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O&R, RECO and Pike, own, in whole or in part, transmission and distribution facilities which include 558 circuit miles of transmission lines, 14 transmission substations, 62 distribution substations, 85,017 in-service line transformers, 3,779 pole miles of overhead distribution lines and 1,772 miles of underground distribution lines. O&R's transmission system is part of the NYISO system except that portions of RECO's system are located within the transmission area controlled by PJM.

Electric Sales and Deliveries

O&R generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. Effective July 2008, O&R's New York electric revenues (which accounted for 66.6 percent of O&R's electric revenues in 2011) became subject to a revenue decoupling mechanism. As a result, O&R's New York electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey and Pennsylvania are not subject to a decoupling mechanism. O&R's electric sales and deliveries, excluding off-system sales for the last five years were:

	Year Ended December 31,				
	2007	2008	2009	2010	2011
Electric Energy Delivered (millions of kWhs)					
Total deliveries to O&R full service customers	4,224	4,093	3,673	3,498	3,029
Delivery service for retail access customers	1,688	1,814	1,901	2,330	2,760
Total Deliveries In Franchise Area	5,912	5,907	5,574	5,828	5,789
Electric Energy Delivered (\$ in millions)					
Total deliveries to O&R full service customers	\$ 596	\$ 650	\$ 551	\$ 570	\$ 486
Delivery service for retail access customers	73	80	95	132	157
Other operating revenues	2	3	2	(10)	(2)
Total Deliveries In Franchise Area	\$ 671	\$ 733	\$ 648	\$ 692	\$ 641
Average Revenue Per kWh Sold (Cents)					
Residential	15.6	17.4	17.2	18.3	18.0
Commercial and Industrial	12.9	14.6	13.3	14.1	13.7

For further discussion of the company's electric operating revenues and its electric results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Electric Peak Demand

The electric peak demand in O&R's service area occurs during the summer air conditioning season. The 2011 service area peak demand, which occurred on July 22, 2011, was 1,599 MW, its highest level since the 1,617 MW record peak reached in 2006. The 2011 peak demand included an estimated 1,039 MW for O&R's full-service customers and 560 MW for customers participating in its electric retail access program. The NYISO invoked demand reduction programs on July 22, 2011. "Design weather" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since the majority of demand reduction programs are invoked only in specific circumstances, design conditions do not include these programs' potential impact. However, the O&R forecasted peak demand at design conditions does include the impact of permanent demand reduction programs. The company estimates that, under design weather conditions, the 2012 service area peak demand will be 1,585 MW, including an estimated 1,029 MW for its full-service customers and 556 MW for its electric retail access customers. The company forecasts average annual growth of the peak electric demand in the company's service area over the next five years at design conditions to be approximately 1.1 percent per year.

Electric Supply

The electricity O&R sold to its customers in 2011 was purchased under firm power contracts or through the wholesale electricity markets administered by the NYISO and PJM. The company expects that these resources will again be adequate to meet the

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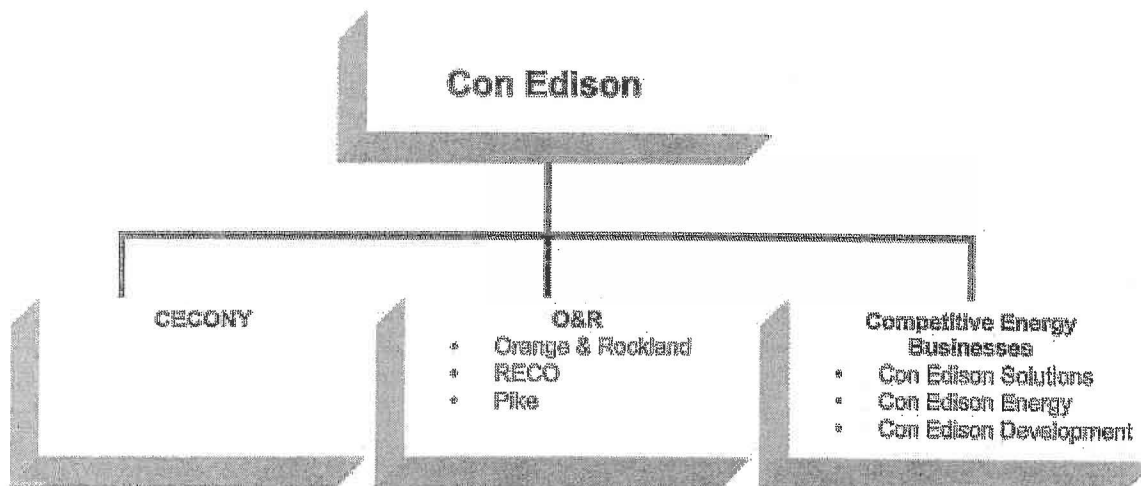
Consolidated Edison

