exhibit E: Storage Loss Measurement and Accounting Policy and Accounting for Storage Losses GA Procedure #59.

Also enclosed is the \$11,520.00 filing fee as required by Part 381 of the Commission's regulations and a notice suitable for publication by the Commission.

WHEREFORE, Nicor Gas respectfully requests that the Commission approve the proposed rate and the changes to its Operating Statement as fair and equitable, within the meaning of Section 284.123(b)(2) and Section 284.224.

Respectfully submitted,

NICOR GAS COMPANY

_____/s/_____
Christopher A. Schindler
Hogan Lovells US LLP
555 Thirteenth Street, N.W.
Washington, D.C. 20005
(202) 637-5614
Email: Christopher.Schindler@hoganlovells.com

DATE July 30, 2010

Counsel for Nicor Gas Company

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the Illinois Commerce Commission and each current interstate customer of Nicor Gas Company.

DATED at Washington, D.C. this 30th day of July, 2010.

_____/s/_____
Samuel Walsh

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

In the Matter of
Northern Illinois Gas Company d/b/a Nicor Gas

Docket No. PR10-____-000

NOTICE OF APPLICATION FOR NICOR GAS

(August __, 2010)

Take notice that on July 30, 2010, Nicor Gas filed with the Federal Energy Regulatory Commission an application pursuant to Section 284.123(b)(2) of the Commission's regulations to (i) establish new service rates to be effective September 1, 2010 for services pursuant to Nicor Gas' blanket certificate issued to it in Docket No. CP92-481-000, (ii) establish a new storage loss recovery mechanism to be effective September 1, 2010, to be applied on all storage injections pursuant to storage service contracts executed on or after September 1, 2010, and (iii) to incorporate minor housekeeping corrections and clarifications in Nicor Gas' Operating Statement.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. Anyone filing a motion to intervene or protest must serve a copy of that document on the Applicant. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on [DATE].

Kimberly D. Bose, Secretary
Nathaniel J. Davis, Sr., Deputy Secretary

Exhibit A

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Statement of Proposed & Currently Effective Rates

(As of December 31, 2009)

	Proposed Rates	Current Rates
	<u>Maximum per MMBtu</u>	<u>Maximum per MMBtu</u>
Interruptible Transportation Service:		
Commodity Rate	\$0.0780	\$0.0807
Priority Interruptible Transportation Service:		
Prepayment Rate	\$1.1861	\$1.2270
Commodity Rate	\$0.0390	\$0.0403
Firm Transportation Service:		
Reservation Rate	\$2.3721	\$2.4541
Commodity Rate	\$0.0000	\$0.0000
Interruptible Storage Service:		
Commodity Rate	\$0.1066	\$0.1483
Priority Interruptible Storage Service:		
Prepayment Rate	\$1.6216	\$2.2547
Injection Commodity Rate	\$0.0533	\$0.0741
Firm Storage Service:		
Deliverability Charge	\$1.6216	\$2.2547
Capacity Rate	\$0.0227	\$0.0336
Injection Commodity Rate	\$0.0000	\$0.0000
Parking and Loaning Service:		
Commodity Rate	\$0.1846	\$0.2289
Interruptible Balancing Service on Specific Interstate Pipelines:		
Commodity Rate	\$0.1846	\$0.2289

prime81900

Dec YTD 2009

75910 ICC Recl Dr 81900-FIPow TroyGr	13,705.50	}	332,941.78	
76910 ICC Recl Dr 81900-FIPow Ancona	126,590.35			
77910 ICC Recl Dr 81900-FIPow P-MtS	0			
78910 ICC Recl Dr 81900-FIPow Hudson	52,748.89			
79910 ICC Recl Dr 81900-FIPow P-Gale	33,920.04			
80910 ICC Recl Dr 81900-FIPow Lk Blm	66,792.04			
82910 ICC Recl Dr 81900-FIPow Lex	39,184.96			
75920 ICC Recl Dr 81900-MTM-Troy Gr	876,988.80			}
76920 ICC Recl Dr 81900-MTM-Ancona	1,585,245.22			
77920 ICC Recl Dr 81900-MTM-Po-MtS	449,992.88			
78920 ICC Recl Dr 81900-MTM-Hudson	468,583.47			
80920 ICC Recl Dr 81900-MTM-Lk-Blm	304,436.71			
82920 ICC Recl Dr 81900-MTM-Lexingto	304,407.45			
83920 ICC Recl Dr 81900-MTM-Pecatoni	41,274.86			
75921 ICC Recl Dr 81900-Br.Fees-Troy	0	}		
76921 ICC Recl Dr 81900-Br.Fees-Anco	0			
77921 ICC Recl Dr 81900-Br.Fees-PoMt	0			
78921 ICC Recl Dr 81900-Br.Fees-Huds	0			
80921 ICC Recl Dr 81900-Br.Fees-LkBl	0			
82921 ICC Recl Dr 81900-Br.Fees-Lexi	0			
83921 ICC Recl Dr 81900-Br.Fees-Peca	0			
75922 ICC Recl Cr 81900-ReGain/L-Tro	0			
76922 ICC Recl Cr 81900-ReGain/L-Anc	0			
77922 ICC Recl CR 81900-ReGain/L-PoM	0			
78922 ICC Recl CR 81900-ReGain/L-Hud	0			
80922 ICC Recl Cr 81900-ReGain/L-LkB	0			
82922 ICC Recl Cr 81900-ReGain/L-Lex	0			
83922 ICC Recl Cr 81900-ReGain/L-Pec	0			
75049 Franchise Gas - Troy Grove	1,043,850.60		}	
76049 Franchise Gas - Ancona	1,259,817.97			
77049 Franchise Gas - Pont Mt. Simon	444,451.08			
78049 Franchise Gas - Hudson	448,690.74			
80049 Franchise Gas - Lake Bloom	277,474.05			
82049 Franchise Gas - Lexington	283,886.87			
83049 Franchise Gas - Pekatonica	52,754.73			
iccActivity	8,174,797.21			
offset	7,841,855.43			
	<u><u>332,941.78</u></u>	to data input		

Note: the sum of the highlighted areas are added together to total the amount in the footnote in Exhibit A, Schedule 1, page 2 of 2. This total is then subtracted from the Annual Report to the ICC, page 322, line 106, category 819 - Compressor Station Fuel and Power and the remainder is entered on the "data input" tab.

ref	pg		icc	pg	acct	line	2009
T O&M	3	Supervision and Engineering	323		850		71,597
T O&M	3	System Control and Load Dispatching	323		851		783,447
T O&M	3	Mains Expense	323		856		443,967
T O&M	3	Measuring and Regulating Station Expenses	323		857		1,060,688
T O&M	3	Supervision and Engineering	324		861		359,324
T O&M	3	Structures and Improvements	324		862		328,695
T O&M	3	Mains	324		863		1,614,576
T O&M	3	Measuring and Regulating Station Equipment	324		865		407,924
T O&M	3	Other Equipment	324		867		86,421

S O&M	4	Supervision and Engineering	322		814		157,802
S O&M	4	Wells Expenses	322		816		337,225
S O&M	4	Lines Expenses	322		817		166,377
S O&M	4	Compressor Station Expenses	322		818		1,049,535
S O&M	4	Compressor Station Fuel and Power	322		819		332,942
S O&M	4	Measuring and Regulating Station Expenses	322		820		142,230
S O&M	4	Purification Expenses	322		821		347,066
S O&M	4	Exploration and Development	322		822		-
S O&M	4	Gas Losses	322		823		-
S O&M	4	Rents	322		826		1,798
S O&M	4	Supervision and Engineering	322		830		97,736
S O&M	4	Structures and Improvements	322		831		548,848
S O&M	4	Reservoirs and Wells	322		832		687,529
S O&M	4	Lines	322		833		494,560
S O&M	4	Compressor Station Equipment	322		834		689,517
S O&M	4	Measuring and Regulating Station Equipment	322		835		-
S O&M	4	Purification Equipment	322		836		873,353
S O&M	4	Other Equipment	322		837		94,257

A&G	5	Administrative & General Salaries	325		920		42,846,731
A&G	5	Office Supplies and Expenses	325		921		6,202,274
A&G	5	less: Administrative Expenses Transferred	325		922		(19,781,540)
A&G	5	Outside Services Employed	325		923		9,636,595
A&G	5	Property Insurance	325		924		610,039
A&G	5	Injuries and Damages	325		925		8,075,262
A&G	5	Employee Pensions and Benefits	325		926		40,739,110
A&G	5	Franchise Requirements	325		927		8,811,910
A&G	5	Regulatory Commission Expenses	325		928		1,303,644
A&G	5	Less: Duplicate Charges	325		929		(7,316,646)
			325		930.1		
A&G	5	General Advertising and Miscellaneous Expenses	325		930.2		
A&G	5				total		22,928,161
A&G	5	Rents	325		931		-
A&G	5	Maintenance of General Plant	325		932		6,867,856

120,923,396

					line	
A&Galloc	6	Production (Supply)	320A/321	713-813	97	1,345,706,390
A&Galloc	6	less: Prime 713, Environmental cleanup costs	320.A	713	n/a	12,538,575
A&Galloc	6	Production (Supply)				1,345,706,390
A&Galloc	6	Distribution (operation & maintenance)	324	870-894		54,285,688
A&Galloc	6	Customer Accounts, Service and Informational	324	901-910		95,081,113
A&Galloc	6	Sales	325	911-916		576,241

tax oth	8	Total Taxes Accrued, Prepaid and Charged	263	408.1,409.1	col j		188,896,009
tax oth	8	less: Federal Income Taxes charged to gas act. 408.1	263	from	2		(12,580,096)
tax oth	8	less: State Income Taxes charged to gas act. 408.1	263	column	8		(8,834,244)
tax oth	8	State Utilities Revenue Tax	263	J	9		63,632,965
tax oth	8	Public Utilities Tax	263		15		1,862,167
tax oth	8	Municipal Utilities Tax	263		22		40,182,252

T plnt&stor	11	Land and Land Rights balance	206	365.1			3,718,012
T plnt&stor	11	Rights-of-Way balance	206	365.2			19,270,607
T plnt&stor	11	Structures and Improvements	206	366			104,057
T plnt&stor	11	Mains	206	367			263,049,384
T plnt&stor	11	Measuring and Regulating Station Equipment	206	369			86,326,254
T plnt&stor	11	Asset Retirement Costs for Transmission Plant	206	372			700,000

T plnt&stor	11		207				2,545,498
T plnt&stor	11		207				-
T plnt&stor	11	Land and Rights-of-Way	207	350.1			2,545,498
T plnt&stor	11	Structures and Improvements	207	351			16,872,573
T plnt&stor	11	Wells	207	352			87,415,839
T plnt&stor	11	Storage Leaseholds and Rights	207	352.1			9,355,423
T plnt&stor	11	Non-recoverable Natural Gas	207	352.3			171,817,577
T plnt&stor	11	Lines	207	353			48,547,933
T plnt&stor	11	Compressor Station Equipment	207	354			160,809,430
T plnt&stor	11	Measuring and Regulating Equipment	207	355			5,407,582
T plnt&stor	11	Purification Equipment	207	356			52,930,949
T plnt&stor	11	Other Equipment	207	357			3,099,171
T plnt&stor	11	Recoverable Base Gas	110	117			50,418,463

					558,801,975
GenPlant	12 Land and Land Rights	209	389		10,195,906
GenPlant	12 Structures and Improvements	209	390		104,307,650
GenPlant	12 Office Furniture and Equipment	209	391		53,775,826
GenPlant	12 Transportation Equipment	209	392		77,134,917
GenPlant	12 Tools, Shop and Garage Equipment	209	394		24,834,838
GenPlant	12 Communication Equipment	209	397		5,238,923
GenPlant	12 Asset Retirement Costs	209	399.1		100,000

GP allo	13 Intangible Plant	205	301-303		108,781,440
GP allo	13 Production Plant	205	321-348		
GP allo	13 Other Storage Plant	207	360-363.6		-
GP allo	13 Distribution Plant	209	374-388		3,222,583,604
GP allo	13 Construction Work in Progress	216	107	49	8,864,659
GP allo	13 Gas Stored Underground - Noncurrent	2	117	12	50,418,463

AccumDep	14 Transmission Plant	219	108	25	285,964,000
	14 Underground Gas Storage	219	108	22	316,138,000
	14 General Plant	219	108	27	172,593,000

M&S	15 for general system operations	110	154		7,016,093
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		pg	acct#	line	
Acc.Def.In	16 Accum. Def Inc. Taxes, Gas - Other Property balance	275	282	9	319,132,438
	16 Accum. Def Inc. Taxes, Gas - Other balance	277	283	19	108,423,830
	16 Other Regulatory Liabilities - Regulatory Tax Liability, N	278	254	1	39,145,458
	16 Other Regulatory Liabilities - Regulatory Tax Liability, N	278	254	sum	39,145,458
	16 Accum. Def. Inc. Taxes, Gas, Unamortized Investment	235	190	10	(8,867,652)
	16 Accum. Deferred Inc. Taxes, Gas, Other	235	190	18	(19,649,357)

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Transmission Cost of Service and Rate Derivation

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference (B)	Annual Cost of Service Amounts (C)
1	Transmission:		
2	O & M Expenses	1	\$ 5,156,639
3	A & G Expenses	2	3,870,137
4	Depreciation ^{1/}	4	16,851,580
5	Taxes, Other than Income	5	5,335,516
6	Income Taxes	6	2,019,349
7	Return at 8.09% ^{2/}	7	<u>4,762,853</u>
8	Total		<u>\$ 37,996,075</u>
9	Annual Sendout - MMBtu ^{3/}		487,203,085
10	Rate Derivation:		
11	Overall Daily Average Per MMBtu (Line 8/Line 9):		
12	Interruptible Transportation Service Commodity Rate		\$ 0.0780
13	Monthly Average Per MMBtu (Line 8/(Line 9)(365/12):		
14	Firm Transportation Service Rate		\$ 2.3721
15	Priority Interruptible Commodity Charge (Line 12/2)		\$ 0.0390
16	Priority Interruptible Prepayment Charge (Line 14/2)		\$ 1.1861

^{1/} Annual Depreciation Rates approved in Docket No. 08-0363.

^{2/} Rate of Return approved in Docket No. 08-0363 based on short term debt of 2.50%, long-term debt of 6.80%, preferred stock of 4.77% and common equity of 10.17%

^{3/} Three-Year Average: 2007, 2008 and 2009.

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Storage Cost of Service and Rate Derivation

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference (B)	Annual Cost of Service Amounts (C)	Demand (D)	Capacity (E)
1	Storage:				
2	O & M Expenses	1	\$ 6,020,775	\$ 3,010,387	\$ 3,010,387
3	A & G Expenses	2	4,518,685	2,259,342	\$ 2,259,342
4	Depreciation ^{1/}	4	19,109,045	9,554,522	\$ 9,554,522
5	Taxes, Other than Income	5	8,710,561	4,355,281	\$ 4,355,281
6	Income Taxes	6	8,466,255	4,233,128	\$ 4,233,128
7	Return at 8.09% ^{2/}	7	19,968,577	9,984,288	\$ 9,984,288
8	Total		<u>\$ 66,793,897</u>	<u>\$ 33,396,948</u>	<u>\$ 33,396,948</u>
9	Cost Allocation Ratios		100%	50%	50%
10	Volume Determinants in MMBtu		<u>1,716,277</u> ^{3/}	<u>1,716,277</u> ^{3/}	<u>122,393,223</u> ^{4/}
11	Annual Average Per MMBtu (Line 8 / Line 10)			<u>\$ 19.4589</u>	<u>\$ 0.2729</u>
12	Interruptible Storage Service Commodity Charge (Line 8 / Line 10 / 365)		\$ 0.1066		
13	Monthly Average per MMBtu (Line 8 / Line 10 / 12)		\$ 3.2432		
14	Priority Interruptible Injection Commodity Charge (Line 12 times 50%)		\$ 0.0533	365	\$ 19.4589
15	Priority Interruptible Prepayment Charge (Line 13 times 50%)		\$ 1.6216	12	\$ 19.4589
16	Monthly Firm Storage Service Rates --				
17	Deliverability and Capacity (1/12 of Line 11)			<u>\$ 1.6216</u>	<u>\$ 0.0227</u>

^{1/} Annual Depreciation Rates approved in Docket No. 08-0363.

^{2/} Rate of Return approved in Docket No. 08-0363 based on short term debt of 2.50%, long-term debt of 6.80%, preferred stock of 4.77% and common equity of 10.17%

^{3/} 3-year average maximum day's withdrawal from storage.

^{4/} 3-year average storage gas cycled.

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Transmission Operation and Maintenance Expenses

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	Expense Amount (C)
1	Transmission Expenses:		
2	Operation:		
3	Supervision and Engineering	850	71,597
4	System Control and Load Dispatching	851	783,447
5	Mains Expense	856	443,967
6	Measuring and Regulating Station Expenses	857	<u>1,060,688</u>
7	Total Operation		<u>2,359,699</u>
8	Maintenance:		
9	Supervision and Engineering	861	359,324
10	Structures and Improvements	862	328,695
11	Mains	863	1,614,576
12	Measuring and Regulating Station Equipment	865	407,924
13	Other Equipment	867	<u>86,421</u>
14	Total Maintenance		<u>2,796,940</u>
15	Total Transmission Expenses	Sch. 3	<u><u>\$ 5,156,639</u></u>

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Storage Operation and Maintenance Expenses

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	Expense Amount (C)
1	Storage Expenses:		
2	Operation:		
3	Supervision and Engineering	814	157,802
4	Wells Expenses	816	337,225
5	Lines Expenses	817	166,377
6	Compressor Station Expenses	818	1,049,535
7	Compressor Station Fuel and Power 1/	819	332,942
8	Measuring and Regulating Station Expenses	820	142,230
9	Purification Expenses	821	347,066
10	Exploration and Development	822	-
11	Gas Losses 2/	823	-
12	Rents	826	1,798
13	Total Operation		<u>2,534,975</u>
14	Maintenance:		
15	Supervision and Engineering	830	97,736
16	Structures and Improvements	831	548,848
17	Reservoirs and Wells	832	687,529
18	Lines	833	494,560
19	Compressor Station Equipment	834	689,517
20	Measuring and Regulating Station Equipment	835	-
21	Purification Equipment	836	873,353
22	Other Equipment	837	94,257
23	Total Maintenance		<u>3,485,800</u>
24	Total Storage Expenses	Sch. 3	<u>\$ 6,020,775</u>

^{1/} Net of \$7,841,855 recovered through fuel charge

^{2/} Gas losses to be recovered through proposed Storage Loss Adjustment charge

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Administrative and General Expenses

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	Expense Amount (C)
	Administrative and General Expenses:		
1	Operation:		
2	Administrative & General Salaries	920	42,846,731
3	Office Supplies and Expenses	921	6,202,274
4	less: Administrative Expenses Transferred	922	(19,781,540)
5	Outside Services Employed	923	9,636,595
6	Property Insurance	924	610,039
7	Injuries and Damages	925	8,075,262
8	Employee Pensions and Benefits	926	40,739,110
9	Franchise Requirements	927	8,811,910
10	Regulatory Commission Expenses	928	1,303,644
11	Less: Duplicate Charges	929	(7,316,646)
12	General Advertising and Miscellaneous Expenses	930	22,928,161
13	Rents	931	-
14	Total Operation		114,055,540
15	Maintenance:		
16	Maintenance of General Plant	932	6,867,856
17	Total Administrative & General Expense	to Sch. 3	<u>\$ 120,923,396</u>
18	Administrative & General Expense Allocation Factor:		
19	Transmission	Sch. 3	0.032005
20	Storage	Sch. 3	0.037368
21	Administrative & General Expense Allocated to:		
22	Transmission (Line 17 x Line 19)		<u>\$ 3,870,137</u>
23	Storage (Line 17 x Line 20)		<u>\$ 4,518,685</u>

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Basis for Administrative & General Expense Allocation

(As of December 31, 2009)

Line No.	Description (A)	Account Nos. (B)	Amounts (C)	A & G Allocation Factor (D)
1	Operation and Maintenance Expenses:			
2	Production (Supply) ^{1/}	750-813	\$ 1,345,706,390	
3	Storage	814-837 ^{2/}	6,020,775	0.037368
4	Transmission	850-867	5,156,639	0.032005
5	Distribution (operation & maintenance)	870-894	54,285,688	0.336926
6	Customer Accounts, Service and Informational	901-910	95,081,113	0.590124
7	Sales	911-916	576,241	0.003576
8	Administrative and General	920-935	<u>120,923,396</u>	
9	Total		\$ 1,627,750,242	
10	Deduct:			
11	Production (Supply) ^{1/}	750-813	<u>\$ 1,345,706,390</u>	
12	Administrative and General	920-935	<u>120,923,396</u>	
13	Basis for Allocation		<u>\$ 161,120,456</u>	1.000000

^{1/} Includes Environmental Clean-Up Cost.

