2017 Year in Review
2018 Look Ahead

Nicor Gas has a rich history of delivering clean, safe, reliable, affordable natural gas for our customers, our neighbors and our communities. That couldn’t happen without the more than 2,000 employees who are hard at work every day to continue our 160-year track record of providing excellent customer service and efficient and effective energy solutions.

2017 was a transformational year for Nicor Gas. We implemented several practices to ensure the continued safety of our employees and customers, developed new technology to operate more efficiently and provide opportunities for growth, and invested significant volunteer hours and philanthropic dollars into our communities. Please read on with pride, like I do, and reflect upon all that you accomplished in 2017, and all that we have to look forward to in 2018.

Melvin D. Williams
President, Nicor Gas
Investing in Illinois

Investing in Illinois is a multiyear, $2 billion project to accelerate the modernization of our infrastructure. The improvements we are making to our infrastructure allow us to continue to deliver natural gas safely and reliably to our customers while spurring the state’s economy by generating new jobs, business and investments to our region.

Additionally, through Investing in Illinois, we have made significant investments in our storage field infrastructure, including compressors and gas conditioning facilities. In 2017, we put into service 2,400 Hp of replacement compression at Ancona and nearly 700 mmcf/day of dehydration equipment at several of our storage fields.

We exceeded our goals in several categories and are on our way to eliminating copper in two years, thanks to a very talented team of employees managing, monitoring and implementing the project.

<table>
<thead>
<tr>
<th>Asset class</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging main</td>
<td>145 miles</td>
<td>147 miles</td>
<td>157 miles</td>
</tr>
<tr>
<td>AuxSable pipeline</td>
<td>4 miles</td>
<td>6 miles</td>
<td>7 miles</td>
</tr>
<tr>
<td>Storage field gathering lines</td>
<td>9 miles</td>
<td>9 miles</td>
<td>6 miles</td>
</tr>
<tr>
<td>Compression</td>
<td>—</td>
<td>13,000 Hp</td>
<td>2,400 Hp</td>
</tr>
<tr>
<td>Gas conditioning</td>
<td>400 mmcf/day</td>
<td>600 mmcf/day</td>
<td>700 mmcf/day</td>
</tr>
<tr>
<td>Copper services</td>
<td>14,500</td>
<td>10,000</td>
<td>7,200</td>
</tr>
<tr>
<td>Services associated with main projects</td>
<td>11,500</td>
<td>14,100</td>
<td>9,100</td>
</tr>
<tr>
<td>Total invested in infrastructure</td>
<td>$250 million</td>
<td>$298 million</td>
<td>$327 million</td>
</tr>
</tbody>
</table>

Major accomplishments
New safety training

Alert Driving is a computer-based safe driving training program that simulates looking through a windshield while driving. The program evaluates strengths and improvement opportunities in the driver’s skill set and then designs a training program around those areas for improvement. Once the participant passes a module, they are alerted that another is available to take. The safety department partnered with Alert Driving to conduct a pilot with 225 employees, with excellent results. All employees involved in the eight-month long program were Preventable Motor Vehicle Accident free, and survey feedback was very positive.

In an effort to address ergonomic injuries in certain regional locations, Ergonomic Workshops were implemented. These workshops consisted of a two-hour presentation facilitated by a representative from Athletico Physical Therapy, followed by two hours of hands-on training. The hands-on portion provided employees an immediate opportunity to practice what they learned in the classroom. At the conclusion of each workshop, a brief demonstration of ergonomic-friendly tools was followed by a question and answer session. Training took place at 11 regional office locations, and 291 employees attended a workshop.

Neighborhood Expansion Program

Nicor Gas received Rider 33 approval from the Illinois Commerce Commission—Designated Extension Service Area. This rider, known as the Neighborhood Expansion Program (NEP), allows prospective Nicor Gas customers a choice of flexible payment options for costs associated with the extension of natural gas mains into areas that currently do not receive natural gas. Previously, a customer would have had to pay a one-time, upfront sum to convert to natural gas. With NEP, the cost is spread between the customers in the area who wish to convert, and eligible customers may elect to pay their portion in monthly installments.

Two of the ten homes in Maple Park, the first NEP community, have already converted to natural gas through the program, with others slated to convert this coming spring and summer.

Workforce development

We believe it is our responsibility to educate students, teachers, parents and our customers about the career opportunities available at Nicor Gas and in our industry as we develop our future workforce. One of the ways in which we do so is by participating in STEM events, career fairs or Junior Achievement’s careers in energy curriculum. We are committed to attracting, developing and retaining the most talented energy professionals so that our customers receive the most responsive and reliable service possible. Over the course of the year, 131 employee ambassadors volunteered 832 hours at 60 events in 37 towns, reaching nearly 40,000 participants in our service territory. We’ve partnered with many schools at all levels of education, as well as with Illinois-based energy groups and associations, to make a difference in our industry.
Nicor Gas uniforms

A team of employees from Strategic Sourcing, Supply Chain, Supplier Diversity, Labor Relations, Corporate Communications, Safety, Human Resources and Field Operations collaborated to bring our field employees a variety of options that are safe, functional and comfortable — all while meeting brand guidelines.

