The Peoples Gas Light and Coke Company

Cost of Capital Summary

	Class of Capital	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	
	(A)	(B)	(C)	(D)	(E) = (B X C)	
13	Long-term Debt	44.00%	5.58%	D-3	2.46%	1
14	Common Equity	56.00%	11.87%		6.65%	2
15	Total Capital				9.11%	3

Peoples Gas Light & Coke Company
Embedded Cost of Long-term Debt
Average 2010

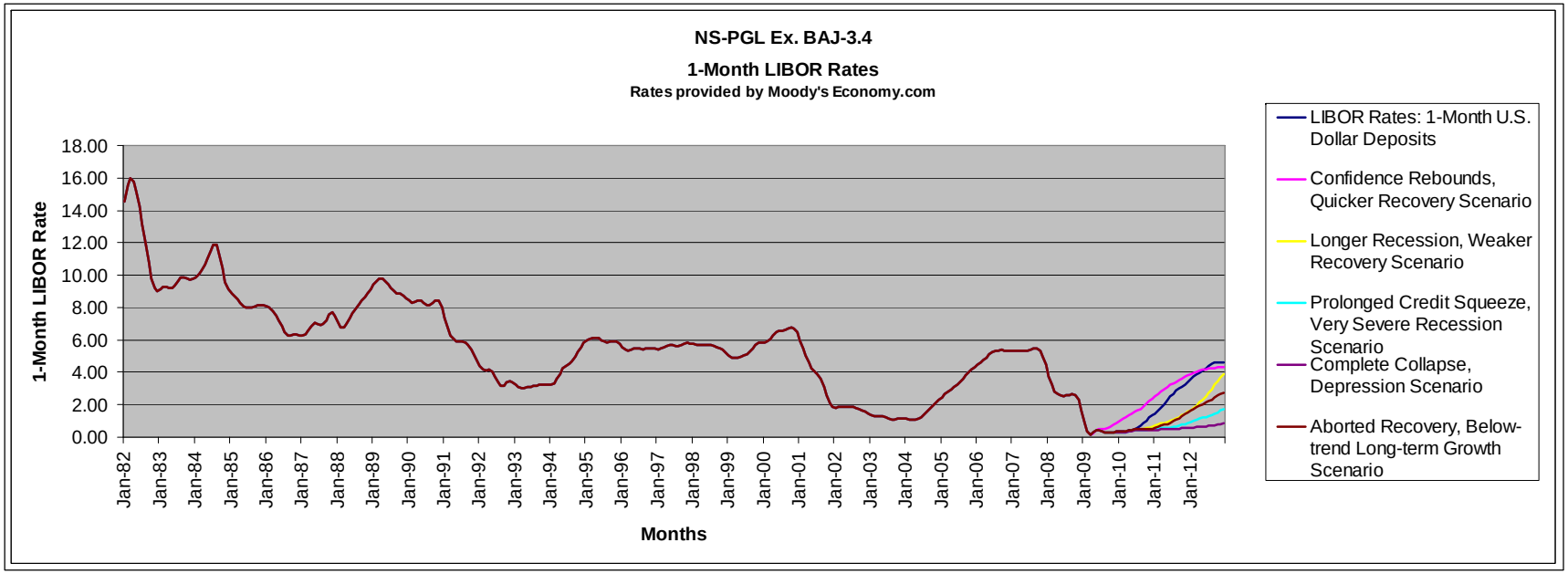
	Debt Issue Type, Coupon Rate (A)		Date Issued (B)	Maturity Date (C)	Original Principal Amount (D)	Face Amount Outstanding (F)	Debt Discount or (Premium) (H)	Unamortized Debt Expense (Gain) (I)	Carrying Value (J)	Coupon Interest Expense (K)	Amortization of Debt Discount or (Premium) (L)	Amortization of Debt Expense (M)	Total Expense (N)	
1	**First and Refunding Mortgage Bonds:**													
2	Series HH	4.75%	3/1/2000	3/1/2030	50,000,000	50,000,000		1,407,999	48,592,001	2,375,000		71,552	2,446,552	
3	Series KK	5.00%	2/6/2003	2/1/2033	50,000,000	50,000,000	500,425	1,237,392	48,262,183	2,500,000	22,139	54,742	2,576,881	
4	Series LL	3.75%	2/20/2003	2/1/2033	50,000,000	50,000,000		871,917	49,128,083	1,875,000		38,573	1,913,573	
5	Series MM	3.94%	2/27/2003	3/1/2010	50,000,000	10,416,667	670	1,167	10,414,830	410,417	8,037	14,005	432,459	
6	Series NN	4.57%	4/29/2003	5/1/2013	75,000,000	75,000,000	17,011	429,184	74,553,805	3,426,250	6,002	151,428	3,583,680	
7	Series OO	4.08%	10/9/2003	10/1/2037	51,000,000	51,000,000		775,233	50,224,767	2,080,800		28,428	2,109,228	
8	Series QQ	4.88%	11/25/2003	11/1/2038	75,000,000	75,000,000		1,364,799	73,635,201	3,656,250		48,133	3,704,383	
9	Series RR	4.30%	6/1/2005	6/1/2035	50,000,000	50,000,000		787,699	49,212,301	2,150,000		31,593	2,181,593	
10	Seiers SS	6.75%	11/3/2008	11/1/2013	45,000,000	45,000,000		378,889	44,621,111	3,037,500		113,496	3,150,996	
11	Series TT	7.70%	11/3/2008	11/1/2018	5,000,000	5,000,000		52,492	4,947,508	385,000		6,293	391,293	
12	New Issue	7.43%	10/1/2009	10/1/2019	50,000,000	50,000,000		416,501	49,583,499	3,712,500		44,997	3,757,497	
13	New Issue	7.58%	3/1/2010	3/1/2020	50,000,000	39,583,333		341,029	39,242,305	2,998,438		45,025	3,043,463	
14	ICC Issuance Fees for Long-Term debt							50,000	(50,000)	-			-	
15	**Sub-Total**				601,000,000	551,000,000	518,106	8,114,301	542,367,593	28,607,154	36,178	648,265	29,291,597	
17	**Reaquired Debt**													
18	Series LL	3.75%	2/20/2003	2/1/2033				1,712,669	(1,712,669)			$75,768	$75,768	
19	Series HH	4.75%	7/1/2004	3/1/2030				377,327	(377,327)			$19,175	$19,175	
20	Series KK	5.00%	2/6/2003	2/1/2033				1,309,402	(1,309,402)			$57,928	$57,928	
21	Series QQ	4.88%	11/25/2003	11/1/2038				1,977,004	(1,977,004)			$69,724	$69,724	
19	Series PP	4.85%	10/9/2003	10/1/2037				850,708	(850,708)			$31,196	$31,196	
20	Series OO	2.52%	10/9/2003	10/1/2037				1,374,711	(1,374,711)			$50,411	$50,411	
21	Series RR	4.30%	6/1/2005	6/1/2035				2,526,819	(2,526,819)			$101,345	101,345	
22	**Sub-Total**							$10,128,640	-$10,128,640			$405,547	$405,547	
23					$601,000,000	$551,000,000	$518,106	$18,242,941	$532,238,953	$28,607,154	$36,178	$1,053,812	$29,697,144	
24														5.58%