^{2/} Storage Expenses are Per Exhibit A, Schedule 1, Page 2 of 2, which includes accounts 814-837, net of \$7,810,855 recovered through fuel charge.

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Depreciation Expense - Transmission Plant and Storage

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference (B)	Amount (C)
1	Gross Plant at December 31, 2009:		
2	Transmission	Sch. 8	\$ 373,168,314
3	Allocation of General Plant	Sch. 8	23,791,304
4	Total Transmission	Sch. 8	<u>\$ 396,959,618</u>
5	Annual Depreciation Rates: ^{1/}		
6	Transmission		4.03%
7	General		7.62%
8	Annual Depreciation Expense:		
9	Transmission (Line 2 * Line 6)		\$ 15,038,683
10	General (Line 3 * Line 7)		1,812,897
11	Total Transmission Depreciation Expense		<u>\$ 16,851,580</u>
12	Gross Plant at December 31, 2009:		
13	Storage	Sch. 8	\$ 609,220,438
14	less: Recoverable Base Gas		50,418,463
15			<u>\$ 558,801,975</u>
16	Allocation of General Plant	Sch. 8	38,840,781
17	Total Storage	Sch. 8	<u>\$ 597,642,756</u>
18	Annual Depreciation Rates: ^{1/}		
19	Storage		2.89%
20	General		7.62%
21	Annual Depreciation Expense:		
22	Storage (Line 15 * Line 19)		\$ 16,149,377
23	General (Line 16 * Line 20)		2,959,668
24	Total Storage Depreciation Expense		<u>\$ 19,109,045</u>

^{1/} Rates underlying Nicor Gas' 4.1% composite depreciation rate approved in Ill.C.C. Docket No. 08-0363

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Taxes, Other Than Income

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	2009 Amount (C)
1	Taxes, Other than Income (Total)	408.1	<u>\$ 167,481,669</u>
2	Revenue Tax Deductions:		
3	State Utilities Revenue Tax		63,632,965
4	Public Utilities Tax		1,862,167
5	Municipal Utilities Tax		<u>40,182,252</u>
6	Total		<u>105,677,384</u>
7	Balance for Allocation to Functional Categories		<u>\$ 61,804,285</u>
8	Total Utility Plant	Sch. 10	<u>\$ 4,598,206,515</u>
9	Allocation to Transmission:		
10	Basis of Allocation:		
11	Gross Plant at December 31:		
12	Transmission	Sch. 8	\$ 373,168,314
13	Allocated General Plant	Sch. 8	<u>23,791,304</u>
14	Total	Sch. 8	<u>396,959,618</u>
15	Allocation Factor (Line 14/ Line 8)	Sch. 10	0.086329
16	Transmission Allocation Amount (Line 7 x Line 15)		<u>\$ 5,335,516</u>
17	Allocation to Storage:		
18	Basis of Allocation:		
19	Gross Plant at December 31:		
20	Storage	Sch. 8	\$ 609,220,438
21	Allocated General Plant	Sch. 8	<u>38,840,781</u>
22	Total	Sch. 8	<u>648,061,219</u>
23	Allocation Factor (Line 22 / Line 8)	Sch. 10	0.140938
24	Storage Allocation Amount (Line 7 x Line 23)		<u>\$ 8,710,561</u>

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Income Taxes Applicable to Transmission and Storage

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference (B)	Transmission (C)
1	Transmission:		
2	Computed Return (at 8.09%)	Sch. 7	\$ 4,762,853
3	Less: Cost of Debt ((2.89% / 8.09%) * Line 2) ^{1/}		<u>1,701,440</u>
4	Net Income		<u>\$ 3,061,414</u>
5	Current Composite Income Tax Rate ^{2/}		39.745%
6	Income Taxes Applicable to Transmission (Line 4 x Line 5 / (100% minus Line 5))		<u>\$ 2,019,349</u>
7	Storage:		
8	Computed Return (at 8.09%)	Sch. 7	\$ 19,968,577
9	Less: Cost of Debt (2.89% / 8.09% * Line 8) ^{1/}		<u>7,133,398</u>
10	Net Income		<u>\$ 12,835,179</u>
11	Current Composite Income Tax Rate ^{2/}		39.745%
12	Income Taxes Applicable to Storage (Line 10 x Line 11 / (100% minus Line 11))		<u>\$ 8,466,255</u>

^{1/} Based on embedded cost of debt component (2.89%) reflected in Nicor Gas' rate of return (8.09%) approved in Ill.C.C. Docket No. 08-0363.

^{2/} Current composite of the following income tax rates:

Item	State	Federal	Composite
State Replacement Tax	<u>2.500%</u>	<u>0.000%</u>	
Other Income Tax:			
Effective Rate	<u>4.800%</u>	<u>35.000%</u>	
Tax Base:			
Gross	100.000%	100.000%	
Deductible Amounts	<u>0.000%</u>	<u>7.300%</u>	
Taxable Base	<u>100.000%</u>	<u>92.700%</u>	
Effective Rate on Gross	<u>4.800%</u>	<u>32.445%</u>	
Total Composite	<u>7.300%</u>	<u>32.445%</u>	39.745%

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Rate Base and Return Allowance

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference (B)	Rate Base and Return (C)
1	Transmission Rate Base Determination:		
2	Net Plant	Sch. 8	\$ 96,095,798
3	Add: Materials and Supplies	Sch. 12	605,694
4	Deduct: Deferred Income Taxes	Sch. 13	<u>37,828,148</u>
5	Net Rate Base		<u>\$ 58,873,344</u>
6	Transmission Return Allowance at 8.09%: ^{1/}		<u>\$ 4,762,853</u>
7	Storage Rate Base Determination:		
8	Net Plant	Sch. 8	\$ 307,598,338
9	Add: Materials and Supplies	Sch. 12	988,833
10	Deduct: Deferred Income Taxes	Sch. 13	<u>61,756,800</u>
11	Net Rate Base		<u>\$ 246,830,370</u>
12	Storage Return Allowance at 8.09%: ^{1/}		<u>\$ 19,968,577</u>

^{1/} Rate of return authorized for Nicor Gas in Ill.C.C. Docket No. 08-0363.

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Transmission Plant and Storage

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	Amount (C)
1	Transmission Plant:		
2	Land and Land Rights balance	365.1	\$ 3,718,012
3	Rights-of-Way balance	365.2	19,270,607
4	Structures and Improvements	366	104,057
5	Mains	367	263,049,384
6	Measuring and Regulating Station Equipment	369	86,326,254
7	Asset Retirement Costs for Transmission Plant	372	<u>700,000</u>
8	Total - Transmission Plant	to Sch. 10	\$ 373,168,314
9	Add: Allocated Share of General Plant	Sch. 9	<u>23,791,304</u>
10	Gross Transmission Plant		\$ 396,959,618
11	Less: Accumulated Depreciation	Sch. 11	<u>300,863,820</u>
12	Net Transmission Plant		<u><u>\$ 96,095,798</u></u>
13	Storage:		
14	Land and Rights-of-Way	350.1	\$ 2,545,498
15	Structures and Improvements	351	16,872,573
16	Wells	352	87,415,839
17	Storage Leaseholds and Rights	352.1	9,355,423
18	Non-recoverable Natural Gas	352.3	171,817,577
19	Lines	353	48,547,933
20	Compressor Station Equipment	354	160,809,430
21	Measuring and Regulating Equipment	355	5,407,582
22	Purification Equipment	356	52,930,949
23	Other Equipment	357	3,099,171
24	Recoverable Base Gas		<u>50,418,463</u>
25	Total - Storage	to Sch. 10	\$ 609,220,438
26	Allocation of General Plant	Sch. 9	<u>38,840,781</u>
27	Gross Storage		\$ 648,061,219
28	Less: Accumulated Depreciation	Sch. 11	<u>340,462,882</u>
29	Net Storage		<u><u>\$ 307,598,338</u></u>

Northern Illinois Gas Company d/b/a
Nicor Gas Company

General Plant in Service

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	Amount (C)
1	Land and Land Rights	389	\$ 10,195,906
2	Structures and Improvements	390	104,307,650
3	Office Furniture and Equipment	391	53,775,826
4	Transportation Equipment	392	77,134,917
5	Tools, Shop and Garage Equipment	394	24,834,838
6	Communication Equipment	397	5,238,923
7	Asset Retirement Costs	399.1	<u>100,000</u>
8	Total - General Plant	to Sch. 10	<u>\$ 275,588,060</u>
9	General Plant Allocation Factors:		
10	Transmission	Sch. 10	0.086329
11	Storage	Sch. 10	0.140938
12	General Plant Allocable to:		
13	Transmission (Line 8 * Line 10)		<u>\$ 23,791,304</u>
14	Storage (Line 8 * Line 11)		<u>\$ 38,840,781</u>

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Basis for General Plant Allocation

(As of December 31, 2009)

Line No.	Description (A)	Account Nos. (B)	Amounts at 12/31/09 (C)	General Allocation Factor (D)
1	Intangible Plant	301-303	\$ 108,781,440	0.025166
2	Production Plant	321-348	-	-
3	Underground Storage Plant	350.1-358	609,220,438	0.140938
4	Other Storage Plant	360-363.6	-	-
5	Transmission Plant	365.1-372	373,168,314	0.086329
6	Distribution Plant	374-388	3,222,583,604	0.745517
7	General Plant	389-399.1	275,588,060	
8	Construction Work in Progress	107	<u>8,864,659</u>	<u>0.002051</u>
9	Total		\$ 4,598,206,515	
10	Deduct: General Plant	389-399.1	<u>275,588,060</u>	
11	Basis for Allocation		<u>\$ 4,322,618,455</u>	<u>1.000000</u>

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Accumulated Provision For Depreciation

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	Transmission (C)
1	Accumulated Provision at December 31, 2009		
2	Transmission Plant	108	285,964,000
3	Underground Gas Storage	108	316,138,000
4	General Plant	108	172,593,000
5	General Plant Allocation Factors:		
6	Transmission Share of General Plant	Sch. 10	0.086329
7	Storage Share of General Plant	Sch. 10	0.140938
8	Amount of Accumulated Provision Applicable to:		
9	Transmission:		
10	Transmission Plant Amount (Line 2)		\$ 285,964,000
11	Transmission Share of General Plant (Line 4 * Line 6)		<u>14,899,820</u>
12	Total - Transmission		<u><u>\$ 300,863,820</u></u>
13	Storage:		
14	Storage Amount (Line 3)		\$ 316,138,000
15	Storage Share of General Plant (Line 4 * Line 7)		<u>24,324,882</u>
16	Total - Storage		<u><u>\$ 340,462,882</u></u>

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Materials and Supplies

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	Transmission (C)
1	Materials and Supplies at December 31, 2009,		
2	for general system operations	154	7,016,093
3	Allocation Factors:		
4	Transmission	Sch. 10	0.086329
5	Storage	Sch. 10	0.140938
6	Allocated Materials and Supplies:		
7	Transmission (Line 2 * Line 4)		<u>\$ 605,694</u>
8	Storage (Line 2 * Line 5)		<u>\$ 988,833</u>

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Accumulated Deferred Income Taxes

(As of December 31, 2009)

Line No.	Description (A)	Schedule Reference or Account Number (B)	Amount (C)
1	Accum Def Income Tax at December 31, 2009	190, 254,282-283	\$ 438,184,717
2	for Allocation		
3	Allocation Factors:		
4	Transmission	Sch. 10	0.086329
5	Storage	Sch. 10	0.140938
6	Allocated Amounts:		
7	Transmission (Line 1 * Line 4)		<u>\$ 37,828,148</u>
8	Storage (Line 1 * Line 5)		<u>\$ 61,756,800</u>

3-year average maximum day's withdrawal from storage.

		2007	2008	2009
Page 703	MMBtu			
line 3	Max sendout in any one day: underground storage	1,428,217	1,793,855	1,926,760
	3 year average			1,716,277

Date	Therms		MMBtu		FOM Balance Top Gas		
	Injection	Withdrawal	Injection	Withdrawal			
September-06	226,522,240	-	22,652,224	-	114,780,759		
October-06	234,124,560	6,600	23,412,456	660	138,192,555		
November-06	56,000,980	123,109,750	5,600,098	12,310,975	131,481,678		
December-06	3,630,740	241,223,320	363,074	24,122,332	107,722,420		
January-07	338,350	326,041,110	33,835	32,604,111	75,152,144	119,627,166	
February-07	280,510	288,134,370	28,051	28,813,437	46,366,758		
March-07	8,933,420	165,303,120	893,342	16,530,312	30,729,788		
April-07	13,535,570	135,179,560	1,353,557	13,517,956	18,565,389		
May-07	188,704,560	5,751,000	18,870,456	575,100	36,860,745		
June-07	203,341,060	61,380	20,334,106	6,138	57,188,713		
July-07	168,078,480	-	16,807,848	-	73,996,561		
August-07	183,117,410	738,100	18,311,741	73,810	92,234,492		
September-07	230,496,300	108,920	23,049,630	10,892	115,273,230		
October-07	209,748,660	-	20,974,866	-	136,248,096	3-year average :	
November-07	43,623,870	161,394,490	4,362,387	16,139,449	124,471,034		
December-07	4,646,100	264,815,570	464,610	26,481,557	98,454,087	3 year average	
January-08	8,782,260	338,670,180	878,226	33,867,018	65,465,295	122,832,034	367,179,668
February-08	0	293,392,040	-	29,339,204	36,126,091		122,393,223
March-08	3,295,270	167,098,370	329,527	16,709,837	19,745,781		
April-08	13,158,500	76,455,690	1,315,850	7,645,569	13,416,062		
May-08	144,474,840	3,491,390	14,447,484	349,139	27,514,407		
June-08	199,680,430	1,481,070	19,968,043	148,107	47,334,343		
July-08	192,397,940	469,160	19,239,794	46,916	66,527,221		
August-08	232,314,870	537,800	23,231,487	53,780	89,704,928		
September-08	223,062,890	-	22,306,289	-	112,011,217		
October-08	253,746,870	-	25,374,687	-	137,385,904		
November-08	54,695,830	140,781,730	5,469,583	14,078,173	128,777,314		
December-08	3,108,980	283,242,160	310,898	28,324,216	100,763,996		
January-09	0	316,944,250	-	31,694,425	69,069,571	124,720,468	
February-09	0	249,199,200	-	24,919,920	44,149,651		
March-09	0	221,751,090	-	22,175,109	21,974,542		
April-09	18,733,550	111,824,610	1,873,355	11,182,461	12,665,436		
May-09	191,214,820	1,613,660	19,121,482	161,366	31,625,552		

3yr ave. annual sendout

therms	2007	2008	2009
Jan.	739,104,640	823,627,560	907,881,410
Feb.	837,349,600	776,315,150	646,265,170
Mar	481,966,330	599,170,400	510,434,780
Apr	387,412,340	346,207,800	362,681,470
May	194,207,320	232,679,600	205,223,410
Jun	168,531,270	168,463,090	182,060,720
Jul	165,607,500	168,384,990	168,266,280
Aug	182,463,260	158,787,950	176,367,500
Sep	168,330,710	170,848,490	175,109,550
Oct	232,856,370	298,152,530	335,981,780
Nov	481,426,910	497,489,230	406,055,010
Dec	715,208,860	806,404,450	738,769,130
	4,754,465,110	5,046,531,240	4,815,096,210
3 Yr Totl			14,616,092,560
3 Yr Avg			4,872,030,853
3 Yr Avg			487,203,085
MMBtu			

Exhibit B

Northern Illinois Gas Company
d/b/a Nicor Gas Company

Compressor Fuel Use

(As of December 31, 2009)

	Hub Activity - Monthly			Total Physical Activity			(G) Compressor Fuel	(H) Hub Fuel ^{1/} (C/F)*G	(I) Percent H/A
	(A) Injections	(B) Withdrawals	(C) Net (A-B)	(D) Injections	(E) Withdrawals	(F) Net (D-E)			
Jan-07	1,408,797	4,161,683	(2,752,886)	33,835	32,604,111	(32,570,276)	50,483	4,267	
Feb-07	131,033	2,899,400	(2,768,367)	28,051	28,813,437	(28,785,386)	130,202	12,522	
Mar-07	205,078	4,932,163	(4,727,085)	893,342	16,530,312	(15,636,970)	84,309	25,487	
Apr-07	1,378,788	817,266	561,522	1,353,557	13,517,956	(12,164,399)	72,935	(3,367)	
May-07	1,858,791	91,321	1,767,470	18,870,456	575,100	18,295,356	80,124	7,741	
Jun-07	2,097,253	104,583	1,992,670	20,334,106	6,138	20,327,968	99,353	9,739	
Jul-07	1,684,117	265,623	1,418,494	16,807,848	0	16,807,848	75,431	6,366	
Aug-07	1,604,130	459,445	1,144,685	18,311,741	73,810	18,237,931	109,717	6,886	
Sep-07	1,985,356	140,663	1,844,693	23,049,630	10,892	23,038,738	145,701	11,666	
Oct-07	4,267,626	110,532	4,157,094	20,974,866	0	20,974,866	155,247	30,769	
Nov-07	157,822	3,160,663	(3,002,841)	4,362,387	16,139,449	(11,777,062)	86,841	22,142	
Dec-07	301,296	2,140,382	(1,839,086)	464,610	26,481,557	(26,016,947)	53,237	3,763	
Jan-08	295,786	2,561,374	(2,265,588)	878,226	33,867,018	(32,988,792)	107,897	7,410	
Feb-08	68,372	3,617,145	(3,548,773)	0	29,339,204	(29,339,204)	164,228	19,864	
Mar-08	227,445	4,567,590	(4,340,145)	329,527	16,709,837	(16,380,310)	88,213	23,373	
Apr-08	76,437	59,658	16,779	1,315,850	7,645,569	(6,329,719)	40,333	(107)	
May-08	1,640,277	710,919	929,358	14,447,484	349,139	14,098,345	71,559	4,717	
Jun-08	1,600,527	326,039	1,274,488	19,968,043	148,107	19,819,936	87,903	5,652	
Jul-08	1,277,241	202,234	1,075,007	19,239,794	46,916	19,192,878	84,923	4,757	
Aug-08	5,315,428	187,510	5,127,918	23,231,487	53,780	23,177,707	129,963	28,753	
Sep-08	1,816,039	207,806	1,608,233	22,306,289	0	22,306,289	153,575	11,072	
Oct-08	3,128,784	901,950	2,226,834	25,374,687	0	25,374,687	191,438	16,800	
Nov-08	445,166	587,940	(142,774)	5,469,583	14,078,173	(8,608,590)	87,626	1,453	
Dec-08	211,561	2,852,535	(2,640,974)	310,898	28,324,216	(28,013,318)	68,840	6,490	
Jan-09	113,173	1,600,103	(1,486,930)	0	31,694,425	(31,694,425)	77,752	3,648	
Feb-09	171,335	1,237,205	(1,065,870)	0	24,919,920	(24,919,920)	42,152	1,803	
Mar-09	155,872	5,340,945	(5,185,073)	0	22,175,109	(22,175,109)	110,157	25,757	
Apr-09	280,063	2,609,104	(2,329,041)	1,873,355	11,182,461	(9,309,106)	96,701	24,194	
May-09	2,925,479	152,823	2,772,656	19,121,482	161,366	18,960,116	76,648	11,209	
Jun-09	635,093	92,772	542,321	20,349,813	91,048	20,258,765	109,590	2,934	
Jul-09	581,998	46,136	535,862	18,145,374	9,591	18,135,783	87,256	2,578	
Aug-09	1,622,227	205,849	1,416,378	20,255,115	454	20,254,661	133,863	9,361	
Sep-09	982,434	25,196	957,238	21,765,467	20,659	21,744,808	149,471	6,580	
Oct-09	1,061,406	152,521	908,885	24,338,279	6,852	24,331,427	190,700	7,123	
Nov-09	16,792	16,162	630	4,644,439	14,182,579	(9,538,140)	84,517	(6)	
Dec-09	33,862	854,809	(820,947)	0	27,729,721	(27,729,721)	59,308	1,756	
Total	41,762,884	48,400,049	(6,637,165)	388,849,621	397,488,906	(8,639,285)	365,154	0.87%	

1/ Compressor Fuel Attributable to Hub (Net Vs. Physical)

Exhibit C

Northern Illinois Gas Company d/b/a
Nicor Gas Company

Storage Loss Adjustment Factor Derivation

(As of June 30, 2010)

Line No.	Description (A)	Schedule Reference (B)	MMBtu (C)
1	Physical Losses	Schedule 2, Column K, line 39	23,304
2	Hub Receipts for Injection	Schedule 1, Column D, line 13	5,679,024
3	Rate Derivation:		
4	Overall Average Per MMBtu (Line 1/Line 2)		0.41%