Part I

Item 1: Business

Overview

Consolidated Edison, Inc. (Con Edison), incorporated in New York State in 1997, is a holding company which owns all of the outstanding common stock of Consolidated Edison Company of New York, Inc. (CECONY), Orange and Rockland Utilities, Inc. (O&R) and the competitive energy businesses. As used in this report, the term the "Companies" refers to Con Edison and CECONY.



CECONY's principal business operations are its regulated electric, gas and steam delivery businesses. O&R's principal business operations are its regulated electric and gas delivery businesses. The competitive energy businesses sell electricity to wholesale and retail customers, provide certain energy-related services, and participate in energy infrastructure projects. Con Edison is evaluating additional opportunities to invest in electric and gas-related businesses.

Con Edison's strategy is to provide reliable energy services, maintain public and employee safety, promote energy efficiency, and develop cost-effective ways of performing its business. Con Edison seeks to be a responsible steward of the environment and enhance its relationships with customers, regulators and members of the communities it serves.

CECONY

Electric

CECONY provides electric service to approximately 3.3 million customers in all of New York City (except part of Queens) and most of Westchester County, an approximately 660 square mile service area with a population of more than nine million.

Gas

CECONY delivers gas to approximately 1.1 million customers in Manhattan, the Bronx and parts of Queens and Westchester County.

Steam

CECONY operates the largest steam distribution system in the United States by producing and delivering more than 22,000 MMlbs of steam annually to approximately 1,735 customers in parts of Manhattan.

O&R

Electric

O&R and its utility subsidiaries, Rockland Electric Company (RECO) and Pike County Light & Power Company (Pike) (together referred to herein as O&R) provide electric service to approximately 0.3 million customers in southeastern New York and in adjacent areas of northern New Jersey and northeastern Pennsylvania, an approximately 1,350 square mile service area.

Gas

O&R delivers gas to over 0.1 million customers in southeastern New York and adjacent areas of northeastern Pennsylvania.

could have a material adverse impact on Integrys Energy Group's results of operations and financial condition.

Integrys Energy Group's operations are subject to risks beyond its control, including but not limited to customer usage, weather, terrorist attacks, or acts of war.

Integrys Energy Group's revenues are affected by the demand for electricity and natural gas. That demand can vary greatly based upon:

- Fluctuations in economic activity and growth in Integrys Energy Group's regulated service areas, as well as areas in which its nonregulated subsidiaries operate;
- Weather conditions, seasonality, and temperature extremes; and
- The amount of additional energy available from current or new competitors.

General economic conditions and customers focusing on energy efficiency in Integrys Energy Group's service areas may result in a decrease in demand for electricity or natural gas, which could have an adverse impact on Integrys Energy Group's results of operations, financial condition, and cash flows.

Weather conditions directly influence the demand for electricity and natural gas and affect the price of energy commodities.