A diverse, women-owned vendor provided options for men and women, long- and short-sleeve shirts, pants and shorts, bib overalls, winter hats and baseball caps, jackets and high-visibility jackets and even socks and belts.

Our employees are brand ambassadors for the company and our new uniforms will enhance our overall service to our customers. They present a unified look that clearly identifies them, which in turn increases the safety and security of employees and the public.

Success stories

We enjoyed many successes in 2017, and the following are just a few highlights.
Rebranding

When Nicor Gas joined the Southern Company family, a new brand was developed to unify Southern Company’s full portfolio of companies. It was designed to express our purpose – building the future of energy by bringing our customers the vital energy and solutions that drive growth and prosperity.

2017 was spent rebranding everything from our fleet vehicles to our website to signage and uniforms. Not only did our look change, so did the way we engage with our customers. All of our letters and collateral were rewritten in a “friendly neighbor” voice.

We are all representatives of the great Nicor Gas and our brand in the communities where we are proud to live and work.

Nicor Gas wins two Cogent awards

**Most Trusted Brand**

This annual study recognized Nicor Gas among 44 gas, electric or combination utilities that were named Most Trusted Brand, a distinction based on a utility’s Brand Trust Index. Nicor Gas’ score was second best among natural gas utilities in the Midwest. Through your commitment and hard work we are confident that we will be the best amongst our industry peers.

**Utility Customer Champion**

New initiatives

Volunteerism and United Way yearlong presence
In the past, most of our company-sponsored volunteer activities occurred on Volunteer Day in May, and our United Way campaign took place in September. This year, different types of volunteer opportunities at United Way organizations will be available throughout the year to accommodate employees’ schedules and interests.

Habitat for Humanity partnership
Two Customer Experience employees, Cheri Lyn Walczak and Ottman Deleon, both customer care specialists, Contact Center, teamed up to research and present opportunities for a partnership with Habitat to Humanity, which was recently approved. There will be 10 days throughout the spring and summer that employees can volunteer to help build houses for the needy.

Rate request approval and implementation
The Illinois Commerce Commission (ICC) approved Nicor Gas’ request to increase rates for natural gas delivery service in the amount of $127.1 million. A typical residential customer will experience an average increase of approximately $2 per month. Even with this rate increase, Nicor Gas will remain one of the lowest cost providers of natural gas to customers in Illinois. The rate increase will fund the following investments:

- Replacing aging natural gas pipelines and moving gas meters from inside homes and businesses to the outside.
- Upgrading natural gas storage systems and refurbishing stations that regulate natural gas pressure.
- Investing in technology that makes it easier to do business with us.
- Developing a skilled workforce for the future and fostering growth and economic development for the state of Illinois.

2018 Look Ahead
Continued focus

Expand Alert Driving program
Based on excellent 2017 pilot results, we will purchase enough licenses to expand the program to 900 employees in 2018. This is yet one more tool to help reduce risk and keep our people and the public safe.

Investing in Illinois
In our fourth year, our goals for this program are the following:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>2018 targeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging main</td>
<td>160 miles</td>
</tr>
<tr>
<td>AuxSable pipeline</td>
<td>12 miles</td>
</tr>
<tr>
<td>Storage field gathering lines</td>
<td>7 miles</td>
</tr>
<tr>
<td>Gas conditioning</td>
<td>200 mmcf/day</td>
</tr>
<tr>
<td>Copper services</td>
<td>5,500</td>
</tr>
<tr>
<td>Services assoc. w/ main projects</td>
<td>17,200</td>
</tr>
<tr>
<td>Total invested in infrastructure</td>
<td>$350 million</td>
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</tbody>
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In addition to the above, we are working on the next compressor replacement – the installation of a 6,500 Hp gas turbine compressor at Ancona – that is scheduled to go into service in 2019. We also will replace 200 mmcf/day of dehydration equipment.

Meter Modernization launch
The newly named Nicor Gas Meter Modernization program refers to our launch of advanced metering infrastructure (AMI). A small, two-way communication device that will be installed on the existing natural gas meter at customer homes or businesses (meters will not be replaced). The communication device will automatically collect natural gas-usage information and securely send it to Nicor Gas. An early deployment began with internal employees in February and the official launch will begin in Q2.

Neighborhood Expansion Program (NEP) growth
The Customer Development team will continue to implement NEP in Maple Park and identify other areas in Illinois that will benefit from the program and begin conversations with customers and communities. If you know of a neighborhood that may want to take advantage of NEP, please have them contact Sheddle Turner at 630.388.2291.

Nicor Gas facilities modernization
Our long-term plan is to refresh and rebuild our facilities based on greatest need in the next several years. The Dixon office rebuild that began in 2017 will be completed in 2018, and the Glenwood office will begin construction in 2018. Other minor facility renovations are planned.