Northern Illinois Gas Company
d/b/a Nicor Gas Company

Exhibit C
Schedule 1

Storage Loss Adjustment Factor Derivation
Total Hub Receipts for Injection

(Twelve months ended, June 30, 2010)

Line No.	Volume Determinants (MMBtu)			(D) Total	
	(A) FERC Storage Receipts	(B) Rate 21 Storage Receipts	(C) Rate 21 Imbalance Receipts		
1	Jul-09	543,267	-	38,731	581,998
2	Aug-09	1,584,984	-	37,243	1,622,227
3	Sep-09	782,920	-	199,514	982,434
4	Oct-09	910,487	-	150,919	1,061,406
5	Nov-09	1,272	-	15,520	16,792
6	Dec-09	1,910	-	31,952	33,862
7	Jan-10	1,117	-	46,964	48,081
8	Feb-10	1,474	-	21,006	22,480
9	Mar-10	158	-	831	989
10	Apr-10	-	-	640,710	640,710
11	May-10	310,000	-	57,206	367,206
12	Jun-10	289,999	-	10,840	300,839
13	<u>Total</u>	<u>4,427,588</u>	<u>-</u>	<u>1,251,436</u>	<u>5,679,024</u>

Northern Illinois Gas Company
d/b/a Nicor Gas Company

Exhibit C
Schedule 2

Storage Loss Adjustment Factor Derivation
Allocation

(Twelve months ended, June 30, 2010)

Line No.		Total Balancing Breakdown (MMBtu)			Breakdown of all other balancing (MMBtu)		
		(A)	(B)	(C)	(D)	(E)	(F)
		<u>Sales daily balancing by month</u>	<u>All-other daily balancing by month</u>	<u>Total Balancing (A+B)</u>	<u>Absolute Hub daily balancing by month</u>	<u>Absolute Transportation daily balancing by month</u>	<u>total all other absolute balancing (D+E)</u>
1	Jul-09	11,460,270	6,682,813	18,143,083	535,862	6,146,951	6,682,813
2	Aug-09	14,227,484	6,173,202	20,400,686	1,775,304	5,011,258	6,786,562
3	Sep-09	15,293,363	6,438,345	21,731,708	993,678	5,481,107	6,474,785
4	Oct-09	20,139,188	5,578,832	25,718,020	911,051	4,973,219	5,884,270
5	Nov-09	11,561,134	3,044,414	14,605,548	32,126	3,049,044	3,081,170
6	Dec-09	15,463,922	12,593,352	28,057,274	820,947	11,814,053	12,635,000
7	Jan-10	16,444,223	18,213,770	34,657,993	851,416	17,473,436	18,324,852
8	Feb-10	14,967,892	12,200,095	27,167,987	1,029,769	11,348,060	12,377,829
9	Mar-10	16,415,565	5,306,018	21,721,583	759,105	5,203,700	5,962,805
10	Apr-10	6,446,895	3,195,697	9,642,592	1,338,467	3,157,155	4,495,622
11	May-10	10,964,254	7,810,237	18,774,491	311,348	7,525,976	7,837,324
12	Jun-10	12,263,300	5,974,918	18,238,218	290,479	5,684,919	5,975,398
13 Total		<u>165,647,490</u>	<u>93,211,694</u>	<u>258,859,183</u>	<u>9,649,552</u>	<u>86,868,878</u>	<u>96,518,430</u>

(G)

Total Physical Losses to Allocate

14	Jul-09	11,366
15	Aug-09	717
16	Sep-09	2,022
17	Oct-09	1,545
18	Nov-09	58,470
19	Dec-09	106,719
20	Jan-10	111,905
21	Feb-10	107,250
22	Mar-10	113,245
23	Apr-10	89,991
24	May-10	28,360
25	Jun-10	1,202
26		<u>632,792</u>

Allocation of Physical Losses to Classes of Customers:

	Allocation (MMBtu)			Breakdown of All-other allocation (MMBtu)			
	(H)	(I)	(J)	(K)	(L)	(M)	
	<u>Allocation to Sales (A/C)*G</u>	<u>Allocation to All-other (B/C)*G</u>	<u>Total (H+I)</u>	<u>Allocation to Hub (D/F)*I</u>	<u>Allocation to Transportation (E/F)*I</u>	<u>Total All-other (K+L)</u>	
27	Jul-09	7,161	4,205	11,366	336	3,869	4,205
28	Aug-09	502	215	717	56	159	215
29	Sep-09	1,415	607	2,022	91	516	607
30	Oct-09	1,205	340	1,545	51	289	340
31	Nov-09	46,191	12,279	58,470	123	12,156	12,279
32	Dec-09	58,695	48,024	106,719	2,881	45,142	48,024
33	Jan-10	52,595	59,310	111,905	2,965	56,344	59,310
34	Feb-10	58,988	48,263	107,250	3,861	44,402	48,263
35	Mar-10	86,066	27,179	113,245	3,533	23,646	27,179
36	Apr-10	60,294	29,697	89,991	8,909	20,788	29,697
37	May-10	16,449	11,911	28,360	476	11,435	11,911
38	Jun-10	805	397	1,202	20	377	397
39 Total		<u>390,367</u>	<u>242,425</u>	<u>632,792</u>	<u>23,304</u>	<u>219,121</u>	<u>242,425</u>

Exhibit D

Nicor Gas Chicago Hub**GENERAL TERMS AND CONDITIONS****UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Operating Statement of Nicor Gas Company
under 18 C.F.R. Section 284.224

This Operating Statement describes how Northern Illinois Gas Company (“Nicor Gas” or “Transporter”), an intrastate natural gas distribution utility, will provide interstate interruptible transportation and storage services, interstate priority interruptible transportation and storage services, interstate firm transportation and storage services, interstate parking and loaning services (collectively, “Hub Services”), and interstate interruptible balancing services for shippers on interstate pipelines, on a non-discriminatory basis, pursuant to 18 C.F.R. § 284.224 of the Federal Energy Regulatory Commission’s (“FERC’s”) rules and regulations.

Nicor Gas is an intrastate natural gas distribution public utility engaged in the business of selling and distributing gas to more than 2.1 million end users in the State of Illinois. Nicor Gas’ service area covers 17,000 square miles and 641 communities in northern Illinois, including the metropolitan area located outside the City of Chicago. Nicor Gas owns and operates a natural gas transmission, underground(aquifer) storage and distribution system network which has more than 90 interconnections with eight (8) interstate natural gas pipelines. These intrastate natural gas distribution operations are subject to the jurisdiction of the Illinois Commerce Commission.

Nicor Gas’ system is well situated geographically to provide interruptible Hub Services, comprised of short-term and priority interruptible transportation, storage, park and loan, and balancing transactions. In addition to these interruptible services, Nicor Gas may, from time to time, have limited amounts of storage and transportation capacity which can be offered to potential Shippers on a firm basis, but only for defined periods of time. Shippers using either storage or parking and loaning services do not have the right to designate the points of storage; Nicor Gas uses all of its existing facilities to fulfill obligations which it enters into pursuant to this Operating Statement; provided, however, in order to provide firm storage service, Nicor Gas may require a Shipper to use specific storage facilities. All Hub Services are provided pursuant to the blanket certificate authorization granted to Nicor Gas on October 20, 1992, by order of the FERC in Docket No. CP92-481-000, and pursuant to rates submitted to FERC for approval pursuant to Section 284.123(b) (2) of the FERC’s regulations. Consistent with the FERC’s long-standing objective to bring more buyers and sellers of natural gas together to increase overall market competition for natural gas supplies, Hub Services enable Shippers to use Nicor Gas’ facilities as a market hub to facilitate gas ownership transfers while also receiving transportation and storage services.

Nicor Gas reserves the right not to offer or commence any service, or to discontinue any interruptible service, where, in Nicor Gas’ sole discretion, any impairment of intrastate firm service, including the ability to use storage to support intrastate firm services and gas purchases for intrastate firm services, could otherwise result. Nicor Gas also reserves the right to modify this Operating Statement as it may deem necessary and appropriate at any time in the future.

Nicor Gas Chicago Hub
GENERAL TERMS AND CONDITIONS

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Nicor Gas Chicago Hub

GENERAL TERMS AND CONDITIONS

Section 1. Definitions.

The term “Btu” shall mean British Thermal Unit, and the term “MMBtu” shall mean one million (1,000,000) Btus.

The term “Business Day” shall mean a normal business day, and regular hours of business on such days, as normally associated with the days Monday through Friday of each week, inclusive, but excluding any federal holidays.

The term “Capacity” shall mean the maximum total quantity of gas which a storage Shipper may have in storage (or, in the case of negative storage, borrow) or park or loan at any time, expressed in MMBtus, as specified in a Hub Transaction Request and Agreement Form. Unless otherwise specified in the Hub Transaction Request and Agreement Form, a Shipper will not have the right to reinject (or, in the case of negative storage, reborrow) or park (or loan) gas into Capacity made available by withdrawals (or in the case of negative storage, injections).

The term “Charge” shall mean all applicable rates for any service multiplied by the actual and anticipated billing determinants for such service over the term of the applicable Transaction Request and Agreement Form per unit of capacity.

The term “Critical Day” shall mean a day which may be declared by the Transporter whenever any of the following conditions occur or are anticipated to occur: (a) when the Transporter experiences failure of transmission, distribution or gas storage facilities; (b) when system pressure or other unusual conditions jeopardize the operation of the Transporter’s system; (c) when the Transporter’s transmission, storage and supply resources are being used at or near their maximum rated deliverability; (d) when any of the Transporter’s upstream or downstream transporters call the equivalent of a Critical Day or an OFO; (e) when the Transporter is unable to fulfill its firm contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a portion of the Transporter’s system.

A “cubic foot of gas” for the purpose of measurement of the gas delivered hereunder is the amount of gas necessary to fill a cubic foot of space at an absolute pressure base of fourteen and seventy-three hundredths pounds per square inch (14.73) and at a temperature of sixty (60) degrees Fahrenheit.

The term “Deliverability” shall mean a Shipper’s Maximum Daily Quantity or MDQ for storage withdrawals or Loaning, expressed in MMBtus. This amount may vary during the term of a storage or Parking and Loaning service.

The term “Delivery Point” shall mean the point or points on the Hub where Transporter shall deliver gas to a Shipper.

The term “gas” shall mean natural gas as produced in its natural state that meets the quality standards contained in these General Terms and Conditions.

The term “Gas Day” shall mean a period of twenty-four (24) consecutive hours beginning and ending at nine o’clock a.m. (9:00 a.m.), Central Clock Time (“CCT”), or such other period consisting of twenty-four (24) consecutive hours as the parties may agree upon.

The term “Hub” shall collectively mean Nicor Gas’ intrastate natural gas transmission and underground gas storage facilities, sometimes referred to as “general system facilities,” and point(s) of interconnection of those facilities with the facilities of any interstate natural gas pipeline.

The term “Hub Service Agreement” shall mean the agreement by and between any Shipper and Transporter pursuant to which the parties may enter into Hub Transaction Request and Agreement Forms for specific Hub Services.

Nicor Gas Chicago Hub

GENERAL TERMS AND CONDITIONS

The term “Hub Services” shall mean the following interstate services: interruptible, priority interruptible and firm transportation service; interruptible, priority interruptible and firm storage service; parking and loaning service, and interruptible balancing service, as each may be offered to Shippers hereunder from time-to-time under Transporter’s blanket certificate, and shall not include any services available from Transporter under tariffs and rates subject to the jurisdiction of the Illinois Commerce Commission.

The term “Hub Taxes” shall mean any tax (other than ad valorem unless levied on gas subject to a Hub transaction, income or excess profit taxes), license, fee or charge not included in the cost of service used to derive the maximum rates hereunder and which is levied, assessed or made by any governmental authority on the gas itself or on the act, right or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas and which is measured by the volume, value, or sales price of gas subject to a Hub transaction.

The term “Hub Transaction Request and Agreement Form” shall mean the document whereby a Shipper with an executed Hub Service Agreement formally requests the provision of a Hub Service and Transporter subsequently contracts with Shipper for the furnishing of the service subject to the terms and conditions of these General Terms and Conditions.

The term “Injection/Parking Period” shall mean the Gas Days specified in a Hub Transaction Request and Agreement Form on which Shipper may inject gas into storage or Park gas with Transporter.

The term “Injection Right” shall mean a Shipper’s MMQ or MDQ for storage injections or Parking, expressed in MMBtus. This amount may vary during the term of a storage or Parking and Loaning service.

The term “Loan” or “Loaning” shall mean the component of a Parking and Loaning transaction under which Transporter, on an interruptible basis, delivers gas to a Shipper for subsequent redelivery by that Shipper to Transporter.

The term “Maximum Daily Quantity” or “MDQ” shall mean the maximum volume of gas that the Transporter will accept from, or deliver to, Shipper on any Gas Day for the transportation and/or storage service offered hereunder.

The term “Maximum Monthly Quantity” or “MMQ” shall mean the maximum volume of gas specified in Shipper’s contract that a Shipper may inject or withdraw from Shipper’s storage in any calendar month

The term “month” shall mean a period beginning on the first day of a calendar month and extending to the first day of the next following calendar month.

The term “Operational Flow Order” or “OFO” shall mean instructions issued by Transporter in order to adequately maintain its system; specifically requiring Shippers to increase or decrease their nominations in order to alleviate a supply situation that threatens the operational integrity of the system.

The term “Park” or “Parking” shall mean the component of a Parking and Loaning transaction under which Shipper, on an interruptible basis, delivers gas to Transporter, for subsequent redelivery by Transporter to Shipper.

The term “Park and Loan” or “Parking and Loaning” shall mean the temporary placement on Transporter’s system of gas on an interruptible basis or the temporary removal of gas from Transporter’s system on an interruptible basis.

The term “Receipt Point” shall mean the designated point or points on the Hub where Transporter shall receive gas from a Shipper.

Nicor Gas Chicago Hub

GENERAL TERMS AND CONDITIONS

The term “Shipper” shall mean an eligible party electing and subsequently having the necessary authorization of Transporter to use any of the services offered hereunder.

The term “Storage” shall mean Transporter’s scheduled retention of a Shipper’s gas on the Hub, including such retention arising from any scheduled difference between the scheduled daily Hub receipt and delivery associated with transportation service on any given Gas Day. For the purposes hereof, one Gas Day shall be deemed to be the minimum time interval for storage service hereunder.

The term “Storage Loss Adjustment” shall refer to the quantity of Shipper’s gas retained by the Company at the time of delivery for storage injection in accordance with Section 5.1 herein.

The term “thermally equivalent” shall mean an equal amount of heating value, expressed in MMBtus and measured under specifications and conditions contained hereunder.

The term “Title Transfer” shall mean the transfer of title of gas from one Shipper to another Shipper in accordance with Section 4.4 herein.

The term “Transfer Point” shall mean any point(s) within the Hub where a Title Transfer from one Shipper to another Shipper occurs pursuant to Section 4.4.

The term “Transportation” shall mean the Hub’s receipt of gas from a Shipper at a Receipt Point or Transfer Point and Transporter’s delivery of that gas to a Hub Delivery Point or another Transfer Point on a coincidental time (day) basis.

The term “Transporter” shall mean Nicor Gas, but nothing herein shall prevent Nicor Gas from designating an agent to act on its behalf to handle the necessary service scheduling, billing, credit checks and any notices in connection with service hereunder.

The term “Withdrawal/Loaning Period” shall mean the Gas Days specified in a Hub Transaction Request and Agreement Form on which Shipper may withdraw gas from storage or receive loaned gas from Transporter.

Section 2. Hub Services.

2.1 Interstate Hub Services.

Subject to Transporter’s determination that it has available capacity, Transporter will offer interstate services, in limited volumes, consisting of (a) firm transportation service, (b) priority interruptible transportation service, (c) interruptible transportation service, (d) firm storage service, (e) priority interruptible storage service, (f) interruptible storage service, (g) parking and loaning services, and (h) interruptible balancing services, to eligible Shippers on a non-discriminatory basis. Hub Services do not include any services that are subject to the jurisdiction of the Illinois Commerce Commission. All transportation and storage gas received by the Hub shall be accounted for on a daily basis and must be scheduled for the eventual redelivery of such gas off the Hub to a designated Delivery Point. Except for any service provided under Sections 2.4 and 2.6 hereof, service hereunder shall be interruptible in nature and subordinate to any and all firm services supplied by Transporter’s intrastate natural gas distribution utility operations, including the management of Transporter’s system and the use of storage to support its firm sales and transportation services. Except for those amounts of firm storage or firm transportation service which Transporter

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may designate from time to time pursuant to Sections 2.4 and 2.6 hereof, Transporter is not holding itself out to provide any firm service hereunder.

2.2 Interruptible Transportation Service (“ITS”).

Any eligible Shipper may engage Transporter to transport gas hereunder, on an interruptible basis, from any designated Receipt Point and/or Transfer Point to any designated Delivery Point and/or Transfer Point. All such transportation service shall be recorded and accounted for on a daily basis.

A Shipper shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter’s Hub.

Any failure by a Shipper to schedule transportation for any daily volume of gas to be moved away from the Hub shall result in Charges for both interruptible storage service and the unauthorized use of service, as hereinafter described.

2.3 Interruptible Storage Service (“ISS”).

Any eligible Shipper may engage Transporter to provide interruptible storage service; such service may be either positive storage service or negative storage service and shall be scheduled pursuant to these General Terms and Conditions. Any Shipper utilizing ISS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof. For the purposes hereof, positive storage service shall mean the tender of gas by Shipper to Transporter for purposes of storage on the Hub and the subsequent redelivery of an equivalent gas volume by Transporter to Shipper, adjusted for fuel and the Storage Loss Adjustment. Negative storage service shall mean the Transporter’s delivery of gas to any Shipper from Hub storage in advance of any equivalent gas volume being tendered by such Shipper to Transporter for replacement of gas taken from Hub storage, adjusted for fuel and the Storage Loss Adjustment. Regardless of the number of days any quantity of gas is stored in, or is outstanding from, Transporter’s Hub storage, the applicable Shipper must be prepared to withdraw gas from Hub storage or deliver gas to Hub storage, as appropriate, on any Gas Day as may be scheduled by Shipper and Transporter, or at any other time as Transporter may otherwise order hereunder.

All interruptible storage service hereunder shall require corresponding interruptible or firm transportation service to effectuate the movement of storage volumes to and from the Shipper’s Hub storage service account. Gas shall be deemed to have been stored on the Hub when Transporter’s recorded transportation receipts from any Shipper exceed the recorded deliveries to that Shipper, if any, on the same Gas Day. Gas shall be deemed to have been withdrawn from storage when Transporter’s recorded transportation deliveries to any Shipper exceed the recorded receipts from that Shipper on any Gas Day. All interruptible storage service volumes shall be accounted for on a day-to-day basis and the Shipper shall be charged accordingly for such storage service. In the event of multiple transfers of title to any gas quantity in storage, the last Shipper with title to such gas on any day shall be responsible for the daily storage service Charges attributed to that Gas Day. In the event of any change or multiple transfers of title to any gas within the Hub, the last storage service Shipper with title to such gas shall be responsible for the transportation service required to move any stored volume off the Hub.

2.4 Firm Storage Service (“FSS”).

From time to time, Transporter may determine that it has the ability to offer defined amounts of firm storage service, specified as levels of Deliverability, Injection Rights and Capacity, for defined periods of time, without impairing Transporter’s ability to provide all firm services in connection with its intrastate natural gas distribution utility operations, including the management of Transporter’s system and the use of storage to support its intrastate firm sales, storage and transportation services. (Such service may be either positive storage service or negative storage

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service; positive and negative storage service shall have the meanings set forth in Section 2.3 hereof.) Transporter shall not offer such firm storage service, or renew any such service upon the expiration of any primary contract term, unless Transporter determines that such offering of service or continuation of service will not impair Transporter's ability to maintain adequate firm services for its intrastate public utility operations and for any existing interstate firm storage services. When offering firm storage service hereunder, Transporter may determine that such service can only be provided at specific storage facilities or for defined periods of time.

All firm storage service hereunder shall require corresponding interruptible or firm transportation service to effectuate the movement of storage volumes to and from any Shipper's Hub storage service account. Any Shipper utilizing FSS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof. Gas shall be deemed to have been stored on the Hub when Transporter's recorded transportation receipts from any Shipper exceed the recorded deliveries to that Shipper, if any, on the same Gas Day. Gas shall be deemed to have been withdrawn from storage when Transporter's recorded transportation deliveries to any Shipper exceed the recorded receipts from that Shipper on any Gas Day.