In addition, the cost of repairing damage to Integrys Energy Group's facilities due to storms, natural disasters, wars, terrorist acts, and other catastrophic events, in excess of insurance limits established for such repairs or excluded by insurance policies, may adversely impact Integrys Energy Group's results of operations, financial condition, and cash flows. The occurrence or risk of occurrence of future terrorist activity and the high cost or potential unavailability of insurance to cover such terrorist activity may impact Integrys Energy Group's results of operations and financial condition in unpredictable ways. These actions could also result in disruptions of electricity and fuel markets.

Adverse capital and credit market conditions could negatively affect Integrys Energy Group's ability to meet liquidity needs, access capital, and/or grow or sustain its current business. Cost of capital and disruptions, uncertainty, and/or volatility in the financial markets could adversely impact the results of operations and financial condition of Integrys Energy Group, as well as exert downward pressure on its stock price.

Having access to the credit and capital markets, at a reasonable cost, is necessary for Integrys Energy Group to fund its operations and capital requirements. The capital and credit markets provide Integrys Energy Group with liquidity to operate and grow its businesses that is not otherwise provided from operating cash flows and also support the ability of Integrys Energy Group to provide credit support for the nonregulated operations of Integrys Energy Services. Disruptions, uncertainty, and/or volatility in those markets could increase Integrys Energy Group's cost of capital or limit the availability of capital. If Integrys Energy Group or its subsidiaries are unable to access the credit and capital markets on terms that are reasonable, they may have to delay raising capital, issue shorter-term securities, and/or bear an increased cost of capital. This, in turn, could impact Integrys Energy Group's ability to grow or sustain its current businesses, cause a reduction in earnings, result in a credit rating downgrade, and/or limit Integrys Energy Group's ability to sustain its current common stock dividend level.

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Risk of competition. Our gas distribution business is subject to increased competition which could negatively affect our results of operations.

In the residential market, our gas distribution business competes primarily with suppliers of electricity, fuel oil, propane, and renewable energy providers. We also compete with suppliers of electricity, fuel oil and renewable energy providers for commercial applications. In the industrial market, we compete with suppliers of all forms of energy, including oil, electricity, renewable energy providers and, as it relates to sources of energy for electric power plants, coal and hydro. Competition among these forms of energy is based on price, efficiency, reliability, performance, market conditions, technology, environmental impacts and public perception.

Higher natural gas prices have at times eroded, or in some cases eliminated, the competitive price advantage of natural gas over other energy sources. Technological improvements in other energy sources such as heat pumps could also erode our competitive advantage. If natural gas prices rise relative to other energy sources, or if the cost or environmental impact of other energy sources improves relative to natural gas, it may negatively affect our ability to attract new customers or retain our existing residential, commercial and industrial customers, which could have a negative impact on our customer growth rate and results of operations.

Reliance on third parties to supply natural gas risk. We rely on third parties to supply substantially all of the natural gas in our distribution segment, and limitations on our ability to obtain supplies, or failure to receive expected supplies for which we have contracted, could have an adverse impact on our financial results.

Our ability to secure natural gas for current and future sales depends upon our ability to purchase and receive delivery of supplies of natural gas from third parties, as well as our ability to acquire supplies directly from new sources. Certain factors including the following may affect our ability to acquire and deliver natural gas to our current and future customers: suppliers' or other third parties' control over drilling of new wells and operating facilities to transport natural gas to our distribution system; competition for the acquisition of natural gas; priority allocations on transmission pipelines; impact of severe weather disruptions to natural gas supplies; failure of third parties to deliver gas for which we have contracted; the regulatory and pricing policies of federal, state and local government agencies; and the availability of Canadian reserves for export to the United States. If we are unable to obtain, or are limited in our ability to obtain, natural gas from our current suppliers or new sources, our financial results could be adversely impacted.

Single transportation pipeline risk. We rely on a single pipeline company for the transportation of gas to our service territory, a disruption of which could adversely impact our ability to meet our customers' gas requirements.