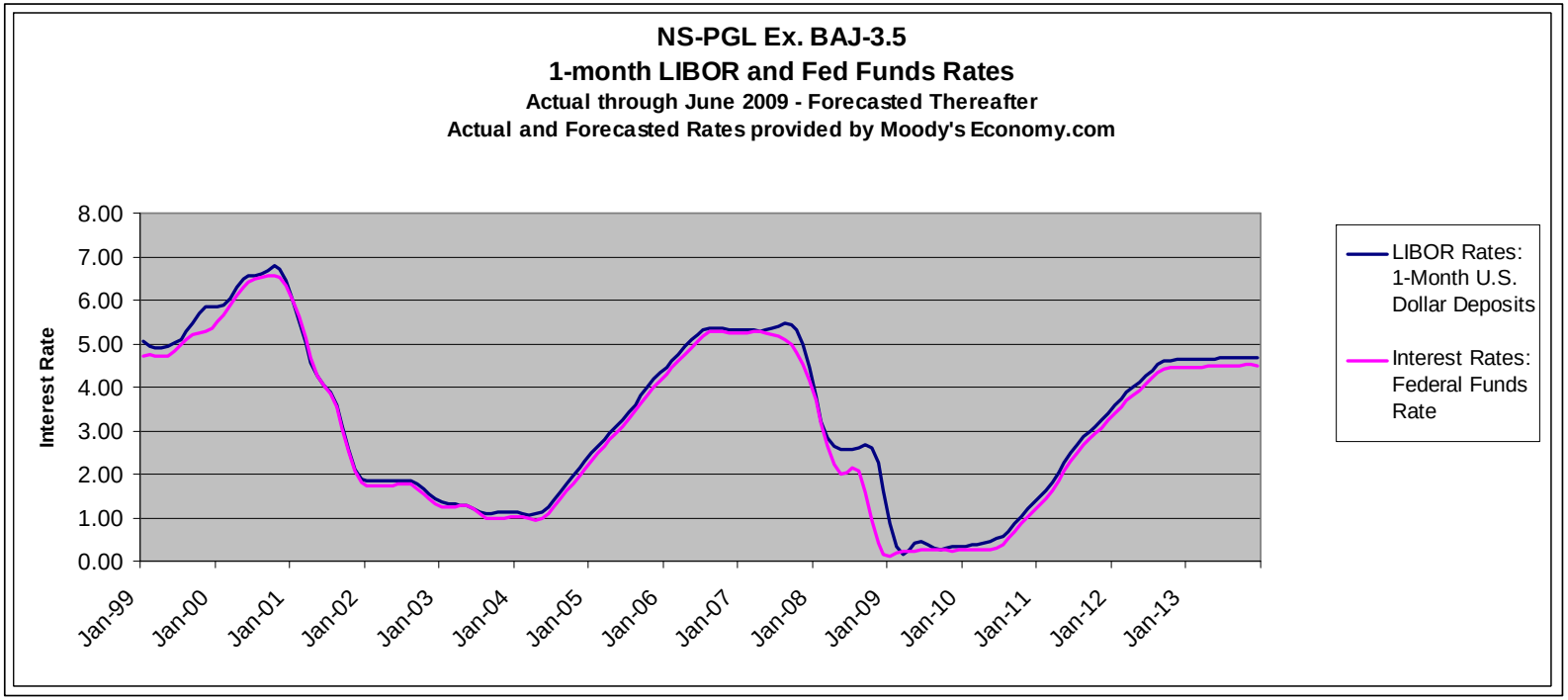
NS-PGL Ex. BAJ-3.3
Comparison of Actual 3-month LIBOR rates to Forecasted 3-month LIBOR rates
Spot vs. Forecated Rates