- 2.4.1 Requests to schedule firm storage service hereunder shall be authorized pursuant to this Section 2.4.1, which, for this purpose, shall supersede Section 6.2. Firm storage service shall, during its term, be scheduled and curtailed on an equal basis with other firm uses of storage, based on allocating such capacity which is available on a pro rata basis among all firm interstate services and all uses by Transporter of storage for and to support firm intrastate services. This equal treatment shall apply to both the scheduling of volumes and any curtailment of volumes once scheduled. Subject to this pro rata treatment, Transporter may (i) refuse to schedule volumes if so prevented by scheduled maintenance, any other occurrences which reduce Transporter's capacity, injection capability or deliverability, or an event of force majeure, and (ii) curtail scheduled volumes for any reason set forth in the preceding clause (i) other than scheduled maintenance. A firm storage Shipper shall nominate volumes for scheduling by executing the forms and following the procedures specified by Transporter.
- 2.4.2 Requests to enter into Hub Transaction Request and Agreement Forms for firm storage service shall be authorized on the basis of the highest net present value per MMBtu of MDQ of total non-fuel rates to be assessed for the firm service over its term, provided that nothing shall require Transporter to offer service at a discount. Section 2.4.1 shall apply once Transporter determines if it can provide firm storage services to a Shipper, but shall not be construed to limit or subordinate the rights of a firm storage Shipper to the extent and for the term during which Transporter has determined that it can provide firm storage service and has executed a Hub Transaction Request and Agreement Form for firm storage service. A firm Shipper's obligation to pay the Charges set forth in its Hub Transaction Request and Agreement Form with Transporter shall not be subject to adjustment for any failure of Transporter to provide service due to an event of force majeure or the need to perform maintenance or by any event of force majeure or other cause affecting such firm Shipper. Notwithstanding Section 17.8 hereof, the term of Hub Transaction Request and Agreement Form for firm storage service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. Shipper's rights to service may be limited to the use of a specific storage facility, in which event scheduling and curtailment shall be based upon the capacity at that facility only.
- 2.5 Priority Interruptible Storage Service ("PSS").

Any eligible Shipper may engage Transporter to store gas hereunder, on a priority interruptible basis; such service may be positive or negative storage service. Any Shipper utilizing PSS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof. Priority interruptible storage service will be scheduled prior to, and curtailed after, interruptible storage service. While the service will be interruptible, Transporter will provide Shipper with good faith estimates of the conditions when service is likely to be not scheduled or curtailed, which

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estimates may be based on the number of days in a month or other objective conditions, such as the Heating Degree Days (“HDDs”) experienced by Transporter or the invocation of Critical Days or Operational Flow Orders by Transporter or interconnecting pipelines. Transporter shall attempt to notify Shipper that priority interruptible storage service is not available to Shipper on a specific day no later than 26 hours prior to the start of the specified Gas Day. To reflect the priority of priority interruptible storage service, Shipper shall be subject to the prepayment and commodity rates set forth herein; provided, if Transporter is unable to provide service on a given Gas Day, Shipper shall not be required to pay such prepayment Charges with respect to any service Transporter is not able to provide; provided, further, if Shipper’s prepayments are based on a specific number of days of service in any month, Shipper’s obligation to make the prepayments shall be reduced to the extent that Transporter was unable to provide service on the specified number of days, whether or not Shipper scheduled service on any such Gas Day. Notwithstanding Section 17.8 hereof, the term of any Hub Transaction Request and Agreement Form for priority interruptible storage service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. In all other respects, priority interruptible storage service shall be subject to the same requirements as interruptible storage services.

2.6 Firm Transportation Service (“FTS”).

From time to time, Transporter may determine that it has the ability to offer defined amounts of firm transportation service, specified as the levels of capacity within designated paths (as defined by Receipt Points, Transfer Points and Delivery Points), for defined periods of time without impairing Transporter’s ability to provide all firm services in connection with its intrastate natural gas distribution utility operations, including the management of Transporter’s system and the use of storage to support its intrastate firm sales, storage and transportation services. Section 2.6.1 shall apply once Transporter determines if it can provide firm transportation services, but shall not be construed to limit or subordinate the rights of a firm transportation Shipper to the extent and for the term during which Transporter has determined that it can provide firm transportation service and has executed a Hub Transaction Request and Agreement Form to provide firm transportation service. All such transportation service shall be recorded and accounted for on a daily basis. Any Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter’s Hub. Any failure by a Shipper to schedule transportation for any daily volume of gas to be moved away from the Hub shall result in Charges for Parking and Loaning Service for the Gas Day the failure took place and the unauthorized use of service pursuant to Section 5.3.

2.6.1 Requests to schedule firm transportation service hereunder shall be authorized pursuant to this Section 2.6.1, which, for this purpose, shall supersede section 6.2. Once Transporter has executed a Hub Transaction Request and Agreement Form for firm transportation service, that service shall, during its term, be scheduled and curtailed on an equal basis with other firm uses of transportation, including firm intrastate transportation, based on allocating such capacity which is available on a pro rata basis among all firm interstate services and all uses by Transporter of transportation for and to support firm intrastate services. This equal treatment shall apply to both the scheduling of volumes and any curtailment of volumes once scheduled. Subject to this pro rata treatment, Transporter may (i) refuse to schedule volumes if so prevented by scheduled maintenance, occurrences which reduce Transporter’s capacity, and (ii) curtail scheduled volumes for any reason set forth in the preceding clause (i) other than scheduled maintenance. A firm transportation Shipper shall nominate volumes for scheduling by executing the forms and following the procedures specified by Transporter.

2.6.2 Transporter shall analyze its system requirements prior to executing a Hub Transaction Request and Agreement Form for firm transportation service, and shall not accept a firm transportation Shipper’s designation of primary points if it determines that it cannot provide the service. Requests to enter into agreements for firm transportation service shall be authorized on the basis of the highest net present value per MMBtu of MDQ of total non-fuel Charges to be assessed for the firm service over its term, provided that nothing shall require Transporter to offer service at a

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discount. A firm Shipper's obligation to pay the Charges set forth in its Service Agreement with Transporter shall not be subject to adjustment for any failure of Transporter to provide service due to an event of force majeure or the need to perform maintenance or by any event of force majeure or other cause affecting such firm Shipper. Notwithstanding Section 17.8 hereof, the term of any Hub Transaction Request and Agreement Form for firm transportation service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. Shipper's rights to service may be limited to use a specific delivery and receipt point transportation path, in which event scheduling and curtailment shall be based upon the capacity at that facility only. All notices and other documentation shall be provided directly to Transporter.

2.7 Priority Interruptible Transportation Service ("PTS").

Any eligible Shipper may engage Transporter to transport gas hereunder, on a priority interruptible basis. Priority interruptible transportation service will be scheduled prior to, and curtailed after, interruptible transportation service. While the service will be interruptible, Transporter will provide Shipper with good faith estimates of the conditions when service is likely to be not scheduled or curtailed, which estimate may be based on the number of days in a month or other objective conditions, such as the Heating Degree Days ("HDDs") experienced by Transporter or the invocation of Critical Days or Operational Flow Orders by Transporter or interconnecting pipelines. Transporter shall attempt to notify Shipper that priority interruptible transportation service is not available to Shipper on a specific Gas Day no later than 26 hours prior to the start of the specified Gas Day. To reflect the priority of priority interruptible transportation service, Shipper shall be subject to the prepayment and commodity rates set forth herein; provided, if Transporter is unable to provide service on a given Gas Day, Shipper shall not be required to pay such prepayments with respect to any service Transporter is not able to provide; provided, further, if Shipper's prepayment Charges are based on a specific number of days of service in any month, Shipper's obligation to make the prepayments shall be reduced to the extent that Transporter was unable to provide service on the specified number of days, whether or not Shipper scheduled service on any such Gas Day. Notwithstanding Section 17.8 hereof, the term of any Hub Transaction Request and Agreement Form for priority interruptible transportation service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. In all other respects, priority interruptible transportation services shall be subject to the same requirements as interruptible transportation services.

2.8 Parking and Loaning Service ("PALS").

Subject to Transporter's determination that it has available capacity, Transporter shall offer Parking and Loaning service to eligible Shippers on a non-discriminatory basis. A Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub. No separate hub transportation service is required in conjunction with a Parking and Loaning Service because such transportation service is included as part of this Parking and Loaning service. Any Shipper utilizing PALS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof.

2.9 Interruptible Balancing Service on Agreeing Interstate Pipeline ("IBS").

Subject to Transporter's determination that it has available capacity and Transporter's entry into any necessary agreements with the relevant interstate pipeline, Transporter shall offer interruptible balancing service on such interstate pipeline to eligible Shippers on a non-discriminatory basis. Any eligible Shipper may submit a request for interruptible balancing service to Transporter. A Shipper shall pay the rate for this service based on (i) for the date for which nominations are made, nominations made to and confirmed by Transporter, provided, the rate will not be assessed to Shipper with respect to any volumes which, after confirmation by Transporter, are interrupted or curtailed by Transporter; (ii) thereafter for the period agreed to by Transporter, the rate shall be based on the level of service

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actually provided by Transporter; and (iii) thereafter, Shipper shall either restore its balance to zero, transfer the volumes to a storage or park and loan service, or pay Transporter Unauthorized Overrun Charges for volumes up to the MDQ. Any volumes above MDQ must be resolved by the Shipper with the relevant interstate pipeline. A Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub. If, at the end of the interruptible balancing service agreement term, a Shipper has a positive or negative interruptible balancing account balance, the Shipper shall be subject to cashout pursuant to Section 5.6. No separate hub transportation service is required in conjunction with an interruptible balancing service agreement because such transportation service is included as part of this interruptible balancing service. Any Shipper utilizing IBS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof.

Section 3. Facilities.

Transporter shall not be obligated to construct, add, alter or modify any facilities to receive and/or deliver gas, or provide any other service hereunder.

Section 4. Request for Service.

4.1 Eligibility.

Any Shipper shall be eligible for the services offered hereunder upon meeting all the terms and conditions specified herein and upon the execution of a valid and approved Hub Service Agreement by Shipper and Transporter.

4.2 Shipper Request for Service.

Each request for service shall be sufficiently clear and provide all information as required by Transporter's Hub Transaction Request Form, including (1) the rates agreed upon for the Hub Service(s) to be provided, including the terms of any discount, (2) the MDQ, Deliverability, and Injection Right, as appropriate, (3) the dates when such service is expected to commence and to terminate, which termination date may extend beyond the termination date of any currently effective Hub Services Agreements, (4) the point(s) at which the Hub is expected to receive and/or make deliveries of such gas, (5) for Title Transfers, the exact legal name of any other party designated to receive or acquire gas by way of any ownership transfer(s) on the Hub, (6) the volumes of any gas to be stored on the Hub and dates of such storage service, (7) the Injection/Parking Period and the Withdrawal/Loaning Period, as appropriate, and (8) any other information required to satisfy Transporter's reporting obligations to FERC.

A Shipper must execute a Hub Service Agreement before it can enter into Transaction Request and Agreement Form for a specific service with Transporter, and it must be party to a Transaction Request and Agreement Form with Transporter on or before it can schedule or nominate any service with Transporter. Requests to enter into a Transaction Request and Agreement Form may be submitted by telephone or other electronic means designated by Transporter. Transporter reserves the right, upon giving proper notice to a Shipper, to record any or all telephone calls relating to any request for service or requests to schedule service and to use such telephone recordings to resolve any disputes arising from that Shipper's request.

4.3 Processing of Service Requests.

Transporter shall verbally respond to each request to enter into a Hub Transaction Request and Agreement Form for a specific service hereunder, either (1) that Shipper is authorized to commence the service(s) requested, (2) that Transporter cannot provide such service(s), or (3) that Transporter will not provide such services at the discounted rate requested by Shipper. Transporter, or its duly authorized agent, shall use reasonable best efforts to respond

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verbally to all such service requests as soon as possible, and, if it agrees to provide the service, it shall tender a Hub Transaction Request and Agreement Form no later than one Business Day after the service commences, which shall reflect the agreement of the parties on all parameters of service set forth in Section 4 hereof. Any Hub Transaction Request and Agreement Form tendered by Transporter to Shipper shall be deemed accepted by Shipper (i) upon Shipper's execution of such Hub Transaction Request and Agreement Form, or (ii) if Shipper does not object, in writing, to the tendered Hub Transaction Request and Agreement Form within two Business Days. Upon request, Transporter also will provide a written explanation as to why it was not willing to enter into a Hub Transaction Request and Agreement Form for the service requested by a potential Shipper.

Nothing contained herein shall be construed to mean that any or all services requested shall be supplied, or that Transporter has any standing obligation to provide service (a) other than interruptible service, which for the purposes hereof shall be subordinate to any and all firm services provided by Transporter as part of its intrastate natural gas distribution utility operations, or (b) under any terms which in Transporter's sole discretion may jeopardize its ability to render adequate and reliable services for its intrastate natural gas distribution utility operations. Once a daily Hub transaction is confirmed and authorized hereunder, Transporter agrees to supply such service subject to the terms hereof and subject to the scheduling and confirmation procedures and any operational flow orders or curtailment of any upstream or downstream pipeline serving the Hub, or other similar event, which might prevent Transporter from furnishing such service as authorized.

4.4 Title Transfers.

Transporter's Hub will accommodate Title Transfers for gas on the Chicago Hub, and Transporter will handle the necessary paperwork to account for such ownership changes occurring while any quantity of gas is being transported and/or stored for Shippers hereunder. No such Title Transfers shall be allowed hereunder unless each party to which ownership and title is being transferred has executed a valid and approved Hub Service Agreement and Hub Transaction Request and Agreement Form. Each owner, shall become obligated hereunder as a separate Shipper, subject to all of the requirements hereof. A Title Transfer may occur only if the receiving Shipper does not exceed its contracted storage capacity. Gas received by a party under such Title Transfer shall be considered as a receipt of gas for that Gas Day counting toward the receiving Shipper's MDQ. A Shipper may only exceed its MDQ during a Title Transfer if Transporter approves an authorized overrun.

Section 5. Rates and Adjustments to Rates.

5.1 Rates.

The rates for service hereunder shall be established between Transporter and Shipper, and, pursuant to Section 5.5 hereof, Transporter may periodically offer non-discriminatory discounting of maximum rates, but such discounted rates shall not exceed the applicable maximum rates, if any, approved hereunder by the Federal Energy Regulatory Commission ("FERC") from time-to-time for the type of service rendered. The currently effective minimum and maximum rates for Hub Services offered hereunder are as hereinafter set forth in the Statement of Rates of these General Terms and Conditions.

Fuel Charge determination: The Charge for fuel for firm, priority interruptible and interruptible storage services, PALS and IBS shall be on injections only. The fuel Charge shall be 0.87%, to be paid upon mutual agreement between Transporter and Shipper either (i) in kind or (ii) the monetary equivalent of such fuel at the price reported in the Platt's Gas Daily Chicago Citygates Midpoint Daily Index on the date the parties agree to the terms of the Transaction Request and Agreement Form.

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Storage Loss Adjustment Charge determination: The Charge for the Storage Loss Adjustment for firm, priority interruptible and interruptible storage services, PALS and IBS shall be applied to deliveries for injections only. The Storage Loss Adjustment Charge shall be 0.41% to be paid by Shipper in kind. The Storage Loss Adjustment Charge shall be charged prospectively for Transaction Request and Agreement Forms executed on or after the effective date of September 1, 2010, subject to refund, based on the Commission's approval of Transporter's 2010 filing in Docket PR10- and this Section 5.1.

5.2 Adjustments to Rates.

Transporter reserves the right to seek authorization from the FERC to increase, decrease, or restructure the maximum rates (including market-based rates) charged for service hereunder, including any associated Charge(s) for fuel and for the Storage Loss Adjustment, to assure Transporter's right to charge and collect "fair and equitable" rates under the FERC's applicable rules and regulations. Nothing herein contained shall be construed to deny any Shipper any rights which it may have under the FERC rules and regulations, including the right to participate fully in rate proceedings by intervention or otherwise to contest changes in rates charged and/or these General Terms and Conditions.

5.3 Charges for Unauthorized Use of Service.

In the event of any unauthorized receipt or delivery of gas transportation or storage volumes hereunder, the Shipper causing such unauthorized use of service shall be charged the greater of (1) any applicable pipeline penalty or penalties incurred by Transporter as a result or (2) a rate of \$10.00 per MMBtu of unauthorized service, such Charge being in addition to all maximum rates for such service as set forth in these General Terms and Conditions; provided, however, nothing herein shall prevent Transporter from waiving such Charge, or any portion thereof, on a non-discriminatory basis. Unauthorized service shall include the failure to withdraw gas, or return gas, pursuant to the terms of any Hub Transaction Request and Agreement Form.

5.4 Monthly Imbalances — Fees.

If, in any calendar month, Transporter redelivers any gas to a Shipper and it is subsequently discovered that the Shipper had not previously provided such gas to the Hub, or no such gas was supplied to the Hub by any other party on Shipper's behalf, then Shipper shall reimburse Transporter for the cost of replacement gas, which replacement cost shall be based on Platt's Gas Daily Chicago Citygates Midpoint Daily Index price for said Gas Day; provided, however, Transporter, at its sole discretion, may allow Shipper to resolve any imbalances by (a) making up such imbalance in kind during a period and at a volume level specified by Transporter, and (b) paying Transporter an agreed-upon rate not to exceed the maximum daily storage rate for each Gas Day of such imbalance.

5.5 Discounts.

From time to time, Transporter and a Shipper may agree in writing on a level of discount of the otherwise applicable rates and Charges, in addition to stated discounts from the stated maximum rates. Such a specific discounted rate may be:

- (1) limited to certain specified quantities under the service agreement;
- (2) available only if specified quantity levels are actually achieved or with respect to quantities below a specified level;

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- (3) available during specified time periods, including an Injection/Parking Period or a Withdrawal/Loaning Period;
- (4) available to points of receipt or points of delivery, or transportation paths;
- (5) defined in a specified relationship to the quantities actually transported (i.e., that the rates shall be adjusted in a specified relationship to quantities actually transported);
- (6) structured so that if one rate component which was equal to or within the applicable maximum and minimum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate or is below the applicable minimum rate due to a change in Transporter's maximum rates and/or minimum rates, so that such rate component must be adjusted downward or upward to equal the new applicable maximum or minimum rate, then other rate components for the same service or different services may be adjusted upward or downward to achieve the agreed-upon overall Charge, so long as none of the resulting rate components exceed the maximum rate or are below the minimum rate applicable to the rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sheets. However, nothing contained herein shall be construed to alter a refund obligation under applicable law; or
- (7) based on formulas, including but not limited to formulas based upon published gas commodity price differentials between different points or on NYMEX or other markets in which natural gas or natural gas futures are traded.

Any such discounted rate shall (a) not change Transporter's underlying rate design; (2) not include any minimum bill or minimum take requirement that has the effect of guaranteeing revenue; and (3) in each Hub Transaction Request and Agreement Form entered into pursuant to Section 5.5(7), define the rate component(s) to be discounted. In all circumstances the discounted rate shall be between the maximum rate and the minimum rate applicable to the service provided.

5.6 Cash-Out of Storage and Parking and Loaning Balances.

If a Shipper has purchased storage or PALS from Transporter and at any time the outstanding balance owed with respect to the purchased service exceeds the product of (a) the volumes in MMBtu remaining in storage for the account of Shipper, and (b) the Platt's Gas Daily Chicago Citygates Midpoint Daily Index price, two business days' written notice to Shipper, Transporter may elect, at its sole discretion, to purchase such volumes from Shipper at the Cash-Out Value and to offset the amounts owed by Shipper by the Cash-Out Value; provided, Shipper may prevent such purchase by (a) agreeing in writing, by the end of the two business days' notice period, to pay the amount owed to Transporter, and (b) paying such amounts within two business days after giving Transporter such written election.

5.7 Abandoned Gas.

If a Shipper has not withdrawn gas from storage or from PALS or returned gas to storage or PALS per the terms of its applicable Hub Transaction and Request and Agreement Form by the date of termination of such Hub Transaction and Request and Agreement Form, then such gas shall be subject to Section 5.3 hereof. In addition, upon thirty (30) days' written notice, Transporter shall have the option, but not the obligation, to purchase outstanding positive gas balances from Shipper at 80% of Platt's Gas Daily Chicago Citygates Midpoint Daily Index price or to charge Shipper for outstanding negative balances at 120% of the Platt's Gas Daily Chicago Citygates Midpoint Daily Index price on the day of such charge.

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5.8 Index Unavailability.

If Platt's Gas Daily Chicago Citygates Midpoint Daily Index price is temporarily unavailable, Transporter shall use the next business day's Platt's Gas Daily Chicago Citygates Midpoint Daily Index price. If Platt's Gas Daily Chicago Citygates Midpoint Daily Index price is permanently unavailable, Transporter shall use another published index for the Midwest natural gas market.