Our distribution system is directly connected to a single interstate pipeline, which is owned and operated by Northwest Pipeline. The pipeline's gas flows are bi-directional, transporting gas into the Portland metropolitan market from two directions: (1) the north, which brings supplies from the British Columbia and Alberta supply basins; and (2) the east, which brings supplies from the Alberta and the U.S. Rocky Mountain supply basins. If there is a rupture or inadequate capacity in the pipeline, we may not be able to meet our customers' gas requirements and we would likely incur costs associated with actions necessary to mitigate service disruptions, both of which could significantly and negatively impact our results of operations.

Weather risk. Warmer than average weather or a failure to renew our weather normalization mechanism may have a negative impact on our revenues and results of operations.

We are exposed to weather risk primarily in our utility segment. A majority of our volume is driven by gas sales to space heating residential and commercial customers during the winter heating season. Current utility rates are based on an assumption of average weather. Warmer than average weather typically results in lower gas sales. Colder weather typically results in higher gas sales. Although the effects of warmer or colder weather on utility margin in Oregon are expected to be mitigated through the operation of our weather normalization mechanism, weather variations from normal could adversely affect utility margin because we may be required to purchase more or less gas at spot rates, which may be higher or lower than the rates assumed in our PGA. Also, approximately 9 percent of our Oregon residential and commercial customers have opted out of the weather normalization mechanism, and 10 percent of our customers are located in Washington where we do not have a weather normalization mechanism. Furthermore, continuation of the weather normalization mechanism in Oregon after October 2012 is subject to regulatory approval. As a result, we may not be fully protected against warmer than average or colder than average weather, both of which may have an adverse effect on our financial condition, results of operations and cash flows.

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Additionally, Southern Company, the traditional operating companies, and Southern Power could also be negatively impacted if any future energy price increases result in a decrease in customer usage.

Southern Company, the traditional operating companies, and Southern Power are unable to determine what impact, if any, conservation and increases in energy prices will have on their respective financial condition or results of operations.

The operating results of Southern Company, the traditional operating companies, and Southern Power are affected by weather conditions and may fluctuate on a seasonal and quarterly basis. In addition, significant weather events, such as hurricanes, tornadoes, floods, and droughts could result in substantial damage to or limit the operation of the properties of the traditional operating companies and Southern Power and could negatively impact results of operation, financial condition, and liquidity.

Electric power supply is generally a seasonal business. In many parts of the country, demand for power peaks during the summer months, with market prices also peaking at that time. In other areas, power demand peaks during the winter. As a result, the overall operating results of Southern Company, the traditional operating companies, and Southern Power may fluctuate substantially on a seasonal basis. In addition, the traditional operating companies and Southern Power have historically sold less power when weather conditions are milder. Unusually mild weather in the future could reduce the revenues, net income, available cash, and borrowing ability of Southern Company, the traditional operating companies, and Southern Power.

In addition, volatile or significant weather events could result in substantial damage to the transmission and distribution lines of the traditional operating companies and the generating facilities of the traditional operating companies and Southern Power. The traditional operating companies and Southern Power have significant investments in the Atlantic and Gulf Coast regions which could be subject to major storm activity. Further, severe drought conditions can reduce the availability of water and restrict or prevent the operation of certain generating facilities.

Each traditional operating company maintains a reserve for property damage to cover the cost of damages from weather events to its transmission and distribution lines and the cost of uninsured damages to its generating facilities and other property. In the event a traditional operating company experiences any of these weather events or any natural disaster or other catastrophic event, recovery of costs in excess of reserves and insurance coverage is subject to the approval of its state PSC. While the traditional operating companies generally are entitled to recover prudently incurred costs incurred in connection with such an event, any denial by the applicable state PSC or delay in recovery of any portion of such costs could have a material negative impact on a traditional operating company's and Southern Company's results of operations, financial condition, and liquidity.

