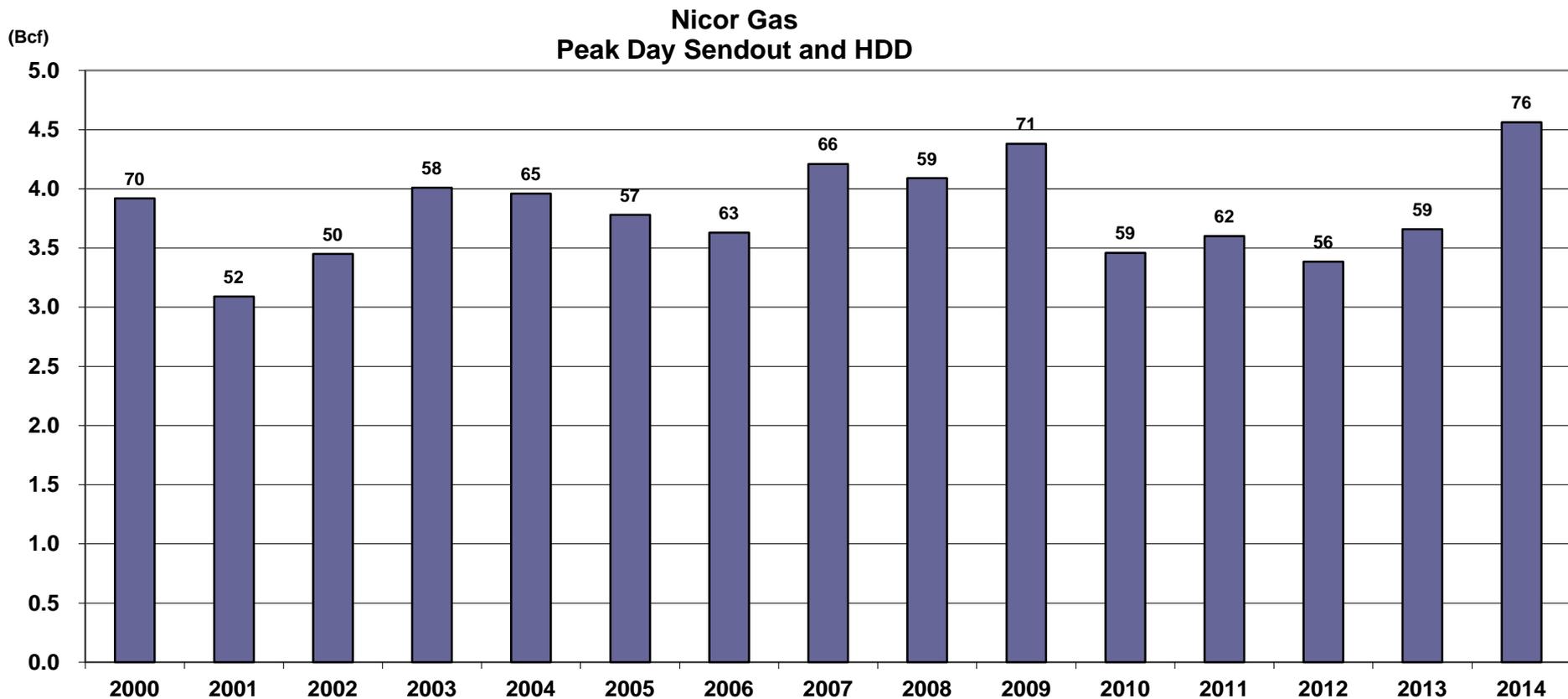


Illinois Commerce Commission

2014-2015 Winter Preparedness

Shirley Holmes
Director, Gas Supply
Nicor Gas

Peak Day Sendout and HDD



110,000 more customers in 2010 than in 2003

Challenges of Winter 2013 – 2014

- **November - March 22% colder than normal**
- **Deliveries 72 BCF (23%) above plan**
- **Purchased ~75 Bcf (104%) more natural gas than planned under normal weather conditions**
- **Primary pipeline supplier experienced performance issues**

Managing the Challenges of Winter '13- '14

- **On-system storage provided critical peak day, peak hour and durational supply**
- **Pipeline operational problems mitigated by shifting purchases to other pipelines**
- **Nicor Gas system operated in manner to maximize access to available pipeline deliveries**
- **Maintained consistent contact and communication with pipelines and impacted customers**

Gas/Electric Coordination 2013 – 2014

- **Nicor Gas' electric generation customers were interrupted subject to their negotiated agreements and the Company's tariffs**
- **Nicor Gas continues to meet with it's large electric generation customers to discuss next winter's expectations and operational procedures, as well as future contracting needs**
- **Nicor Gas actively participates in the AGA/FERC Regulatory Committees for the coordination of the Natural Gas and Electricity Generation Markets**