Section 6. Nominations, Scheduling and Interruptions.

6.1 Nominations.

Nominations shall be submitted by Shipper to Transporter through an electronic nomination system designated by Transporter; Transporter also may accept nominations through other means. Shipper shall not be entitled to receive service in excess of the applicable maximum service limits contained in the Hub Transaction Request and Agreement Form; provided, Transporter may, on a non-discriminatory basis, authorize Shipper to receive excess, or authorized overrun, service at a mutually agreed upon rate, not to exceed the maximum rate for such service.

Shipper may designate a third party agent for purposes of nominating, and for giving and receiving notices related to nominations. Shipper shall provide Transporter with written notice of such designation. Any such designation shall be effective starting the month following the receipt of the notice and will remain in effect until revoked in writing by Shipper.

All nominations will be scheduled on a non-discriminatory basis. Nominations shall be submitted by 11:30 A.M. CCT on the Business Day prior to the effective Gas Day. All nominations must be received by Transporter or its agent in sufficient time to allow Transporter to finalize its nominations and confirmations in compliance with the advance notice requirements of any transporting interstate natural gas pipeline being relied upon to move gas to or from the Hub. Transporter, in its sole discretion, may amend or modify the nominating procedures or system at any time. Shipper, or its designated agent, shall provide Transporter with a nomination for each Gas Day or Shipper's nomination shall be a standing nomination until Shipper provides a new nomination or until the end of the month. If Shipper fails to provide a nomination for the first Business Day of the month, the daily nomination is assumed to be zero.

6.2 Scheduling of Service Nominated by Shipper.

All requests to schedule interruptible service, or to schedule any overrun volumes under firm storage or transportation services, shall, subject to limits imposed by Transporter on interruptible volumes and Transporter's right to refuse to schedule any discounted interruptible services, be authorized on a non-discriminatory basis in order of highest Charge (within limits of the maximum rates prescribed hereunder) pursuant to Section 6.4.

All service authorizations hereunder shall be granted solely on the condition that Transporter has determined that it has adequate capacity to serve Shipper's request for transportation and/or storage service.

6.3 Interruptions by Transporter.

Subject to Sections 2.4.1 and 2.6.1 in the case of firm services, Transporter will authorize service on any Gas Day for any Shipper that has executed a Hub Service Agreement only if, within Transporter's best operating judgment and discretion, such service is not otherwise expected to prevent Transporter from meeting all of its firm service obligations as an intrastate natural gas distribution utility, including Transporter's system management needs, such as

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the use of storage. If Transporter determines that it can provide interruptible service, service shall be scheduled pursuant to Section 6.2. In the event that interruptible service has already commenced and Transporter learns that the continued furnishing of service may prevent Transporter from meeting all of its firm service obligations as an intrastate natural gas distribution utility, then Transporter may, at its sole discretion and upon giving four hours' prior notice to Shipper(s), interrupt the continuation of any or all of the interruptible services hereunder. For the purposes hereof, any interruption of service shall mean the cancellation or cessation of any scheduled daily gas transportation receipt or delivery, or Transporter's ordered withdrawal of any Shipper's gas from Hub storage, until further notice; provided, however, if any such interruption by Transporter results in an unscheduled storage of gas on any Gas Day for Shipper(s), then Transporter shall retain such gas until service can be resumed as originally scheduled, and Transporter shall waive any additional storage Charges otherwise incurred solely because of such interruption.

6.4 Scheduling Priorities. The priority for scheduling shall be as follow:

- 1 FSS and FTS pro rata;
- 2 Authorized overrun / make-up of FSS and FTS based on Charge highest to lowest;
- 3 PSS and PTS pro rata based on MDQ;
- 4 ITS, ISS, PALS, IBS based on Charge highest to lowest;
- 5 Authorized overrun / make-up PSS and PTS based on Charge highest to lowest;
- 6 Authorized overrun / make-up of ITS, ISS, PALS and IBS based on Charge highest to lowest.

Volumes scheduled by Charge for a service shall be from highest to lowest, except scheduling shall be pro rata based on nominated quantities among Shippers paying the same Charge. The reverse priority order shall be utilized for interruptions and curtailments, and the Charge for a service shall be considered from lowest to highest.

Section 7. Pressures.

Transporter shall operate its Hub facilities at pressures which will normally permit the receipt and delivery of volumes scheduled for service(s) hereunder; provided, however, Transporter may elect, at its sole discretion, to effectuate such receipts and deliveries through the scheduling and nomination of volumes at the interconnection of its Hub facilities with an interstate pipeline. Under no circumstances shall Transporter be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Transporter be required to make any physical deliveries which its existing Hub facilities cannot accommodate.

Section 8. Measurement.

All readings and registrations with respect to daily receipt and delivery volumes and average daily heating values shall be as for times nominated and recorded by the gas measuring equipment of the applicable interstate natural gas pipeline to determine thermally equivalent volumes relating to the services supplied hereunder.

Section 9. Quality.

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All natural gas received by or delivered from the Hub shall be of pipeline quality gas and shall meet the quality specifications, as required from time-to-time, of the interstate natural gas pipeline transporting such gas into or from the Hub.

The average heating values of gas for a transporting interstate natural gas pipeline shall be the basis for determining the number of MMBtus received and delivered, and for any volumes stored on the Hub, for any Gas Day hereunder.

Section 10. Billing, Accounting, Taxes and Reports.

10.1 Billing.

No later than the fifteenth (15th) day of each month, Transporter shall render an invoice to any Shipper receiving any service hereunder during the immediately preceding month. Such invoice shall identify the actual daily volumes associated with each such service transaction. In the event that actual volumes are not available to facilitate the rendering of such monthly statement by the fifteenth (15th) day of each month, Transporter shall use estimated volumes for that month. Estimated volumes shall be subject to correction on the next monthly invoice.

10.2 Payment.

On or before the twenty-fifth (25th) day of any month in which an invoice is rendered, Shipper shall pay to Transporter, at the address shown in the Agreement or, if directed by Transporter, by wire transfer to a bank designated by Transporter, the amount due Transporter for services hereunder; provided, however, for any delay by Transporter in issuing a monthly billing statement beyond the fifteenth (15th) day of any month, then Shipper shall have a corresponding number of days beyond the twenty-fifth (25th) day of the month to make such payment. If Shipper fails to pay the amount of any bill, or any portion thereof, invoiced hereunder by the prescribed due date, then interest on any unpaid portion of the bill shall accrue at the lesser of the maximum lawful interest rate or the interest rate prescribed under the FERC's regulations. If Shipper in good faith shall dispute the amount of any bill, Shipper shall nevertheless pay to Transporter the amount of such bill, and thereafter and until final determination which may be reached either by agreement or by judgment of the courts, as may be the case, Transporter shall be obligated to refund any principal amount either agreed upon or otherwise found by the courts to be overpaid by the Shipper, and such refund shall additionally include interest from the date of such overpayment to the date of refund computed at the lesser of the maximum lawful interest rate or the interest rate prescribed under the FERC's regulations. However, Transporter shall have the right to terminate service to any Shipper hereunder for any continued nonpayment of any invoices rendered by Transporter.

10.3 Disputes and Adjustments for Billing Errors.

All statements, billings and payments, other than those related to Hub Taxes, shall be final unless questioned within twenty-four (24) months from the date of such billing, statement or payment. Any error so discovered as a result of a timely claim shall be corrected within thirty (30) days of the determination thereof.

10.4 Tax Reimbursement.

Shipper agrees to reimburse Transporter for all Hub Taxes that may be levied upon and/or be paid by Transporter, with respect to the services performed hereunder. Shipper shall be responsible for establishing any exemption from Hub Taxes and shall provide satisfactory evidence of such exemption to Transporter.

10.5 Charges or Fees for Report Filings.

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Shipper agrees to reimburse Transporter for any and all filing fees or related Charges incurred by Transporter for the filing of any report or reports with any governmental agency or other body, including the FERC, with respect to the nature and timing of any Hub Service specifically provided to the Shipper.

Section 11. Possession.

Shipper shall be in exclusive control and possession of all gas, and responsible therefore, and shall hold Transporter harmless of and from any damage, loss or injury caused thereby, until such gas is delivered to and received by Transporter's Hub. After delivery of gas by Shipper to Transporter, and until subsequent redelivery of such gas by Transporter to Shipper or to any other designated Shipper, Transporter shall be in exclusive control and possession of the gas stored on Shipper's behalf thereof and responsible therefore, and shall hold Shipper harmless of and from any injury, loss or damage caused thereby, except for damage, loss, or injury caused by Shipper's delivery of gas to Transporter that does not meet the quality specifications set forth in Section 9.

Section 12. Warranty.

Each Shipper hereunder warrants that it will have and maintain good marketable title or the right to deliver for a third party owning good and marketable title all gas tendered hereunder for service, including any transfer of ownership and title to other Shippers, and that such gas shall be free and clear of all liens and adverse claims; and each such Shipper further agrees, with respect to the gas delivered by it for service or for transferring title, to fully indemnify Transporter against any and all suits, actions, debts, accounts, damages, costs (including attorney's fees), losses and expenses arising from or out of any incorrect information provided by any Shipper to Transporter or any adverse claims of any and all persons to or against said gas. Pursuant to this Section 12, each Shipper shall fully indemnify Transporter against all losses, cost assessments or other claims brought by any party against Transporter with respect to volumes as to which Transporter provides Hub Service.

Section 13. Government Regulations and Requirements.

All of the provisions of these General Terms and Conditions are hereby expressly made subject to all present and future applicable federal or state laws, orders, rules and regulations of governmental authorities having jurisdiction. Except as otherwise provided herein, in the event any provision of these General Terms and Conditions is found to be inconsistent with or contrary to any law, order, rule or regulation, the latter shall be deemed to control and these General Terms and Conditions, to the extent possible, shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

The parties hereto recognize that Transporter has entered into transactions hereunder based on its good faith understanding that all acts, obligations, and services performed or to be performed by Transporter hereunder, and the rates therefore, are exempt from the regulation of the FERC or any successor federal governmental authority, except as provided by Section 284.224 of the FERC's regulations. Transporter reserves the right to terminate immediately the offering or furnishing of any service hereunder if, in Transporter's sole discretion, any governmental act occurs which would require Transporter to offer or furnish firm service hereunder or which would cause any impairment in Transporter's ability to furnish or continue any service hereunder, or require Transporter to offer additional intrastate services.

Any and all service transactions hereunder must be interstate service eligible under, and shall be fully subject to, the applicable requirements of Section 284.224 of the FERC's rules and regulations, Shipper's request for service shall

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constitute its warranty that Shipper satisfies such requirements, and Transporter shall have the right to request information from any Shipper to verify the eligibility thereunder.

Section 14. Force Majeure.

14.1 Notice and Effect of Force Majeure.

In the event of either party being unable, wholly or in part, by reason of force majeure to carry out its obligations hereunder (other than by reason of a Hub Shipper's obligation to make payment of any amounts due and payable to Transporter), it is agreed that such party shall give notice and reasonably full particulars of such force majeure, by telephone followed with written confirmation by telephone facsimile transmission, to the other party within a reasonable time after the occurrence of the cause relied on, and the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended and canceled upon notice of such force majeure event. Notwithstanding the suspension of service, the party that suffers the force majeure shall make reasonable efforts to remedy the cause(s) thereof with reasonable dispatch. Neither party shall be liable to the other for any act, omission or circumstances occasioned by or in consequence of an event of force majeure. Transporter shall not be liable in damages to Shipper other than for acts of gross negligence or willful misconduct and then only when force majeure does not apply.

14.2 Definition of Force Majeure.

The term, "force majeure", as used herein, shall mean acts of God; strikes, lockouts, or other industrial disturbances; conditions arising from a change in governmental laws, orders, rules, or regulations; acts of public enemy; terrorism, wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; government initiated evacuations, washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; the necessity for making repairs, tests or alterations to machinery or lines of pipe; freezing of wells or lines of pipe; partial or entire failure of wells, processing, or gasification facilities; interruptions or failures of any upstream or downstream pipelines relied upon to effectuate any Hub Service; and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension, and which by exercise of due diligence, such party is unable to prevent or overcome.

It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the claiming party's discretion and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the sole discretion of the claiming party.

Force majeure does not include curtailment of interruptible service by upstream or downstream pipelines or loss of Shippers markets or inability to use or re-sell gas economically.

Section 15. Notices.

Except as herein otherwise provided, any communication, notice, request, demand, statement, or bill which any party may desire to give to any other party shall be in writing and mailed by first class mail, or conveyed by telephone facsimile transmission with the signature of an authorized representative, to the address of the party intended to receive the same, as the case may be, at the addresses each respective party shall designate in the Hub Service Agreement or change by subsequent formal written notice to the other. With regard to any communication addressed to Transporter, and requiring any action including the authorization of service hereunder, Transporter shall have no obligation to investigate or interpret such communication any differently than as contained on the face of such

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communication or notice. Any routine communications, including monthly billing statements, may be mailed first class mail or conveyed by telephone facsimile transmission. Unless otherwise directed or notified, Appendix A of these General Terms and Conditions identifies appropriate contact personnel, mailing addresses and telephone numbers of Nicor Gas and of any agent which Nicor Gas may designate to administer the Hub Services hereunder.

Section 16. Creditworthiness.

Transporter shall not be required to commence service or, subject to the following, to continue to provide service under any Hub Service Agreement or any Hub Transaction Request and Agreement with a Shipper, that (1) when requested by Transporter to demonstrate creditworthiness, fails to do so in Transporter's reasonable judgment, including for the continuation of service in light of previous payment experience and changes thereto; (2) is or has become insolvent; or (3) has applied for bankruptcy under Chapter 11 of the Bankruptcy Code, or which is subject to similar proceedings under State or Federal law. However, nothing hereunder shall prevent Transporter and Shipper from entering into any mutually agreed upon arrangement or alternative method to establish Shipper's initial or continuing creditworthiness and/or to secure payment of any amounts due.

Section 17. Miscellaneous.

17.1 Headings and Subheadings.

Any headings and subheadings contained in a Hub Service Agreement or a Hub Transaction Request and Agreement Form are used solely for convenience and may not constitute a part of the agreement between the parties hereto, nor should they be used to aid in any manner in construing such agreement between the parties.

17.2 Non-Assignment.

A Hub Service Agreement or Hub Transaction Request and Agreement entered into by and between Transporter and any Shipper shall not be assignable by Shipper to any other party without the prior written consent of Transporter.

17.3 Entire Agreement.

The Hub Service Agreement and any Hub Transaction Request and Agreement entered into pursuant thereto, and these General Terms and Conditions, shall constitute the entire agreement of the parties hereunder as to the matters contained herein, and there are no oral promises, agreement or warranties affecting same.

17.4 Non-Waiver.

The waiver of any default or right to require performance under a Hub Service Agreement or a Hub Transaction Request and Agreement Form shall not operate as a waiver of any future default or right to require performance, whether of like or different character or nature.

17.5 Jurisdiction and Venue/Arbitration.

The parties agree that the Hub Service Agreement and any Hub Transaction Request and Agreement Forms effectuated hereunder shall be governed by and construed in accordance with the laws of the State of Illinois, and that venue shall be in Dupage County, Illinois, with respect to any cause of action brought under or with respect to the Hub Service Agreement or any Hub Transaction Request and Agreement Form. Transporter and Shipper may agree to arbitrate disputes arising under Hub Service Agreement or Hub Service Request and Agreement.

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17.6 Delegation of Administrative Activities.

Transporter reserves the right at any time to assign or otherwise delegate to any independent third party or a duly authorized agent any or all of the administrative duties associated with Transporter's Hub and its operations. Such administrative duties may generally include, but are not necessarily be limited to, the determination of service eligibility for any prospective Shippers hereunder, including creditworthiness, the processing of any service requests or nominations of service by Shippers hereunder, the authorization of such service requests or nominations, the posting of any rate discounts within the minimum and maximum rate levels allowable hereunder including any negotiations with Shippers regarding the applicable rates to be charged within such minimum and maximum allowable limits, the periodic monthly billing associated with the services supplied hereunder, and the collection of all amounts due and payable to Transporter by Shippers. No such delegation shall relieve Transporter of its obligations, if any, to a Shipper.

17.7 Confidentiality.

The terms of any Hub Service Agreement or any Hub Transaction Request and Agreement effectuated hereunder shall be kept confidential by the parties, including any agent to which administrative activities are delegated by Transporter pursuant to Section 17.6, except to the extent that any information must be disclosed to a third party required by law, for either party's financial needs, or for the purpose of effectuating service.

17.8 Term of Hub Service Agreements.

Subject to Sections 2.4.2, 2.5, 2.6.2, and 2.7 unless otherwise agreed upon in writing, each Hub Service Agreement (but not a Hub Transaction Request and Agreement Form) shall be in effect for a term of twelve (12) consecutive months commencing with the date of such agreement, and shall be automatically extended on a month-to-month basis thereafter, unless otherwise canceled by either party upon giving the other party not less than thirty (30) days' advance written notice of such cancellation.

17.9 LIMITATIONS OF REMEDIES, LIABILITY AND DAMAGES.

NO PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. THE LIMITATIONS IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE(S) RELATED THERETO, INCLUDING NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

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STATEMENT OF CURRENTLY EFFECTIVE RATES

Pursuant to Section 5.1 of Transporter's General Terms and Conditions, following is a statement of Transporter's currently effective maximum and minimum rates for service hereunder:

	<u>Maximum</u> <u>Per MMBtu</u>	<u>Minimum</u> <u>Per MMBtu</u>
<u>Interruptible Transportation Service:</u>		
Commodity Rate ^{5/}	\$.0780	\$0.0000
<u>Priority Interruptible Transportation Service:</u>		
Prepayment Rate ^{1/}	\$ 1.1861 Per Month	\$0.0000
Commodity Rate ^{5/}	\$.0403	
<u>Firm Transportation Service:</u>		
Reservation Rate ^{6/}	\$ 2.3721 Per Month	\$0.0000
Commodity Rate ^{5/}	\$0.0000	
<u>Interruptible Storage Service:</u>		
Commodity Rate ^{2/}	\$.1066	\$0.0000
<u>Priority Interruptible Storage Service:</u>		
Prepayment Rate ^{1/}	\$ 1.6216 Per Month	\$0.0000
Commodity Rate ^{2/}	\$.0533	\$0.0000
<u>Firm Storage Service:</u>		
Deliverability Rate ^{6/}	\$ 1.6216 Per Month	\$0.0000
Capacity Rate ^{7/}	\$.0227 Per Month	\$0.0000
Injection Commodity Rate	\$0.0000	\$0.0000

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	<u>Minimum Per MMBtu</u>	<u>Maximum Per MMBtu</u>
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Interruptible Balancing Service on Agreeing Interstate Pipelines:

Commodity Rate ^{3/}	\$.1846	\$0.0000
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Parking and Loaning Service:

Commodity Rate ^{4/}	\$.1846	\$0.0000
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Transporter reserves the right to discount to levels below maximum rates on a non-discriminatory basis but not to less than the sum of any minimum rates including any add-on Charge for fuel and the Storage Loss Adjustment.

Fuel, at .87%, and the Storage Loss Adjustment, at .41%, will be charged pursuant to Section 5.1.

Footnotes:

1/ Prepayment rates applicable to stated MDQ.

2/ Daily rate applicable to positive or negative storage service balances.

3/ Daily rate applicable to each MMBtu of service confirmed by Transporter.

4/ Daily rate applicable to each MMBtu parked or loaned.

5/ Daily rate applicable to daily volumes transported.

6/ Reservation rate and Deliverability rate applicable to stated MDQ

7/ Capacity rate applicable to MMQ.

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Appendix A -- Notices

For the purposes of Section 15 under Nicor Gas' Operating Statement and General Terms and Conditions governing Hub Services, all communications and notices to Nicor Gas should be addressed, as follows:

NICOR GAS
Chicago Hub
Attention: Manager of Hub Administration
3333 Warrenville Road, Suite 630
Lisle, Illinois 60532
Telephone: (630) 245-7815
Fax: (630) 245-7838

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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Operating Statement of Nicor Gas Company
under 18 C.F.R. Section 284.224

This Operating Statement describes how Northern Illinois Gas Company (“Nicor Gas” or “Transporter”), an intrastate natural gas distribution utility, will provide interstate interruptible transportation and storage services, interstate priority interruptible transportation and storage services, interstate firm transportation and storage services, interstate parking and loaning services (collectively, “Hub Services”), and interstate interruptible balancing services for shippers on interstate pipelines, on a non-discriminatory basis, pursuant to 18 C.F.R. § 284.224 of the Federal Energy Regulatory Commission’s (“FERC’s”) rules and regulations.