In addition, damages resulting from significant weather events within the service territory of any traditional operating company or affecting Southern Power's customers may result in the loss of customers and reduced demand for electricity for extended periods. For example, Hurricane Katrina hit the Gulf Coast of Mississippi in 2005 and caused substantial damage within Mississippi Power's service territory. As of December 31, 2011, Mississippi Power had over 8,300 fewer retail customers as compared to pre-storm levels due to obstacles in the rebuilding process as a result of the storm, coupled with the recessionary economy. Any significant loss of customers or reduction in demand for electricity could have a material negative impact on a traditional operating company's, Southern Power's, and Southern Company's results of operations, financial condition, and liquidity.

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The current outlook of both Standard and Poor's and Moody's is stable and both categorize the ratings of the above securities as investment grade. A security rating is not a recommendation to buy, sell, or hold securities. The rating is subject to revision or withdrawal at any time, and each rating should be evaluated independently of any other rating. Standard and Poor's and Moody's lowest level investment grade rating is BBB- and Baa3, respectively.

If the rating agencies downgrade the Company's credit ratings, particularly below investment grade, or initiate negative outlooks thereon, or withdraw Vectren's ratings or, in each case, the ratings of its subsidiaries, it may significantly limit Vectren's access to the debt capital markets and the commercial paper market, and the Company's borrowing costs would increase. In addition, Vectren would likely be required to pay a higher interest rate in future financings, and its potential pool of investors and funding sources would likely decrease. Finally, there is no assurance that the Company will have access to the equity capital markets to obtain financing when necessary or desirable.

Utility Operating Risks

Vectren's gas and electric utility sales are concentrated in the Midwest.

The operations of the Company's regulated utilities are concentrated in central and southern Indiana and west central Ohio and are therefore impacted by changes in the Midwest economy in general and changes in particular industries concentrated in the Midwest. These industries include automotive assembly, parts and accessories; feed, flour and grain processing; metal castings; aluminum products; polycarbonate resin (Lexan®) and plastic products; gypsum products; electrical equipment, metal specialties, glass, steel finishing, pharmaceutical and nutritional products; gasoline and oil products; ethanol and coal mining.

Vectren's regulated utilities operate in an increasingly competitive industry, which may affect its future earnings.

The utility industry has been undergoing structural change for several years, resulting in increasing competitive pressure faced by electric and gas utility companies. Increased competition may create greater risks to the stability of Vectren's earnings generally and may in the future reduce its earnings from retail electric and gas sales. Currently, several states, including Ohio, have passed legislation that allows customers to choose their electricity supplier in a competitive market. Indiana has not enacted such legislation. Ohio regulation also provides for choice of commodity providers for all gas customers. In 2003, the Company implemented this choice for its gas customers in Ohio and is currently in the second of the three phase process to exit the merchant function in its Ohio service territory. The state of Indiana has not adopted any regulation requiring gas choice in the Company's Indiana service territories; however, the Company operates under approved tariffs permitting certain industrial and commercial large volume customers to choose their commodity supplier. Vectren cannot provide any assurance that increased competition or other changes in legislation, regulation or policies will not have a material adverse effect on its business, financial condition or results of operations.

A significant portion of Vectren's electric utility sales are space heating and cooling. Accordingly, its operating results may fluctuate with variability of weather.

Vectren's electric utility sales are sensitive to variations in weather conditions. The Company forecasts utility sales on the basis of normal weather. Since Vectren does not have a weather-normalization mechanism for its electric operations, significant variations from normal weather could have a material impact on its earnings. However, the impact of weather on the gas operations in the Company's Indiana territories has been significantly mitigated through the implementation in 2005 of a normal temperature adjustment mechanism. Additionally, the implementation of a straight fixed variable rate design in a January 2009 PUCO order mitigates most weather risk related to Ohio residential gas sales.

Vectren's utilities are exposed to increasing regulation, including environmental and pipeline safety regulation.