Nicor Gas Design Day

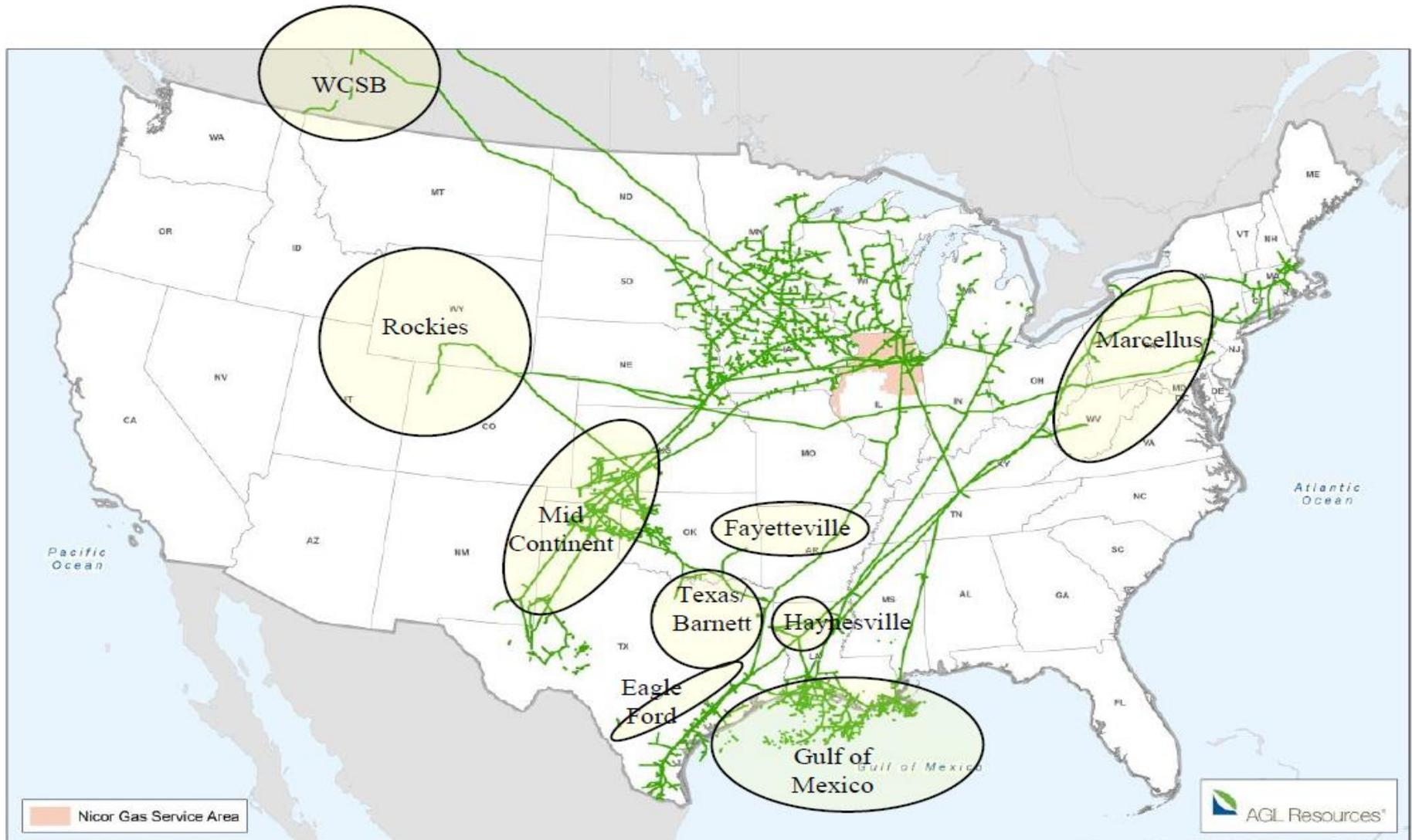
(Thousands MMBtu/Day)

| | 2012/2013 | 2013/2014 | 2014/2015 | Change from Final '13-'14 |
|------------------------------|----------------|----------------|----------------|---------------------------|
| Design Day | 4,800.0 | 4,900.0 | 5,000.0 | 100.0 |
| Pipeline Transport & Storage | 2,138.1 | 2,138.1 | 2,317.9 | 179.8 |
| End Users | 539.4 | 543.8 | 635.3 | 91.4 |
| On System Storage | 2,550.0 | 2,550.0 | 2,550.0 | - |
| Total | 5,227.5 | 5,232.0 | 5,503.2 | 271.2 |
| | | | | |
| Pipeline Reserve Margin | 427.5 8.9% | 332.0 6.7% | 503.2 10.0% | 171.2 3.3% |