Nicor Gas is an intrastate natural gas distribution public utility engaged in the business of selling and distributing gas to more than 2.1 million end users in the State of Illinois. Nicor Gas’ service area covers 17,000 square miles and 641 communities in northern Illinois, including the metropolitan area located outside the City of Chicago. Nicor Gas owns and operates a natural gas transmission, underground(aquifer) storage and distribution system network which has more than 90 interconnections with eight (8) interstate natural gas pipelines. These intrastate natural gas distribution operations are subject to the jurisdiction of the Illinois Commerce Commission.

Nicor Gas’ system is well situated geographically to provide interruptible Hub Services, comprised of short-term and priority interruptible transportation, storage, park and loan, and balancing transactions. In addition to these interruptible services, Nicor Gas may, from time to time, have limited amounts of storage and transportation capacity which can be offered to potential Shippers on a firm basis, but only for defined periods of time. Shippers using either storage or parking and loaning services do not have the right to designate the points of storage; Nicor Gas uses all of its existing facilities to fulfill obligations which it enters into pursuant to this Operating Statement; provided, however, in order to provide firm storage service, Nicor Gas may require a Shipper to use specific storage facilities. All Hub Services are provided pursuant to the blanket certificate authorization granted to Nicor Gas on October 20, 1992, by order of the FERC in Docket No. CP92-481-000, and pursuant to rates submitted to FERC for approval pursuant to Section 284.123(b) (2) of the FERC’s regulations. Consistent with the FERC’s long-standing objective to bring more buyers and sellers of natural gas together to increase overall market competition for natural gas supplies, Hub Services enable Shippers to use Nicor Gas’ facilities as a market hub to facilitate gas ownership transfers while also receiving transportation and storage services.

Nicor Gas reserves the right not to offer or commence any service, or to discontinue any interruptible service, where, in Nicor Gas’ sole discretion, any impairment of intrastate firm service, including the ability to use storage to support intrastate firm services and gas purchases for intrastate firm services, could otherwise result. Nicor Gas also reserves the right to modify this Operating Statement as it may deem necessary and appropriate at any time in the future.

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Section 1. Definitions.

The term “Btu” shall mean British Thermal Unit, and the term “MMBtu” shall mean one million (1,000,000) Btus.

Deleted: Btu's

The term “Business Day” shall mean a normal business day, and regular hours of business on such days, as normally associated with the days Monday through Friday of each week, inclusive, but excluding any federal holidays.

The term “Capacity” shall mean the maximum total quantity of gas which a storage Shipper may have in storage (or, in the case of negative storage, borrow) or park or loan at any time, expressed in MMBtus, as specified in a Hub Transaction Request and Agreement Form. Unless otherwise specified in the Hub Transaction Request and Agreement Form, a Shipper will not have the right to reinject (or, in the case of negative storage, reborrow) or park (or loan) gas into Capacity made available by withdrawals (or in the case of negative storage, injections).

Deleted: MMBtu's

The term “Charge” shall mean all applicable rates for any service multiplied by the actual and anticipated billing determinants for such service over the term of the applicable Transaction Request and Agreement Form per unit of capacity.

The term “Critical Day” shall mean a day which may be declared by the Transporter whenever any of the following conditions occur or are anticipated to occur: (a) when the Transporter experiences failure of transmission, distribution or gas storage facilities; (b) when system pressure or other unusual conditions jeopardize the operation of the Transporter's system; (c) when the Transporter's transmission, storage and supply resources are being used at or near their maximum rated deliverability; (d) when any of the Transporter's upstream or downstream transporters call the equivalent of a Critical Day or an OFO; (e) when the Transporter is unable to fulfill its firm contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a portion of the Transporter's system.

A “cubic foot of gas” for the purpose of measurement of the gas delivered hereunder is the amount of gas necessary to fill a cubic foot of space at an absolute pressure base of fourteen and seventy-three hundredths pounds per square inch (14.73) and at a temperature of sixty (60) degrees Fahrenheit.

The term “Deliverability” shall mean a Shipper's Maximum Daily Quantity or MDQ for storage withdrawals or Loaning, expressed in MMBtus. This amount may vary during the term of a storage or Parking and Loaning service.

Deleted: MMBtu's.

The term “Delivery Point” shall mean the point or points on the Hub where Transporter shall deliver gas to a Shipper.

The term “gas” shall mean natural gas as produced in its natural state that meets the quality standards contained in these General Terms and Conditions.

The term “Gas Day” shall mean a period of twenty-four (24) consecutive hours beginning and ending at nine o'clock a.m. (9:00 a.m.), Central Clock Time (“CCT”), or such other period consisting of twenty-four (24) consecutive hours as the parties may agree upon.

The term “Hub” shall collectively mean Nicor Gas' intrastate natural gas transmission and underground gas storage facilities, sometimes referred to as “general system facilities,” and point(s) of interconnection of those facilities with the facilities of any interstate natural gas pipeline.

The term “Hub Service Agreement” shall mean the agreement by and between any Shipper and Transporter pursuant to which the parties may enter into Hub Transaction Request and Agreement Forms for specific Hub Services.

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The term “Hub Services” shall mean the following interstate services: interruptible, priority interruptible and firm transportation service; interruptible, priority interruptible and firm storage service; parking and loaning service, and interruptible balancing service, as each may be offered to Shippers hereunder from time-to-time under Transporter’s blanket certificate, and shall not include any services available from Transporter under tariffs and rates subject to the jurisdiction of the Illinois Commerce Commission.

The term “Hub Taxes” shall mean any tax (other than ad valorem unless levied on gas subject to a Hub transaction, income or excess profit taxes), license, fee or charge not included in the cost of service used to derive the maximum rates hereunder and which is levied, assessed or made by any governmental authority on the gas itself or on the act, right or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas and which is measured by the volume, value, or sales price of gas subject to a Hub transaction.

The term “Hub Transaction Request and Agreement Form” shall mean the document whereby a Shipper with an executed Hub Service Agreement formally requests the provision of a Hub Service and Transporter subsequently contracts with Shipper for the furnishing of the service subject to the terms and conditions of these General Terms and Conditions.

The term “Injection/Parking Period” shall mean the Gas Days specified in a Hub Transaction Request and Agreement Form on which Shipper may inject gas into storage or Park gas with Transporter.

The term “Injection Right” shall mean a Shipper’s MMQ or MDQ for storage injections or Parking, expressed in MMBtus. This amount may vary during the term of a storage or Parking and Loaning service.

Deleted: MMBtu’s

The term “Loan” or “Loaning” shall mean the component of a Parking and Loaning transaction under which Transporter, on an interruptible basis, delivers gas to a Shipper for subsequent redelivery by that Shipper to Transporter.

The term “Maximum Daily Quantity” or “MDQ” shall mean the maximum volume of gas that the Transporter will accept from, or deliver to, Shipper on any Gas Day for the transportation and/or storage service offered hereunder.

The term “Maximum Monthly Quantity” or “MMQ” shall mean the maximum volume of gas specified in Shipper’s contract that a Shipper may inject or withdraw from Shipper’s storage in any calendar month

The term “month” shall mean a period beginning on the first day of a calendar month and extending to the first day of the next following calendar month.

The term “Operational Flow Order” or “OFO” shall mean instructions issued by Transporter in order to adequately maintain its system; specifically requiring Shippers to increase or decrease their nominations in order to alleviate a supply situation that threatens the operational integrity of the system.

The term “Park” or “Parking” shall mean the component of a Parking and Loaning transaction under which Shipper, on an interruptible basis, delivers gas to Transporter, for subsequent redelivery by Transporter to Shipper.

The term “Park and Loan” or “Parking and Loaning” shall mean the temporary placement on Transporter’s system of gas on an interruptible basis or the temporary removal of gas from Transporter’s system on an interruptible basis.

The term “Receipt Point” shall mean the designated point or points on the Hub where Transporter shall receive gas from a Shipper.

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The term “Shipper” shall mean an eligible party electing and subsequently having the necessary authorization of Transporter to use any of the services offered hereunder.

The term “Storage” shall mean Transporter’s scheduled retention of a Shipper’s gas on the Hub, including such retention arising from any scheduled difference between the scheduled daily Hub receipt and delivery associated with transportation service on any given Gas Day. For the purposes hereof, one Gas Day shall be deemed to be the minimum time interval for storage service hereunder.

The term “Storage Loss Adjustment” shall refer to the quantity of Shipper’s gas retained by the Company at the time of delivery for storage injection in accordance with Section 5.1 herein.

The term “thermally equivalent” shall mean an equal amount of heating value, expressed in MMBtus and measured under specifications and conditions contained hereunder.

Deleted: MMBtu’s

The term “Title Transfer” shall mean the transfer of title of gas from one Shipper to another Shipper in accordance with Section 4.4 herein.

The term “Transfer Point” shall mean any point(s) within the Hub where a Title Transfer from one Shipper to another Shipper occurs pursuant to Section 4.4.

The term “Transportation” shall mean the Hub’s receipt of gas from a Shipper at a Receipt Point or Transfer Point and Transporter’s delivery of that gas to a Hub Delivery Point or another Transfer Point on a coincidental time (day) basis.

The term “Transporter” shall mean Nicor Gas, but nothing herein shall prevent Nicor Gas from designating an agent to act on its behalf to handle the necessary service scheduling, billing, credit checks and any notices in connection with service hereunder.

The term “Withdrawal/Loaning Period” shall mean the Gas Days specified in a Hub Transaction Request and Agreement Form on which Shipper may withdraw gas from storage or receive loaned gas from Transporter.

Section 2. Hub Services.

2.1 Interstate Hub Services.

Subject to Transporter’s determination that it has available capacity, Transporter will offer interstate services, in limited volumes, consisting of (a) firm transportation service, (b) priority interruptible transportation service, (c) interruptible transportation service, (d) firm storage service, (e) priority interruptible storage service, (f) interruptible storage service, (g) parking and loaning services, and (h) interruptible balancing services, to eligible Shippers on a non-discriminatory basis. Hub Services do not include any services that are subject to the jurisdiction of the Illinois Commerce Commission. All transportation and storage gas received by the Hub shall be accounted for on a daily basis and must be scheduled for the eventual redelivery of such gas off the Hub to a designated Delivery Point. Except for any service provided under Sections 2.4 and 2.6 hereof, service hereunder shall be interruptible in nature and subordinate to any and all firm services supplied by Transporter’s intrastate natural gas distribution utility operations, including the management of Transporter’s system and the use of storage to support its firm sales and transportation services. Except for those amounts of firm storage or firm transportation service which Transporter

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may designate from time to time pursuant to Sections 2.4 and 2.6 hereof, Transporter is not holding itself out to provide any firm service hereunder.

2.2 Interruptible Transportation Service (“ITS”).

Any eligible Shipper may engage Transporter to transport gas hereunder, on an interruptible basis, from any designated Receipt Point and/or Transfer Point to any designated Delivery Point and/or Transfer Point. All such transportation service shall be recorded and accounted for on a daily basis.

A Shipper shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter’s Hub.

Any failure by a Shipper to schedule transportation for any daily volume of gas to be moved away from the Hub shall result in Charges for both interruptible storage service and the unauthorized use of service, as hereinafter described.

2.3 Interruptible Storage Service (“ISS”).

Any eligible Shipper may engage Transporter to provide interruptible storage service; such service may be either positive storage service or negative storage service and shall be scheduled pursuant to these General Terms and Conditions. Any Shipper utilizing ISS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof. For the purposes hereof, positive storage service shall mean the tender of gas by Shipper to Transporter for purposes of storage on the Hub and the subsequent redelivery of an equivalent gas volume by Transporter to Shipper, adjusted for fuel and the Storage Loss Adjustment. Negative storage service shall mean the Transporter’s delivery of gas to any Shipper from Hub storage in advance of any equivalent gas volume being tendered by such Shipper to Transporter for replacement of gas taken from Hub storage, adjusted for fuel and the Storage Loss Adjustment. Regardless of the number of days any quantity of gas is stored in, or is outstanding from, Transporter’s Hub storage, the applicable Shipper must be prepared to withdraw gas from Hub storage or deliver gas to Hub storage, as appropriate, on any Gas Day as may be scheduled by Shipper and Transporter, or at any other time as Transporter may otherwise order hereunder.

All interruptible storage service hereunder shall require corresponding interruptible or firm transportation service to effectuate the movement of storage volumes to and from the Shipper’s Hub storage service account. Gas shall be deemed to have been stored on the Hub when Transporter’s recorded transportation receipts from any Shipper exceed the recorded deliveries to that Shipper, if any, on the same Gas Day. Gas shall be deemed to have been withdrawn from storage when Transporter’s recorded transportation deliveries to any Shipper exceed the recorded receipts from that Shipper on any Gas Day. All interruptible storage service volumes shall be accounted for on a day-to-day basis and the Shipper shall be charged accordingly for such storage service. In the event of multiple transfers of title to any gas quantity in storage, the last Shipper with title to such gas on any day shall be responsible for the daily storage service Charges attributed to that Gas Day. In the event of any change or multiple transfers of title to any gas within the Hub, the last storage service Shipper with title to such gas shall be responsible for the transportation service required to move any stored volume off the Hub.

2.4 Firm Storage Service (“FSS”).

From time to time, Transporter may determine that it has the ability to offer defined amounts of firm storage service, specified as levels of Deliverability, Injection Rights and Capacity, for defined periods of time, without impairing Transporter’s ability to provide all firm services in connection with its intrastate natural gas distribution utility operations, including the management of Transporter’s system and the use of storage to support its intrastate firm sales, storage and transportation services. (Such service may be either positive storage service or negative storage

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service; positive and negative storage service shall have the meanings set forth in Section 2.3 hereof.) Transporter shall not offer such firm storage service, or renew any such service upon the expiration of any primary contract term, unless Transporter determines that such offering of service or continuation of service will not impair Transporter's ability to maintain adequate firm services for its intrastate public utility operations and for any existing interstate firm storage services. When offering firm storage service hereunder, Transporter may determine that such service can only be provided at specific storage facilities or for defined periods of time.

All firm storage service hereunder shall require corresponding interruptible or firm transportation service to effectuate the movement of storage volumes to and from any Shipper's Hub storage service account. Any Shipper utilizing FSS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof. Gas shall be deemed to have been stored on the Hub when Transporter's recorded transportation receipts from any Shipper exceed the recorded deliveries to that Shipper, if any, on the same Gas Day. Gas shall be deemed to have been withdrawn from storage when Transporter's recorded transportation deliveries to any Shipper exceed the recorded receipts from that Shipper on any Gas Day.

2.4.1 Requests to schedule firm storage service hereunder shall be authorized pursuant to this Section 2.4.1, which, for this purpose, shall supersede Section 6.2. Firm storage service shall, during its term, be scheduled and curtailed on an equal basis with other firm uses of storage, based on allocating such capacity which is available on a pro rata basis among all firm interstate services and all uses by Transporter of storage for and to support firm intrastate services. This equal treatment shall apply to both the scheduling of volumes and any curtailment of volumes once scheduled. Subject to this pro rata treatment, Transporter may (i) refuse to schedule volumes if so prevented by scheduled maintenance, any other occurrences which reduce Transporter's capacity, injection capability or deliverability, or an event of force majeure, and (ii) curtail scheduled volumes for any reason set forth in the preceding clause (i) other than scheduled maintenance. A firm storage Shipper shall nominate volumes for scheduling by executing the forms and following the procedures specified by Transporter.

2.4.2 Requests to enter into Hub Transaction Request and Agreement Forms for firm storage service shall be authorized on the basis of the highest net present value per MMBtu of MDQ of total non-fuel rates to be assessed for the firm service over its term, provided that nothing shall require Transporter to offer service at a discount. Section 2.4.1 shall apply once Transporter determines if it can provide firm storage services to a Shipper, but shall not be construed to limit or subordinate the rights of a firm storage Shipper to the extent and for the term during which Transporter has determined that it can provide firm storage service and has executed a Hub Transaction Request and Agreement Form for firm storage service. ~~A firm Shipper's obligation to pay the Charges set forth in its Hub Transaction Request and Agreement Form with Transporter shall not be subject to adjustment for any failure of Transporter to provide service due to an event of force majeure or the need to perform maintenance or by any event of force majeure or other cause affecting such firm Shipper. Notwithstanding Section 17.8 hereof, the term of Hub Transaction Request and Agreement Form for firm storage service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. Shipper's rights to service may be limited to the use of a specific storage facility, in which event scheduling and curtailment shall be based upon the capacity at that facility only.~~

Deleted: Any firm Shipper shall be subject to the Fuel Charge Determination set forth in Section 5.1 hereof.

2.5 Priority Interruptible Storage Service ("PSS").

Any eligible Shipper may engage Transporter to store gas hereunder, on a priority interruptible basis; such service may be positive or negative storage service. Any Shipper utilizing PSS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof. Priority interruptible storage service will be scheduled prior to, and curtailed after, interruptible storage service. While the service will be interruptible, Transporter will provide Shipper with good faith estimates of the conditions when service is likely to be not scheduled or curtailed, which

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estimates may be based on the number of days in a month or other objective conditions, such as the Heating Degree Days (“HDDs”) experienced by Transporter or the invocation of Critical Days or Operational Flow Orders by Transporter or interconnecting pipelines. Transporter shall attempt to notify Shipper that priority interruptible storage service is not available to Shipper on a specific day no later than 26 hours prior to the start of the specified Gas Day. To reflect the priority of priority interruptible storage service, Shipper shall be subject to the prepayment and commodity rates set forth herein; provided, if Transporter is unable to provide service on a given Gas Day, Shipper shall not be required to pay such prepayment Charges with respect to any service Transporter is not able to provide; provided, further, if Shipper’s prepayments are based on a specific number of days of service in any month, Shipper’s obligation to make the prepayments shall be reduced to the extent that Transporter was unable to provide service on the specified number of days, whether or not Shipper scheduled service on any such Gas Day. Notwithstanding Section 17.8 hereof, the term of any Hub Transaction Request and Agreement Form for priority interruptible storage service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. In all other respects, priority interruptible storage service shall be subject to the same requirements as interruptible storage services.

2.6 Firm Transportation Service (“FTS”).

From time to time, Transporter may determine that it has the ability to offer defined amounts of firm transportation service, specified as the levels of capacity within designated paths (as defined by Receipt Points, Transfer Points and Delivery Points), for defined periods of time without impairing Transporter’s ability to provide all firm services in connection with its intrastate natural gas distribution utility operations, including the management of Transporter’s system and the use of storage to support its intrastate firm sales, storage and transportation services. Section 2.6.1 shall apply once Transporter determines if it can provide firm transportation services, but shall not be construed to limit or subordinate the rights of a firm transportation Shipper to the extent and for the term during which Transporter has determined that it can provide firm transportation service and has executed a Hub Transaction Request and Agreement Form to provide firm transportation service. All such transportation service shall be recorded and accounted for on a daily basis. Any Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter’s Hub. Any failure by a Shipper to schedule transportation for any daily volume of gas to be moved away from the Hub shall result in Charges for Parking and Loaning Service for the Gas Day the failure took place and the unauthorized use of service pursuant to Section 5.3.

2.6.1 Requests to schedule firm transportation service hereunder shall be authorized pursuant to this Section 2.6.1, which, for this purpose, shall supersede section 6.2. Once Transporter has executed a Hub Transaction Request and Agreement Form for firm transportation service, that service shall, during its term, be scheduled and curtailed on an equal basis with other firm uses of transportation, including firm intrastate transportation, based on allocating such capacity which is available on a pro rata basis among all firm interstate services and all uses by Transporter of transportation for and to support firm intrastate services. This equal treatment shall apply to both the scheduling of volumes and any curtailment of volumes once scheduled. Subject to this pro rata treatment, Transporter may (i) refuse to schedule volumes if so prevented by scheduled maintenance, occurrences which reduce Transporter’s capacity, and (ii) curtail scheduled volumes for any reason set forth in the preceding clause (i) other than scheduled maintenance. A firm transportation Shipper shall nominate volumes for scheduling by executing the forms and following the procedures specified by Transporter.

2.6.2 Transporter shall analyze its system requirements prior to executing a Hub Transaction Request and Agreement Form for firm transportation service, and shall not accept a firm transportation Shipper’s designation of primary points if it determines that it cannot provide the service. Requests to enter into agreements for firm transportation service shall be authorized on the basis of the highest net present value per MMBtu of MDQ of total non-fuel Charges to be assessed for the firm service over its term, provided that nothing shall require Transporter to offer service at a

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discount. A firm Shipper's obligation to pay the Charges set forth in its Service Agreement with Transporter shall not be subject to adjustment for any failure of Transporter to provide service due to an event of force majeure or the need to perform maintenance or by any event of force majeure or other cause affecting such firm Shipper.

Notwithstanding Section 17.8 hereof, the term of any Hub Transaction Request and Agreement Form for firm transportation service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. Shipper's rights to service may be limited to use a specific delivery and receipt point transportation path, in which event scheduling and curtailment shall be based upon the capacity at that facility only. All notices and other documentation shall be provided directly to Transporter.