Vectren's utilities are subject to regulation by federal, state, and local regulatory authorities and are exposed to public policy decisions that may negatively impact the Company's earnings. In particular, Vectren is subject to regulation by the FERC, the NERC, the EPA, the IURC, the PUCO, and the DOT. These authorities regulate many aspects of its transmission and distribution operations, including construction and maintenance of facilities, operations, and safety, and its gas marketing operations involving title passage, reliability standards, and future adequacy. In addition, these regulatory agencies approve its utility-related debt and equity issuances, regulate the rates that Vectren's utilities can charge customers, the rate of return that Vectren's utilities are authorized to earn, and its ability to timely recover gas and fuel costs. Further, there are consumer advocates and other parties which may intervene in regulatory proceedings and affect regulatory outcomes.

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WGL Holdings, Inc.
Washington Gas Light Company
Part II
Item 7. Management's Discussion and Analysis of
Financial Condition and Results of Operations (continued)

In the District of Columbia, Washington Gas filed a revised tariff application seeking approval of an RNA. A commission decision was issued on December 17, 2010, wherein the Commission determined that it would be more appropriate to consider Washington Gas' RNA proposal in the context of a fully litigated base rate case. Washington Gas filed an application for reconsideration on January 18, 2011, but the Commission affirmed its previous ruling. The PSC of DC denied Washington Gas' application for reconsideration on February 28, 2011, affirming its previous rulings that the matter should be reviewed in a base rate case. For a discussion of current rates and regulatory matters, refer to the section entitled "Rates and Regulatory Matters" in Management's Discussion for Washington Gas.

For the RNA, WNA, and CRA mechanisms, periods of colder-than-normal weather generally would cause Washington Gas to record a reduction to its revenues and establish a refund liability to customers, while the opposite would generally result during periods of warmer-than-normal weather. However, factors such as volatile weather patterns and customer conservation may cause the RNA and the CARE adjustment to function conversely because they adjust billed revenues to provide a designed level of net revenue per meter.

Weather Derivatives. During the fiscal years 2011, 2010 and 2009, Washington Gas executed HDD weather derivative contracts to manage its financial exposure to variations from normal weather in the District of Columbia. Under these contracts, Washington Gas purchased protections against net revenue shortfalls due to warmer-than-normal weather and sold colder-than-normal weather benefits. These derivative contracts resulted in net premium payments to Washington Gas of \$0.3 million and \$2.1 million in fiscal years 2011 and 2010, respectively, and a net premium cost to Washington Gas of \$0.3 million in fiscal year 2009. On August 12, 2011, Washington Gas executed HDD weather derivative contracts for fiscal year 2012 resulting in a net premium payment to Washington Gas of \$0.8 million.

WGEServices utilizes HDD derivatives from time to time to manage weather risks related to its natural gas and electricity sales. WGEServices also utilizes cooling degree day (CDD) derivatives to manage weather risks related to its electricity sales during the summer cooling season. These derivatives cover a portion of WGEServices' estimated revenue or energy-related cost exposure to variations in HDDs or CDDs. Refer to Note 5—*Derivatives* of the Notes to Consolidated Financial Statements for a further discussion of the accounting for these weather-related instruments.

Interest-Rate Risk

We are exposed to interest-rate risk associated with our short-term and long-term financing. Management of this risk is discussed below.

Short-Term Debt. At September 30, 2011 and 2010, WGL Holdings and its subsidiaries had outstanding notes payable of \$39.4 million and \$100.4 million, respectively. The carrying amount of our short-term debt approximates fair value. In fiscal year 2011, a change of 100 basis points in the underlying average interest rate for our short-term debt would have caused a change in interest expense of approximately \$0.4 million.

Long-Term Debt. At September 30, 2011, we had fixed-rate MTNs and other long-term debt aggregating \$587.2 million in principal amount, excluding current maturities and unamortized discounts, and having a fair value of \$720.9 million. Fair value is defined as the present value of the debt securities' future cash flows discounted at interest rates that reflect market conditions as of September 30, 2011. While these are fixed-rate instruments and, therefore, do not expose us to the risk of earnings loss due to changes in market interest rates, they are subject to changes in fair value as market interest rates change. A total of \$464.5 million, or approximately 80%, of Washington Gas' outstanding MTNs, excluding current maturities, have make-whole call options, which require us to pay a premium in addition to the face amount if these options are exercised.