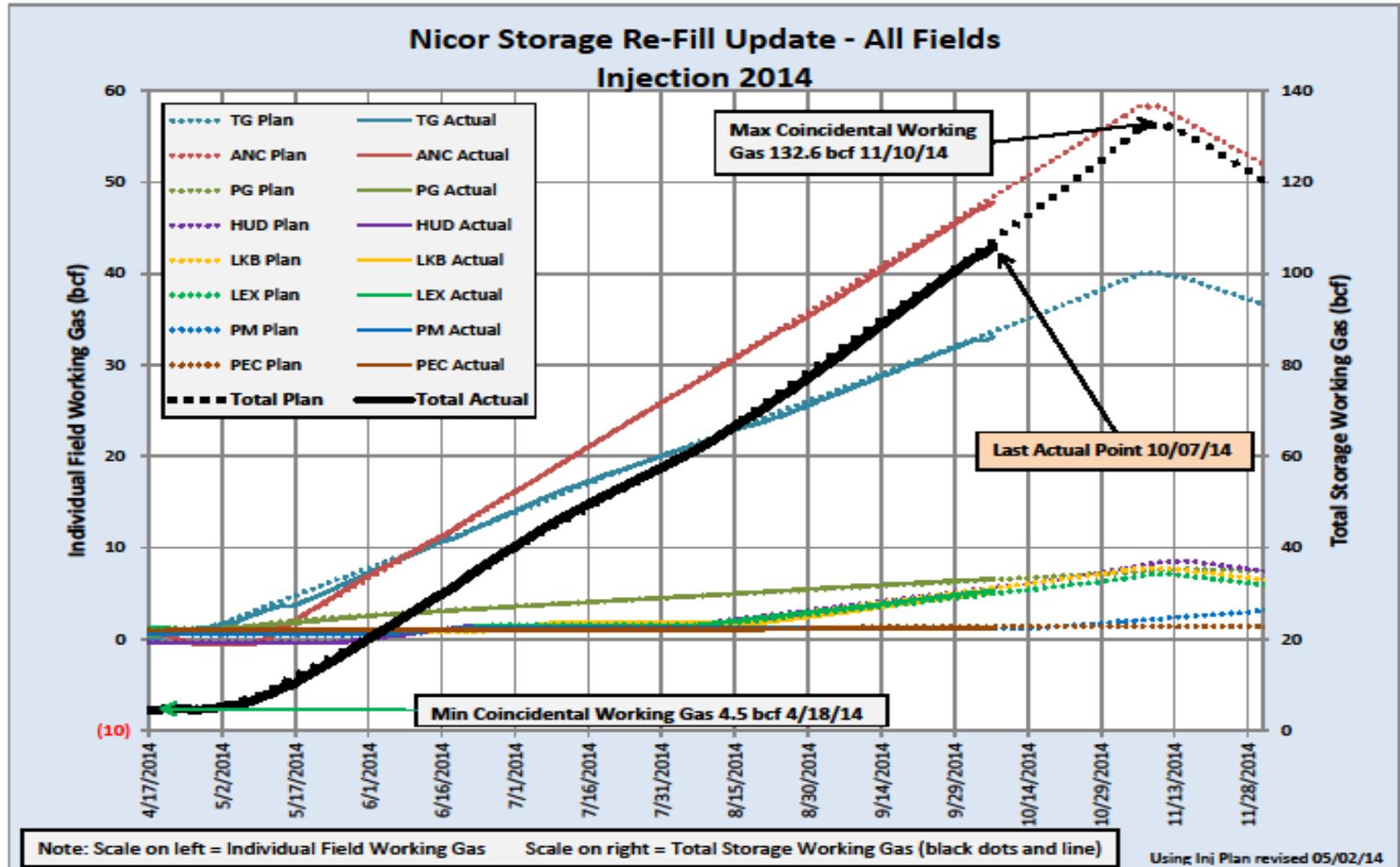
Nicor Gas Supply & Storage

- **100% of winter transportation is filled with firm supply**
 - **Baseload purchases; monthly index pricing**
 - **Swing supply purchases; daily index pricing**
- **Access to diversified supply basins**
- **Storage is planned to be at targeted level for the start of winter**

Nicor Gas Transportation Capacity



Nicor Gas On-System Storage



Nicor Gas' Preparedness for Winter '14 -'15

- **Expect to fill all storage for winter 2014 – 2015 as planned**
- **Continue to hold firm transportation capacity and contract for firm natural gas supply to meet winter load**
- **Increase reserve margin for Peak Day Design; primarily non-NGPL city-gate firm supply**
- **Winter firm natural gas supply acquisition is 100% complete**
- **Working with pipeline suppliers to understand operational capabilities and expectations**
 - **Monitoring pipeline maintenance schedules**

Future Supply

- **With shale gas supplies growing and seeking access to new markets, Nicor Gas is evaluating the feasibility of new interstate capacity into the Chicago market that would improve pipeline capacity diversity as well as natural gas supply diversity**
- **Nicor Gas continues to evaluate a number of capacity options, such as the Tallgrass Prairie State Pipeline and ANR East Projects, to mitigate risk, increase reliability, and access new supplies to the market**
- **Nicor Gas is evaluating facility improvements that would further integrate distribution system and reduce single supplier risk**