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2.7 Priority Interruptible Transportation Service ("PTS").

Any eligible Shipper may engage Transporter to transport gas hereunder, on a priority interruptible basis. Priority interruptible transportation service will be scheduled prior to, and curtailed after, interruptible transportation service. While the service will be interruptible, Transporter will provide Shipper with good faith estimates of the conditions when service is likely to be not scheduled or curtailed, which estimate may be based on the number of days in a month or other objective conditions, such as the Heating Degree Days ("HDDs") experienced by Transporter or the invocation of Critical Days or Operational Flow Orders by Transporter or interconnecting pipelines. Transporter shall attempt to notify Shipper that priority interruptible transportation service is not available to Shipper on a specific Gas Day no later than 26 hours prior to the start of the specified Gas Day. To reflect the priority of priority interruptible transportation service, Shipper shall be subject to the prepayment and commodity rates set forth herein; provided, if Transporter is unable to provide service on a given Gas Day, Shipper shall not be required to pay such prepayments with respect to any service Transporter is not able to provide; provided, further, if Shipper's prepayment Charges are based on a specific number of days of service in any month, Shipper's obligation to make the prepayments shall be reduced to the extent that Transporter was unable to provide service on the specified number of days, whether or not Shipper scheduled service on any such Gas Day. Notwithstanding Section 17.8 hereof, the term of any Hub Transaction Request and Agreement Form for priority interruptible transportation service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. In all other respects, priority interruptible transportation services shall be subject to the same requirements as interruptible transportation services.

2.8 Parking and Loaning Service ("PALS").

Subject to Transporter's determination that it has available capacity, Transporter shall offer Parking and Loaning service to eligible Shippers on a non-discriminatory basis. A Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub. No separate hub transportation service is required in conjunction with a Parking and Loaning Service because such transportation service is included as part of this Parking and Loaning service. Any Shipper utilizing PALS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof.

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2.9 Interruptible Balancing Service on Agreeing Interstate Pipeline ("IBS").

Subject to Transporter's determination that it has available capacity and Transporter's entry into any necessary agreements with the relevant interstate pipeline, Transporter shall offer interruptible balancing service on such interstate pipeline to eligible Shippers on a non-discriminatory basis. Any eligible Shipper may submit a request for interruptible balancing service to Transporter. A Shipper shall pay the rate for this service based on (i) for the date for which nominations are made, nominations made to and confirmed by Transporter, provided, the rate will not be assessed to Shipper with respect to any volumes which, after confirmation by Transporter, are interrupted or curtailed by Transporter; (ii) thereafter for the period agreed to by Transporter, the rate shall be based on the level of service

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actually provided by Transporter; and (iii) thereafter, Shipper shall either restore its balance to zero, transfer the volumes to a storage or park and loan service, or pay Transporter Unauthorized Overrun Charges for volumes up to the MDQ. Any volumes above MDQ must be resolved by the Shipper with the relevant interstate pipeline. A Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub. If, at the end of the interruptible balancing service agreement term, a Shipper has a positive or negative interruptible balancing account balance, the Shipper shall be subject to cashout pursuant to Section 5.6. No separate hub transportation service is required in conjunction with an interruptible balancing service agreement because such transportation service is included as part of this interruptible balancing service. Any Shipper utilizing IBS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 5.1 hereof.

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Section 3. Facilities.

Transporter shall not be obligated to construct, add, alter or modify any facilities to receive and/or deliver gas, or provide any other service hereunder.

Section 4. Request for Service.

4.1 Eligibility.

Any Shipper shall be eligible for the services offered hereunder upon meeting all the terms and conditions specified herein and upon the execution of a valid and approved Hub Service Agreement by Shipper and Transporter.

4.2 Shipper Request for Service.

Each request for service shall be sufficiently clear and provide all information as required by Transporter's Hub Transaction Request Form, including (1) the rates agreed upon for the Hub Service(s) to be provided, including the terms of any discount, (2) the MDQ, Deliverability, and Injection Right, as appropriate, (3) the dates when such service is expected to commence and to terminate, which termination date may extend beyond the termination date of any currently effective Hub Services Agreements, (4) the point(s) at which the Hub is expected to receive and/or make deliveries of such gas, (5) for Title Transfers, the exact legal name of any other party designated to receive or acquire gas by way of any ownership transfer(s) on the Hub, (6) the volumes of any gas to be stored on the Hub and dates of such storage service, (7) the Injection/Parking Period and the Withdrawal/Loaning Period, as appropriate, and (8) any other information required to satisfy Transporter's reporting obligations to FERC.

A Shipper must execute a Hub Service Agreement before it can enter into Transaction Request and Agreement Form for a specific service with Transporter, and it must be party to a Transaction Request and Agreement Form with Transporter on or before it can schedule or nominate any service with Transporter. Requests to enter into a Transaction Request and Agreement Form may be submitted by telephone or other electronic means designated by Transporter. Transporter reserves the right, upon giving proper notice to a Shipper, to record any or all telephone calls relating to any request for service or requests to schedule service and to use such telephone recordings to resolve any disputes arising from that Shipper's request.

4.3 Processing of Service Requests.

Transporter shall verbally respond to each request to enter into a Hub Transaction Request and Agreement Form for a specific service hereunder, either (1) that Shipper is authorized to commence the service(s) requested, (2) that Transporter cannot provide such service(s), or (3) that Transporter will not provide such services at the discounted rate requested by Shipper. Transporter, or its duly authorized agent, shall use reasonable best efforts to respond

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verbally to all such service requests as soon as possible, and, if it agrees to provide the service, it shall tender a Hub Transaction Request and Agreement Form no later than one Business Day after the service commences, which shall reflect the agreement of the parties on all parameters of service set forth in Section 4 hereof. Any Hub Transaction Request and Agreement Form tendered by Transporter to Shipper shall be deemed accepted by Shipper (i) upon Shipper's execution of such Hub Transaction Request and Agreement Form, or (ii) if Shipper does not object, in writing, to the tendered Hub Transaction Request and Agreement Form within two Business Days. Upon request, Transporter also will provide a written explanation as to why it was not willing to enter into a Hub Transaction Request and Agreement Form for the service requested by a potential Shipper.

Nothing contained herein shall be construed to mean that any or all services requested shall be supplied, or that Transporter has any standing obligation to provide service (a) other than interruptible service, which for the purposes hereof shall be subordinate to any and all firm services provided by Transporter as part of its intrastate natural gas distribution utility operations, or (b) under any terms which in Transporter's sole discretion may jeopardize its ability to render adequate and reliable services for its intrastate natural gas distribution utility operations. Once a daily Hub transaction is confirmed and authorized hereunder, Transporter agrees to supply such service subject to the terms hereof and subject to the scheduling and confirmation procedures and any operational flow orders or curtailment of any upstream or downstream pipeline serving the Hub, or other similar event, which might prevent Transporter from furnishing such service as authorized.

4.4 Title Transfers.

Transporter's Hub will accommodate Title Transfers for gas on the Chicago Hub, and Transporter will handle the necessary paperwork to account for such ownership changes occurring while any quantity of gas is being transported and/or stored for Shippers hereunder. No such Title Transfers shall be allowed hereunder unless each party to which ownership and title is being transferred has executed a valid and approved Hub Service Agreement and Hub Transaction Request and Agreement Form. Each owner, shall become obligated hereunder as a separate Shipper, subject to all of the requirements hereof. A Title Transfer may occur only if the receiving Shipper does not exceed its contracted storage capacity. Gas received by a party under such Title Transfer shall be considered as a receipt of gas for that Gas Day counting toward the receiving Shipper's MDQ. A Shipper may only exceed its MDQ during a Title Transfer if Transporter approves an authorized overrun.

Section 5. Rates and Adjustments to Rates.

5.1 Rates.

The rates for service hereunder shall be established between Transporter and Shipper, and, pursuant to Section 5.5 hereof, Transporter may periodically offer non-discriminatory discounting of maximum rates, but such discounted rates shall not exceed the applicable maximum rates, if any, approved hereunder by the Federal Energy Regulatory Commission ("FERC") from time-to-time for the type of service rendered. The currently effective minimum and maximum rates for Hub Services offered hereunder are as hereinafter set forth in the Statement of Rates of these General Terms and Conditions.

Fuel Charge ~~determination~~: The Charge for fuel for firm, ~~priority interruptible~~ and interruptible storage services, ~~PALS and IBS~~ shall be on injections only. The fuel Charge shall be ~~0.87%~~, to be paid upon mutual agreement between Transporter and Shipper either (i) in kind or (ii) the monetary equivalent of such fuel at the price reported in the Platt's Gas Daily Chicago Citygates Midpoint Daily Index on the date the parties agree to the terms of the Transaction Request and Agreement Form.

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Storage Loss Adjustment Charge determination: The Charge for the Storage Loss Adjustment for firm, priority interruptible and interruptible storage services, PALS and IBS shall be applied to deliveries for injections only. The Storage Loss Adjustment Charge shall be 0.41% to be paid by Shipper in kind. The Storage Loss Adjustment Charge shall be charged prospectively for Transaction Request and Agreement Forms executed on or after the effective date of September 1, 2010, subject to refund, based on the Commission's approval of Transporter's 2010 filing in Docket PR10- and this Section 5.1.

5.2 Adjustments to Rates.

Transporter reserves the right to seek authorization from the FERC to increase, decrease, or restructure the maximum rates (including market-based rates) charged for service hereunder, including any associated Charge(s) for fuel and for the Storage Loss Adjustment, to assure Transporter's right to charge and collect "fair and equitable" rates under the FERC's applicable rules and regulations. Nothing herein contained shall be construed to deny any Shipper any rights which it may have under the FERC rules and regulations, including the right to participate fully in rate proceedings by intervention or otherwise to contest changes in rates charged and/or these General Terms and Conditions.

5.3 Charges for Unauthorized Use of Service.

In the event of any unauthorized receipt or delivery of gas transportation or storage volumes hereunder, the Shipper causing such unauthorized use of service shall be charged the greater of (1) any applicable pipeline penalty or penalties incurred by Transporter as a result or (2) a rate of \$10.00 per MMBtu of unauthorized service, such Charge being in addition to all maximum rates for such service as set forth in these General Terms and Conditions; provided, however, nothing herein shall prevent Transporter from waiving such Charge, or any portion thereof, on a non-discriminatory basis. Unauthorized service shall include the failure to withdraw gas, or return gas, pursuant to the terms of any Hub Transaction Request and Agreement Form.

5.4 Monthly Imbalances — Fees.

If, in any calendar month, Transporter redelivers any gas to a Shipper and it is subsequently discovered that the Shipper had not previously provided such gas to the Hub, or no such gas was supplied to the Hub by any other party on Shipper's behalf, then Shipper shall reimburse Transporter for the cost of replacement gas, which replacement cost shall be based on Platt's Gas Daily Chicago Citygates Midpoint Daily Index price for said Gas Day; provided, however, Transporter, at its sole discretion, may allow Shipper to resolve any imbalances by (a) making up such imbalance in kind during a period and at a volume level specified by Transporter, and (b) paying Transporter an agreed-upon rate not to exceed the maximum daily storage rate for each Gas Day of such imbalance.

5.5 Discounts.

From time to time, Transporter and a Shipper may agree in writing on a level of discount of the otherwise applicable rates and Charges, in addition to stated discounts from the stated maximum rates. Such a specific discounted rate may be:

- (1) limited to certain specified quantities under the service agreement;
- (2) available only if specified quantity levels are actually achieved or with respect to quantities below a specified level;

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- (3) available during specified time periods, including an Injection/Parking Period or a Withdrawal/Loaning Period;
- (4) available to points of receipt or points of delivery, or transportation paths;
- (5) defined in a specified relationship to the quantities actually transported (i.e., that the rates shall be adjusted in a specified relationship to quantities actually transported);
- (6) structured so that if one rate component which was equal to or within the applicable maximum and minimum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate or is below the applicable minimum rate due to a change in Transporter's maximum rates and/or minimum rates, so that such rate component must be adjusted downward or upward to equal the new applicable maximum or minimum rate, then other rate components for the same service or different services may be adjusted upward or downward to achieve the agreed-upon overall Charge, so long as none of the resulting rate components exceed the maximum rate or are below the minimum rate applicable to the rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sheets. However, nothing contained herein shall be construed to alter a refund obligation under applicable law; or
- (7) based on formulas, including but not limited to formulas based upon published gas commodity price differentials between different points or on NYMEX or other markets in which natural gas or natural gas futures are traded.

Any such discounted rate shall (a) not change Transporter's underlying rate design; (2) not include any minimum bill or minimum take requirement that has the effect of guaranteeing revenue; and (3) in each Hub Transaction Request and Agreement Form entered into pursuant to Section 5.5(7), define the rate component(s) to be discounted. In all circumstances the discounted rate shall be between the maximum rate and the minimum rate applicable to the service provided.

5.6 Cash-Out of Storage and Parking and Loaning Balances.

If a Shipper has purchased storage or PALS from Transporter and at any time the outstanding balance owed with respect to the purchased service exceeds the product of (a) the volumes in MMBtu remaining in storage for the account of Shipper, and (b) the Platt's Gas Daily Chicago Citygates Midpoint Daily Index price, two business days' written notice to Shipper, Transporter may elect, at its sole discretion, to purchase such volumes from Shipper at the Cash-Out Value and to offset the amounts owed by Shipper by the Cash-Out Value; provided, Shipper may prevent such purchase by (a) agreeing in writing, by the end of the two business days' notice period, to pay the amount owed to Transporter, and (b) paying such amounts within two business days after giving Transporter such written election.

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5.7 Abandoned Gas.

If a Shipper has not withdrawn gas from storage or from PALS or returned gas to storage or PALS per the terms of its applicable Hub Transaction and Request and Agreement Form by the date of termination of such Hub Transaction and Request and Agreement Form, then such gas shall be subject to Section 5.3 hereof. In addition, upon thirty (30) days' written notice, Transporter shall have the option, but not the obligation, to purchase outstanding positive gas balances from Shipper at 80% of Platt's Gas Daily Chicago Citygates Midpoint Daily Index price or to charge Shipper for outstanding negative balances at 120% of the Platt's Gas Daily Chicago Citygates Midpoint Daily Index price on the day of such charge.

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5.8 Index Unavailability.

If Platt's Gas Daily Chicago Citygates Midpoint Daily Index price is temporarily unavailable, Transporter shall use the next business day's Platt's Gas Daily Chicago Citygates Midpoint Daily Index price. If Platt's Gas Daily Chicago Citygates Midpoint Daily Index price is permanently unavailable, Transporter shall use another published index for the Midwest natural gas market.

Section 6. Nominations, Scheduling and Interruptions.

6.1 Nominations.

Nominations shall be submitted by Shipper to Transporter through an electronic nomination system designated by Transporter; Transporter also may accept nominations through other means. Shipper shall not be entitled to receive service in excess of the applicable maximum service limits contained in the Hub Transaction Request and Agreement Form; provided, Transporter may, on a non-discriminatory basis, authorize Shipper to receive excess, or authorized overrun, service at a mutually agreed upon rate, not to exceed the maximum rate for such service.

Shipper may designate a third party agent for purposes of nominating, and for giving and receiving notices related to nominations. Shipper shall provide Transporter with written notice of such designation. Any such designation shall be effective starting the month following the receipt of the notice and will remain in effect until revoked in writing by Shipper.

All nominations will be scheduled on a non-discriminatory basis. Nominations shall be submitted by 11:30 A.M. CCT on the Business Day prior to the effective Gas Day. All nominations must be received by Transporter or its agent in sufficient time to allow Transporter to finalize its nominations and confirmations in compliance with the advance notice requirements of any transporting interstate natural gas pipeline being relied upon to move gas to or from the Hub. Transporter, in its sole discretion, may amend or modify the nominating procedures or system at any time. Shipper, or its designated agent, shall provide Transporter with a nomination for each Gas Day or Shipper's nomination shall be a standing nomination until Shipper provides a new nomination or until the end of the month. If Shipper fails to provide a nomination for the first Business Day of the month, the daily nomination is assumed to be zero.

6.2 Scheduling of Service Nominated by Shipper.

All requests to schedule interruptible service, or to schedule any overrun volumes under firm storage or transportation services, shall, subject to limits imposed by Transporter on interruptible volumes and Transporter's right to refuse to schedule any discounted interruptible services, be authorized on a non-discriminatory basis in order of highest Charge (within limits of the maximum rates prescribed hereunder) pursuant to Section 6.4.

All service authorizations hereunder shall be granted solely on the condition that Transporter has determined that it has adequate capacity to serve Shipper's request for transportation and/or storage service.

6.3 Interruptions by Transporter.

Subject to Sections 2.4.1 and 2.6.1 in the case of firm services, Transporter will authorize service on any Gas Day for any Shipper that has executed a Hub Service Agreement only if, within Transporter's best operating judgment and discretion, such service is not otherwise expected to prevent Transporter from meeting all of its firm service obligations as an intrastate natural gas distribution utility, including Transporter's system management needs, such as

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the use of storage. If Transporter determines that it can provide interruptible service, service shall be scheduled pursuant to Section 6.2. In the event that interruptible service has already commenced and Transporter learns that the continued furnishing of service may prevent Transporter from meeting all of its firm service obligations as an intrastate natural gas distribution utility, then Transporter may, at its sole discretion and upon giving four hours' prior notice to Shipper(s), interrupt the continuation of any or all of the interruptible services hereunder. For the purposes hereof, any interruption of service shall mean the cancellation or cessation of any scheduled daily gas transportation receipt or delivery, or Transporter's ordered withdrawal of any Shipper's gas from Hub storage, until further notice; provided, however, if any such interruption by Transporter results in an unscheduled storage of gas on any Gas Day for Shipper(s), then Transporter shall retain such gas until service can be resumed as originally scheduled, and Transporter shall waive any additional storage Charges otherwise incurred solely because of such interruption.

6.4 Scheduling Priorities. The priority for scheduling shall be as follow:

- 1 FSS and FTS pro rata;
- 2 Authorized overrun / make-up of FSS and FTS based on Charge highest to lowest;
- 3 PSS and PTS pro rata based on MDQ;
- 4 ITS, ISS, PALS, IBS based on Charge highest to lowest;
- 5 Authorized overrun / make-up PSS and PTS based on Charge highest to lowest;
- 6 Authorized overrun / make-up of ITS, ISS, PALS and IBS based on Charge highest to lowest.

Volumes scheduled by Charge for a service shall be from highest to lowest, except scheduling shall be pro rata based on nominated quantities among Shippers paying the same Charge. The reverse priority order shall be utilized for interruptions and curtailments, and the Charge for a service shall be considered from lowest to highest.

Section 7. Pressures.

Transporter shall operate its Hub facilities at pressures which will normally permit the receipt and delivery of volumes scheduled for service(s) hereunder; provided, however, Transporter may elect, at its sole discretion, to effectuate such receipts and deliveries through the scheduling and nomination of volumes at the interconnection of its Hub facilities with an interstate pipeline. Under no circumstances shall Transporter be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Transporter be required to make any physical deliveries which its existing Hub facilities cannot accommodate.

Section 8. Measurement.

All readings and registrations with respect to daily receipt and delivery volumes and average daily heating values shall be as for times nominated and recorded by the gas measuring equipment of the applicable interstate natural gas pipeline to determine thermally equivalent volumes relating to the services supplied hereunder.

Section 9. Quality.

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All natural gas received by or delivered from the Hub shall be of pipeline quality gas and shall meet the quality specifications, as required from time-to-time, of the interstate natural gas pipeline transporting such gas into or from the Hub.

The average heating values of gas for a transporting interstate natural gas pipeline shall be the basis for determining the number of MMBtus received and delivered, and for any volumes stored on the Hub, for any Gas Day hereunder.

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Section 10. Billing, Accounting, Taxes and Reports.

10.1 Billing.

No later than the fifteenth (15th) day of each month, Transporter shall render an invoice to any Shipper receiving any service hereunder during the immediately preceding month. Such invoice shall identify the actual daily volumes associated with each such service transaction. In the event that actual volumes are not available to facilitate the rendering of such monthly statement by the fifteenth (15th) day of each month, Transporter shall use estimated volumes for that month. Estimated volumes shall be subject to correction on the next monthly invoice.