ITEM 1A. RISK FACTORS - (Cont'd)

2011 Form 10-K

governmental actions; and events in the global economy.

If we are unable to complete the development or construction of a facility or decide to delay or cancel construction, we may not be able to recover our investment in the facility and may incur substantial cancellation payments under equipment and construction contracts. Even if a construction project is completed, the total costs may be higher than estimated and/or higher than amounts approved by our regulators, and there is no guarantee that we will be allowed to recover these costs in rates. In addition, construction delays can result in the delay of revenues and, therefore, could affect our results of operations.

We estimate that the final cost of the Oak Creek expansion is approximately \$181 million, or 8.3%, over the amount initially approved by the PSCW, of which our share is approximately \$154 million. This additional amount includes the amounts payable to Bechtel Power Corporation (Bechtel) pursuant to the Settlement Agreement. The order approving the Oak Creek expansion provides that if final costs are within 5% of the costs initially approved by the PSCW, and the additional costs are deemed to be prudent by the PSCW, the final lease payments for the Oak Creek expansion to be recovered from Wisconsin Electric's ratepayers would be adjusted to reflect the actual construction costs. Costs above the 5% cap would not be included in lease payments or recovered from customers absent a finding by the PSCW that such costs were prudently incurred and were the result of force majeure conditions, an excused event and/or an event of loss. In addition, the leases provided for a guaranteed in-service date of September 29, 2009 for OC 1 and September 29, 2010 for OC 2, and imposed liquidated damages of \$250,000 per day, of which Elm Road Generating Station Supercritical, LLC's (ERGSS) share is approximately \$208,350 per day, for failure to achieve the guaranteed in-service date unless the delays resulted from force majeure conditions or an excused event. ERGSS is entitled to receive its share of liquidated damages from Bechtel for each day Bechtel failed to achieve the same guaranteed in-service dates, unless the delays resulted from force majeure conditions or an excused event. Bechtel was granted total schedule relief of 120 days for OC 1 and 81 days for OC 2. All liquidated damages collected are for the benefit of Wisconsin Electric's customers. There is no guarantee that the PSCW will grant ERGSS the same schedule relief. In light of the weather delays incurred on the project and other factors, we expect to request authorization from the PSCW to recover all costs associated with the units and to grant relief from liquidated damages. If the PSCW does not allow Wisconsin Electric to collect our share of the additional costs or grant ERGSS the same schedule relief, our results of operations could be adversely affected.

Customer growth in our service areas affects our results of operations.

Our results of operations are affected by customer growth in our service areas. Customer growth can be affected by population growth as well as economic factors in Wisconsin and the Upper Peninsula of Michigan, including job and income growth. Customer growth directly influences the demand for electricity and gas, and the need for additional power generation and generating facilities. Population declines and/or business closings in our service territories or slower than anticipated customer growth has a negative impact on our results of operations and cash flow.

Energy sales are impacted by seasonal factors and varying weather conditions from year-to-year.

Our electric and gas utility businesses are generally seasonal businesses. Demand for electricity is greater in the summer and winter months associated with cooling and heating. In addition, demand for natural gas peaks in the winter heating season. As a result, our overall results in the future may fluctuate substantially on a seasonal basis. In addition, we have historically had lower revenues and net income when weather conditions are milder. Our rates in Wisconsin are set by the PSCW based on estimated temperatures which approximate 20-year averages. Mild temperatures during the summer cooling season and during the winter heating season will negatively impact the results of operations and cash flows of our electric utility business. In addition, mild temperatures during the winter heating season negatively impact the results of operations and cash flows of our gas utility business.

Severe weather events, such as floods, droughts, tornadoes and blizzards, could result in substantial damage to or limit the operation of our facilities.