	Monthly Actual 3-Mo. LIBOR ***	Quarterly Actual 3-Mo. LIBOR	July 1, 2007 BCFF Forecasted 3-Mo. LIBOR *	Variance from Actual	Actual May 2007 3-Mo. LIBOR Rate ****	Variance from Actual	December 1, 2007 BCFF Forecasted 3-Mo. LIBOR **	Variance from Actual
Jan-07	5.36							
Feb-07	5.36							
Mar-07	5.35	5.36						
Apr-07	5.36							
May-07	5.36							
Jun-07	5.36	5.36						
Jul-07	5.36							
Aug-07	5.48							
Sep-07	5.49	5.45	5.40	-0.05	5.36	-0.09		
Oct-07	5.15							
Nov-07	4.96							
Dec-07	4.98	5.03	5.40	0.37	5.36	0.33		
Jan-08	3.92							
Feb-08	3.09							
Mar-08	2.78	3.26	5.30	2.04	5.36	2.10	4.6	1.34
Apr-08	2.79							
May-08	2.69							
Jun-08	2.77	2.75	5.30	2.55	5.36	2.61	4.4	1.65
Jul-08	2.79							
Aug-08	2.81							
Sep-08	3.12	2.91	5.30	2.39	5.36	2.45	4.3	1.39
Oct-08	4.06							
Nov-08	2.28							
Dec-08	1.83	2.72	5.20	2.48	5.36	2.64	4.4	1.68
2008 Average		**2.91**	**5.28**	**2.36**	**5.36**	**2.45**	**4.43**	**1.51**

Note: The timeframe for the analysis above was chosen to illustrate the positions of Staff and Peoples Gas on the issue of using a a "spot" interest rate vs a forecasted rate for a given test year using historical data. May 2007 was used as Staff's recommended rate. The July 1, 2007 Blue Chip Financial forecast of 3-month LIBOR rates was used for Peoples Gas's recommended rate. The December 1, 2007 rate is assumed to have been the most current forecast available prior to rates being set in January.

* Forecasted rates are from Blue Chip Financial Forecasts for July 1, 2007
** Forecasted rates are from Blue Chip Financial Forecats for December 1, 2007
*** Actual 3-month LIBOR rates are from www.wsjprimerate.us/libor/libor_rates_history.htm
**** May 2007 rate was used for this analysis to correspond with Staff's proposal to use a May 2009 rate for Peoples Gas' 2010 test year.


NS-PGL Ex. BAJ-3.4
1-Month LIBOR Rates
Rates provided by Moody's Economy.com
1-Month LIBOR Rate
18.00
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
Jan-82
Jan-83
Jan-84
Jan-85
Jan-86
Jan-87
Jan-88
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Months
LIBOR Rates: 1-Month U.S. Dollar Deposits
Confidence Rebounds, Quicker Recovery Scenario
Longer Recession, Weaker Recovery Scenario
Prolonged Credit Squeeze, Very Severe Recession Scenario
Complete Collapse, Depression Scenario
Aborted Recovery, Below-trend Long-term Growth Scenario


NS-PGL Ex. BAJ-3.5
1-month LIBOR and Fed Funds Rates
Actual through June 2009 - Forecasted Thereafter
Actual and Forecasted Rates provided by Moody's Economy.com
Interest Rate
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
LIBOR Rates: 1-Month U.S. Dollar Deposits
Interest Rates: Federal Funds Rate