10.2 Payment.

On or before the twenty-fifth (25th) day of any month in which an invoice is rendered, Shipper shall pay to Transporter, at the address shown in the Agreement or, if directed by Transporter, by wire transfer to a bank designated by Transporter, the amount due Transporter for services hereunder; provided, however, for any delay by Transporter in issuing a monthly billing statement beyond the fifteenth (15th) day of any month, then Shipper shall have a corresponding number of days beyond the twenty-fifth (25th) day of the month to make such payment. If Shipper fails to pay the amount of any bill, or any portion thereof, invoiced hereunder by the prescribed due date, then interest on any unpaid portion of the bill shall accrue at the lesser of the maximum lawful interest rate or the interest rate prescribed under the FERC's regulations. If Shipper in good faith shall dispute the amount of any bill, Shipper shall nevertheless pay to Transporter the amount of such bill, and thereafter and until final determination which may be reached either by agreement or by judgment of the courts, as may be the case, Transporter shall be obligated to refund any principal amount either agreed upon or otherwise found by the courts to be overpaid by the Shipper, and such refund shall additionally include interest from the date of such overpayment to the date of refund computed at the lesser of the maximum lawful interest rate or the interest rate prescribed under the FERC's regulations. However, Transporter shall have the right to terminate service to any Shipper hereunder for any continued nonpayment of any invoices rendered by Transporter.

10.3 Disputes and Adjustments for Billing Errors.

All statements, billings and payments, other than those related to Hub Taxes, shall be final unless questioned within twenty-four (24) months from the date of such billing, statement or payment. Any error so discovered as a result of a timely claim shall be corrected within thirty (30) days of the determination thereof.

10.4 Tax Reimbursement.

Shipper agrees to reimburse Transporter for all Hub Taxes that may be levied upon and/or be paid by Transporter, with respect to the services performed hereunder. Shipper shall be responsible for establishing any exemption from Hub Taxes and shall provide satisfactory evidence of such exemption to Transporter.

10.5 Charges or Fees for Report Filings.

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Shipper agrees to reimburse Transporter for any and all filing fees or related Charges incurred by Transporter for the filing of any report or reports with any governmental agency or other body, including the FERC, with respect to the nature and timing of any Hub Service specifically provided to the Shipper.

Section 11. Possession.

Shipper shall be in exclusive control and possession of all gas, and responsible therefore, and shall hold Transporter harmless of and from any damage, loss or injury caused thereby, until such gas is delivered to and received by Transporter's Hub. After delivery of gas by Shipper to Transporter, and until subsequent redelivery of such gas by Transporter to Shipper or to any other designated Shipper, Transporter shall be in exclusive control and possession of the gas stored on Shipper's behalf thereof and responsible therefore, and shall hold Shipper harmless of and from any injury, loss or damage caused thereby, except for damage, loss, or injury caused by Shipper's delivery of gas to Transporter that does not meet the quality specifications set forth in Section 9.

Section 12. Warranty.

Each Shipper hereunder warrants that it will have and maintain good marketable title or the right to deliver for a third party owning good and marketable title all gas tendered hereunder for service, including any transfer of ownership and title to other Shippers, and that such gas shall be free and clear of all liens and adverse claims; and each such Shipper further agrees, with respect to the gas delivered by it for service or for transferring title, to fully indemnify Transporter against any and all suits, actions, debts, accounts, damages, costs (including attorney's fees), losses and expenses arising from or out of any incorrect information provided by any Shipper to Transporter or any adverse claims of any and all persons to or against said gas. Pursuant to this Section 12, each Shipper shall fully indemnify Transporter against all losses, cost assessments or other claims brought by any party against Transporter with respect to volumes as to which Transporter provides Hub Service.

Section 13. Government Regulations and Requirements.

All of the provisions of these General Terms and Conditions are hereby expressly made subject to all present and future applicable federal or state laws, orders, rules and regulations of governmental authorities having jurisdiction. Except as otherwise provided herein, in the event any provision of these General Terms and Conditions is found to be inconsistent with or contrary to any law, order, rule or regulation, the latter shall be deemed to control and these General Terms and Conditions, to the extent possible, shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

The parties hereto recognize that Transporter has entered into transactions hereunder based on its good faith understanding that all acts, obligations, and services performed or to be performed by Transporter hereunder, and the rates therefore, are exempt from the regulation of the FERC or any successor federal governmental authority, except as provided by Section 284.224 of the FERC's regulations. Transporter reserves the right to terminate immediately the offering or furnishing of any service hereunder if, in Transporter's sole discretion, any governmental act occurs which would require Transporter to offer or furnish firm service hereunder or which would cause any impairment in Transporter's ability to furnish or continue any service hereunder, or require Transporter to offer additional intrastate services.

Any and all service transactions hereunder must be interstate service eligible under, and shall be fully subject to, the applicable requirements of Section 284.224 of the FERC's rules and regulations, Shipper's request for service shall

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constitute its warranty that Shipper satisfies such requirements, and Transporter shall have the right to request information from any Shipper to verify the eligibility thereunder.

Section 14. Force Majeure.

14.1 Notice and Effect of Force Majeure.

In the event of either party being unable, wholly or in part, by reason of force majeure to carry out its obligations hereunder (other than by reason of a Hub Shipper's obligation to make payment of any amounts due and payable to Transporter), it is agreed that such party shall give notice and reasonably full particulars of such force majeure, by telephone followed with written confirmation by telephone facsimile transmission, to the other party within a reasonable time after the occurrence of the cause relied on, and the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended and canceled upon notice of such force majeure event. Notwithstanding the suspension of service, the party that suffers the force majeure shall make reasonable efforts to remedy the cause(s) thereof with reasonable dispatch. Neither party shall be liable to the other for any act, omission or circumstances occasioned by or in consequence of an event of force majeure. Transporter shall not be liable in damages to Shipper other than for acts of gross negligence or willful misconduct and then only when force majeure does not apply.

14.2 Definition of Force Majeure.

The term, "force majeure", as used herein, shall mean acts of God; strikes, lockouts, or other industrial disturbances; conditions arising from a change in governmental laws, orders, rules, or regulations; acts of public enemy; terrorism, wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; government initiated evacuations, washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; the necessity for making repairs, tests or alterations to machinery or lines of pipe; freezing of wells or lines of pipe; partial or entire failure of wells, processing, or gasification facilities; interruptions or failures of any upstream or downstream pipelines relied upon to effectuate any Hub Service; and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension, and which by exercise of due diligence, such party is unable to prevent or overcome.

It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the claiming party's discretion and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the sole discretion of the claiming party.

Force majeure does not include curtailment of interruptible service by upstream or downstream pipelines or loss of Shippers markets or inability to use or re-sell gas economically.

Section 15. Notices.

Except as herein otherwise provided, any communication, notice, request, demand, statement, or bill which any party may desire to give to any other party shall be in writing and mailed by first class mail, or conveyed by telephone facsimile transmission with the signature of an authorized representative, to the address of the party intended to receive the same, as the case may be, at the addresses each respective party shall designate in the Hub Service Agreement or change by subsequent formal written notice to the other. With regard to any communication addressed to Transporter, and requiring any action including the authorization of service hereunder, Transporter shall have no obligation to investigate or interpret such communication any differently than as contained on the face of such

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communication or notice. Any routine communications, including monthly billing statements, may be mailed first class mail or conveyed by telephone facsimile transmission. Unless otherwise directed or notified, Appendix A of these General Terms and Conditions identifies appropriate contact personnel, mailing addresses and telephone numbers of Nicor Gas and of any agent which Nicor Gas may designate to administer the Hub Services hereunder.

Section 16. Creditworthiness.

Transporter shall not be required to commence service or, subject to the following, to continue to provide service under any Hub Service Agreement or any Hub Transaction Request and Agreement with a Shipper, that (1) when requested by Transporter to demonstrate creditworthiness, fails to do so in Transporter's reasonable judgment, including for the continuation of service in light of previous payment experience and changes thereto; (2) is or has become insolvent; or (3) has applied for bankruptcy under Chapter 11 of the Bankruptcy Code, or which is subject to similar proceedings under State or Federal law. However, nothing hereunder shall prevent Transporter and Shipper from entering into any mutually agreed upon arrangement or alternative method to establish Shipper's initial or continuing creditworthiness and/or to secure payment of any amounts due.

Section 17. Miscellaneous.

17.1 Headings and Subheadings.

Any headings and subheadings contained in a Hub Service Agreement or a Hub Transaction Request and Agreement Form are used solely for convenience and may not constitute a part of the agreement between the parties hereto, nor should they be used to aid in any manner in construing such agreement between the parties.

17.2 Non-Assignment.

A Hub Service Agreement or Hub Transaction Request and Agreement entered into by and between Transporter and any Shipper shall not be assignable by Shipper to any other party without the prior written consent of Transporter.

17.3 Entire Agreement.

The Hub Service Agreement and any Hub Transaction Request and Agreement entered into pursuant thereto, and these General Terms and Conditions, shall constitute the entire agreement of the parties hereunder as to the matters contained herein, and there are no oral promises, agreement or warranties affecting same.

17.4 Non-Waiver.

The waiver of any default or right to require performance under a Hub Service Agreement or a Hub Transaction Request and Agreement Form shall not operate as a waiver of any future default or right to require performance, whether of like or different character or nature.

17.5 Jurisdiction and Venue/Arbitration.

The parties agree that the Hub Service Agreement and any Hub Transaction Request and Agreement Forms effectuated hereunder shall be governed by and construed in accordance with the laws of the State of Illinois, and that venue shall be in Dupage County, Illinois, with respect to any cause of action brought under or with respect to the Hub Service Agreement or any Hub Transaction Request and Agreement Form. Transporter and Shipper may agree to arbitrate disputes arising under Hub Service Agreement or Hub Service Request and Agreement.

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17.6 Delegation of Administrative Activities.

Transporter reserves the right at any time to assign or otherwise delegate to any independent third party or a duly authorized agent any or all of the administrative duties associated with Transporter's Hub and its operations. Such administrative duties may generally include, but are not necessarily be limited to, the determination of service eligibility for any prospective Shippers hereunder, including creditworthiness, the processing of any service requests or nominations of service by Shippers hereunder, the authorization of such service requests or nominations, the posting of any rate discounts within the minimum and maximum rate levels allowable hereunder including any negotiations with Shippers regarding the applicable rates to be charged within such minimum and maximum allowable limits, the periodic monthly billing associated with the services supplied hereunder, and the collection of all amounts due and payable to Transporter by Shippers. No such delegation shall relieve Transporter of its obligations, if any, to a Shipper.

17.7 Confidentiality.

The terms of any Hub Service Agreement or any Hub Transaction Request and Agreement effectuated hereunder shall be kept confidential by the parties, including any agent to which administrative activities are delegated by Transporter pursuant to Section 17.6, except to the extent that any information must be disclosed to a third party required by law, for either party's financial needs, or for the purpose of effectuating service.

17.8 Term of Hub Service Agreements.

Subject to Sections 2.4.2, 2.5, 2.6.2, and 2.7 unless otherwise agreed upon in writing, each Hub Service Agreement (but not a Hub Transaction Request and Agreement Form) shall be in effect for a term of twelve (12) consecutive months commencing with the date of such agreement, and shall be automatically extended on a month-to-month basis thereafter, unless otherwise canceled by either party upon giving the other party not less than thirty (30) days' advance written notice of such cancellation.

17.9 LIMITATIONS OF REMEDIES, LIABILITY AND DAMAGES.

NO PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. THE LIMITATIONS IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE(S) RELATED THERETO, INCLUDING NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

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STATEMENT OF CURRENTLY EFFECTIVE RATES

Pursuant to Section 5.1 of Transporter's General Terms and Conditions, following is a statement of Transporter's currently effective maximum and minimum rates for service hereunder:

<u>Interruptible Transportation Service:</u>	Maximum Per MMBtu	Minimum Per MMBtu	
Commodity Rate ^{5/}	\$.0780	\$0.0000	Deleted: 807
<u>Priority Interruptible Transportation Service:</u>			
Prepayment Rate ^{1/}	\$ 1.1861 Per Month	\$0.0000	Deleted: 2270
Commodity Rate ^{5/}	\$.0403		
<u>Firm Transportation Service:</u>			
Reservation Rate ^{6/}	\$ 2.3721 Per Month	\$0.0000	Deleted: 4541
Commodity Rate ^{5/}	\$0.0000		
<u>Interruptible Storage Service:</u>			
Commodity Rate ^{2/}	\$.1066	\$0.0000	Deleted: 483
<u>Priority Interruptible Storage Service:</u>			
Prepayment Rate ^{1/}	\$ 1.6216 Per Month	\$0.0000	Deleted: 2.2547
Commodity Rate ^{2/}	\$.0533	\$0.0000	Deleted: 0741
<u>Firm Storage Service:</u>			
Deliverability Rate ^{6/}	\$ 1.6216 Per Month	\$0.0000	Deleted: 2.2547
Capacity Rate ^{7/}	\$.0227 Per Month	\$0.0000	Deleted: 336
Injection Commodity Rate	\$0.0000	\$0.0000	

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Minimum
Per MMBtu Maximum
Per MMBtu

Interruptible Balancing Service on Agreeing Interstate Pipelines:

Commodity Rate ^{3/} \$ ~~.1846~~ \$0.0000

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Parking and Loaning Service:

Commodity Rate ^{4/} \$ ~~.1846~~ \$0.0000

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Transporter reserves the right to discount to levels below maximum rates on a non-discriminatory basis but not to less than the sum of any minimum rates including any add-on ~~Charge for fuel and the Storage Loss Adjustment.~~

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Fuel, ~~at .87%, and the Storage Loss Adjustment, at .41%.~~ will be charged pursuant to Section 5.1.

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Footnotes:

- 1/ Prepayment rates applicable to stated MDQ.
- 2/ Daily rate applicable to positive or negative storage service balances.
- 3/ Daily rate applicable to each MMBtu of service confirmed by Transporter.
- 4/ Daily rate applicable to each MMBtu parked or loaned.
- 5/ Daily rate applicable to daily volumes transported.
- 6/ Reservation rate and Deliverability rate applicable to stated MDQ
- 7/ Capacity rate applicable to MMQ.

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Appendix A -- Notices

For the purposes of Section 15 under Nicor Gas' Operating Statement and General Terms and Conditions governing Hub Services, all communications and notices to Nicor Gas should be addressed, as follows:

NICOR GAS

Chicago Hub

Attention: Manager of Hub Administration

3333 Warrenville Road, Suite 630

Lisle, Illinois 60532

Telephone: (630) 245-7815

Fax: (630) 245-7838

Exhibit E

Accounting for Storage Losses

Purpose: To properly account for and record Storage Losses (both Physical Gas Storage Losses and Ineffective Gas Storage Losses).

Introduction

Nicor Gas will cease its current practice of calculating and expensing Storage Losses as 2% of storage withdrawals effective June 30, 2009. Effective July 1, 2009, the accounting procedures as described below will be utilized to record Physical Gas Storage Losses (which result from the unmeasured consumption of gas for storage field operations) and Ineffective Gas Storage Losses (which represent those volumes of cushion gas which are no longer effective in maintaining storage field performance).

Accounting for Physical Gas Storage Losses

Each month physical losses will be determined for each storage field by Storage Operations and reviewed and approved by the Senior Manager, Storage Operations. By the end of the 2nd workday of each month, a report will be provided to Gas Supply Accounting for each storage field providing the amount of total physical losses for the prior month (see Exhibit 1 for a sample report).

Because the losses take place after the master meter measurement at each field when on injection and before the master meter measurement when on withdrawal, physical losses will be subtracted from metered injections or added to metered withdrawals when determining individual storage field inventory balances. Such calculation will take place on the monthly Injection and Withdrawal report which accumulates all of the metered injections and withdrawals (obtained from Gas Control) on a daily basis by storage field (see Exhibit 2 for an example). Because the physical loss number will be a monthly total, it will be divided by the number of days in a month in order to display the daily information.

The total physical losses provided by Storage Operations will continue to be allocated between Sales and Non-Sales customers. The method used to perform this allocation is described below. The physical losses that are determined to be attributable to Sales customers will be purchased as part of Company Use Gas. At month-end the cost of company use gas purchases will be accrued. Such costs will be allocated to the various expense accounts based on each component's proportional share of usage for the month. Any difference between the accrual and the actual invoice will be adjusted in the subsequent month. See Exhibit 3 for an example and for the account numbers used.

The monthly allocation of storage physical losses to Sales customers will be calculated as follows:

- On a daily basis, the amount of gas injected or withdrawn from storage on an absolute basis will be estimated for both Sales and non-Sales customers.
- The monthly allocation percent for each class will then be determined by dividing the sum of daily volumes for the month for each class by the total volumes for the month.

See Exhibit 4 for a sample allocation.

Accounting for Ineffective Gas Storage Losses

Upon determination by Storage Operations that additional inventory is necessary to maintain the performance of a storage field and the purchase plan for the gas has been determined, Gas Supply Accounting will be notified by Gas Supply/Storage Operations of the pending purchase, including necessary details such as the volume to be injected, the field that will receive the injection, how it will be purchased, and the price parameters. At the end of each month of the planned injection, a confirmation notice will be provided to Gas Supply Accounting by Storage Operations providing the amount of injections that have actually been completed. Gas Supply Accounting will split the metered injections for that month between the volume that was injected into non-recoverable base gas with the remaining as an injection into top gas. Also at this time, Gas Supply Accounting will accrue the purchase of the non-recoverable base gas by debiting account 352.3, Non-Recoverable Base Gas, and crediting account 232, Accounts Payable. Any difference between the accrual and the actual invoice received will be adjusted in the subsequent month.

Effective Date: July 1, 2009

Nicor Gas

Storage Loss Measurement and Accounting Policy

- I. Purpose of Policy
This policy governs the estimating, reporting and accounting practices related to gas losses that occur within Nicor Gas' storage fields. Those fields include Nicor Gas' storage operations at the following eight locations: Troy Grove, Ancona, Pontiac-Mt. Simon, Pontiac-Galesville, Hudson, Lexington, Lake Bloomington and Pecatonica. Gas loss as governed by this policy occurs as a result of normal storage field operations. Since such losses are not directly measurable, they are estimated using predetermined calculation methodologies. This policy is not applicable to the use of gas that is specifically and directly measured at Nicor Gas' storage fields.
- II. Definition of Gas Storage Loss – Gas storage losses as covered by this policy include the following two categories –
 - a. Physical Gas Storage Loss – Physical Gas Storage Losses includes gas storage surface losses caused by the unmeasured consumption of gas for storage field operations. Physical Gas Storage Losses will not include gas consumption for storage fields where the use of the gas is specifically measured, such as compressor consumption and building use.
 - b. Ineffective Gas Storage Loss – Ineffective gas storage losses are those additional nonrecoverable base gas volumes required when necessary to maintain storage field performance and are not available as working gas balances for subsequent withdrawal. These volumes would be allocated to a specific reservoir, as applicable, during normal injection.
- III. Implementation of Policy - Nicor Gas will cease its current practice of attributing 2% of storage withdrawals as storage losses effective June 30, 2009, and will cease booking the cost of such gas losses to Account 823, Gas Losses in accordance with the final Order issued in Docket No. 08-0363. Nicor Gas will implement the practices related to ineffective gas storage loss and physical gas storage loss in compliance with the final Order in Docket No. 08-0363 effective July 1, 2009.

IV. Measurement of Gas Storage Loss Volume and Calculation of Cost

- a. Physical Gas Storage Loss – Losses that result from the unmeasured consumption of gas for field operations such as instruments, engine shut-downs and heaters or for field maintenance such as wellhead blow downs and gathering system work will be determined each month by storage field and reported to the Senior Manager, Storage Operations. After review and approval by the Senior Manager, Storage Operations, these volumes will be reported to Gas Supply Accounting. Gas Supply Accounting will charge that portion of Physical Gas Storage Losses attributed to Nicor Gas' sales customers to Account 823, Gas Losses. Such Physical Gas Storage Losses will be purchased by Nicor Gas as part of "Gas used by the Company" as defined in Rider 6, Gas Supply Cost. The Senior Manager, Storage Operations will be responsible for maintaining the appropriate process and procedures for the accurate calculation and reporting of physical gas storage loss.
- b. Ineffective Gas Storage Loss – The volume of gas required to maintain storage field performance will be determined through a periodic evaluation by Nicor Gas. (Results of such evaluations will be provided to the Engineering Staff of the ICC) When an evaluation reveals that additional non-cycleable inventory is necessary to maintain the performance of a storage field, such gas will be purchased by Nicor Gas as part of "Gas used by the Company" as defined in Rider 6, Gas Supply Cost. Nicor Gas will purchase the necessary volumes as part of Company Use Gas for injection after the completion of the evaluation. The cost of such injections will be charged to Account 352.3, Nonrecoverable natural Gas, increasing the level of nonrecoverable base gas inventory for the particular storage field requiring the additional volume. Nicor Gas' review of storage field performance will employ generally recognized storage performance evaluation techniques, including but not limited to analysis historically performed by Nicor Gas as part of its annual Inventory Verification Study. The Senior Manager, Storage Operations will be responsible for maintaining the appropriate process and procedures for the accurate calculation and reporting of noneffective gas storage loss.