Severe weather events could result in substantial damage to our electric generating and gas distribution facilities, as well as ATC's transmission lines. Our hydroelectric generation operations could be adversely affected if there is a

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AGL Research

The following table provides regulatory information for our six largest utilities.

	Nicor Gas	Atlanta Gas Light	Virginia Natural Gas	Elizabethtown Gas	Florida City Gas	Chattanooga Gas
Authorized return on rate base						
(1)	8.09%	8.10%	7.38%	7.64%	7.36%	7.41%
Estimated 2011 return on rate						
base (2)	N/A	8.33%	8.15%	8.84%	5.74%	8.43%
Authorized return on equity (1)	10.17%	10.75%	10.00%	10.30%	11.25%	10.05%
Estimated 2011 return on equity						
(2)	N/A	11.20%	11.97%	12.81%	8.53%	12.24%
Authorized rate base % of equity						
(1)	51.1%	51.0%	45.4%	47.9%	36.8%	46.1%
Rate base included in 2011						
return on equity (in millions)						
(2)	\$ 1,485	\$ 1,317	\$ 516	\$ 476	\$ 163	\$ 92
Weather normalization (3)			✓	✓		✓
Decoupled or straight-fixed-						
variable rates (4)		✓				✓
Regulatory infrastructure program						
rates (5)		✓		✓		
Bad debt rider (6)	✓					
Synergy sharing policy (7)		✓				
Last decision on change in rates	Oct.	Oct.	Dec			
(8)	2009	2010	2011	Dec. 2009	N/A	May 2010

- (1) The authorized return on rate base, return on equity, and percentage of equity were those authorized as of December 31, 2011.
- (2) Estimates based on principles consistent with utility ratemaking in each jurisdiction.
- (3) Involves regulatory mechanisms that allow us to recover our costs in the event of unseasonal weather, but are not direct offsets to the potential impacts of weather and customer consumption on earnings. These mechanisms are designed to help stabilize operating results by increasing base rate amounts charged to customers when weather is warmer than normal and decreasing amounts charged when weather is colder than normal.
- (4) Decoupled and straight-fixed-variable rate designs allow for the recovery of fixed customer service costs separately from assumed natural gas volumes used by our customers. The decoupled rate design for Virginia Natural Gas expired in December 2011.
- (5) Includes programs that update or expand our distribution systems and liquefied natural gas facilities.
- (6) Involves the recovery (or refund) of the amount of bad debt expense over (or under) an established benchmark expense.
- (7) Involves the recovery of 50% of net synergy savings achieved on future acquisitions.
- (8) In connection with the Nicor merger, we agreed not to initiate a rate proceeding that would increase our base rates for Nicor Gas effective prior to December 9, 2014.

Recent Regulatory Actions

Nicor Gas In May 2011, the Illinois Commission approved an energy efficiency plan for Nicor Gas pursuant to an Illinois law that requires local gas distribution utilities to establish plans to achieve specified energy savings goals and provides utilities with a rider to collect the costs from customers. Under its approved plan, we estimate that Nicor Gas would bill approximately \$155 million to customers under the rider, over a three year period which commenced June 1, 2011, to fund the costs of various energy savings programs identified in the filing. This new energy efficiency plan rider replaced the rider previously in effect. The costs under the rider are subject to annual review by the Illinois Commission.

On July 1, 2009, Nicor Gas filed a petition seeking re-approval from the Illinois Commission of the operating agreement that governs many inter-company transactions between Nicor Gas and its affiliates. The petition was filed pursuant to a requirement contained in the Illinois Commission order approving Nicor Gas's most recent general rate increase and requested that the operating agreement be re-approved without change. A number of parties intervened in the proceeding (the "operating agreement proceeding") and sought modifications on a prospective basis to the operating agreement. Among the proposals were several by the Illinois Commission Staff and intervenors that would preclude Nicor Gas from continuing to provide certain services to support warranty products that are sold by Nicor Services. Specifically, Nicor Services had used Nicor Gas personnel to assist in some sales solicitation for these warranty products. The Illinois Commission was required to

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