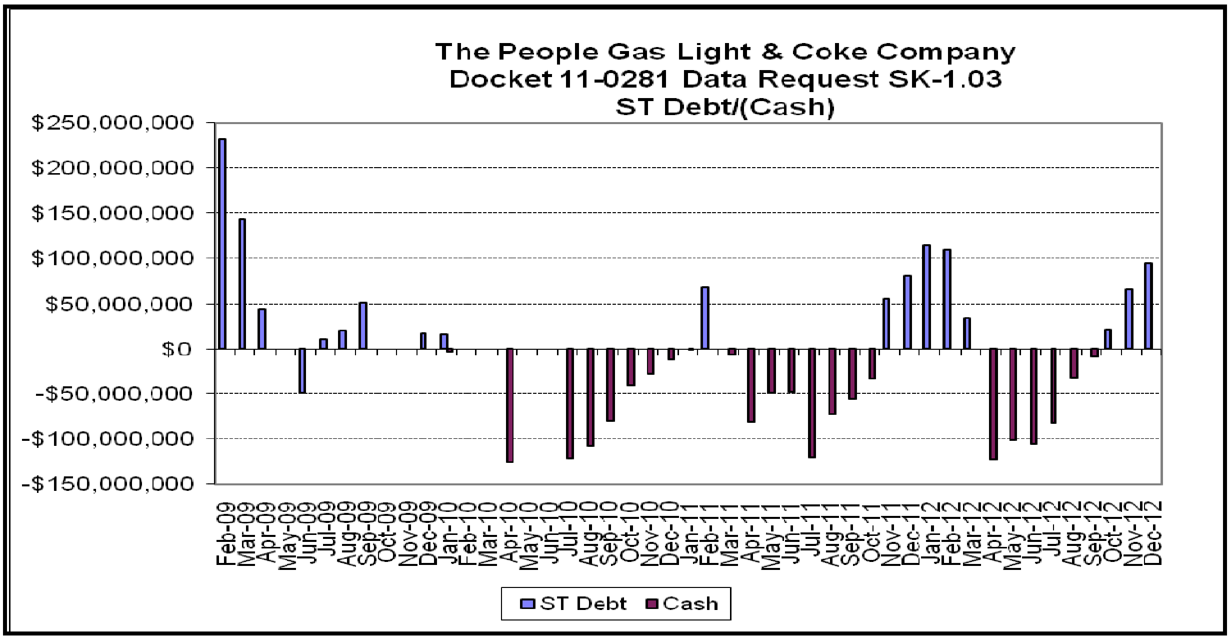
ICC Docket No. 11-0281
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests SK 1.01-1.16
Dated: March 31, 2011

REQUEST NO. SK 1.03:

Please provide documentation to support the Companies' claims that short-term debt is only used to finance seasonal cash needs. (PGL Ex. 2.0, p. 6; PGL WPD-1(1); PGL WPD-2; NS WPD-1(1); and NS WPD-2) Include in the response a list of assets the Companies believe short-term debt finances and the month-end balances of those assets for the months July 2010 through December 2012.

RESPONSE:

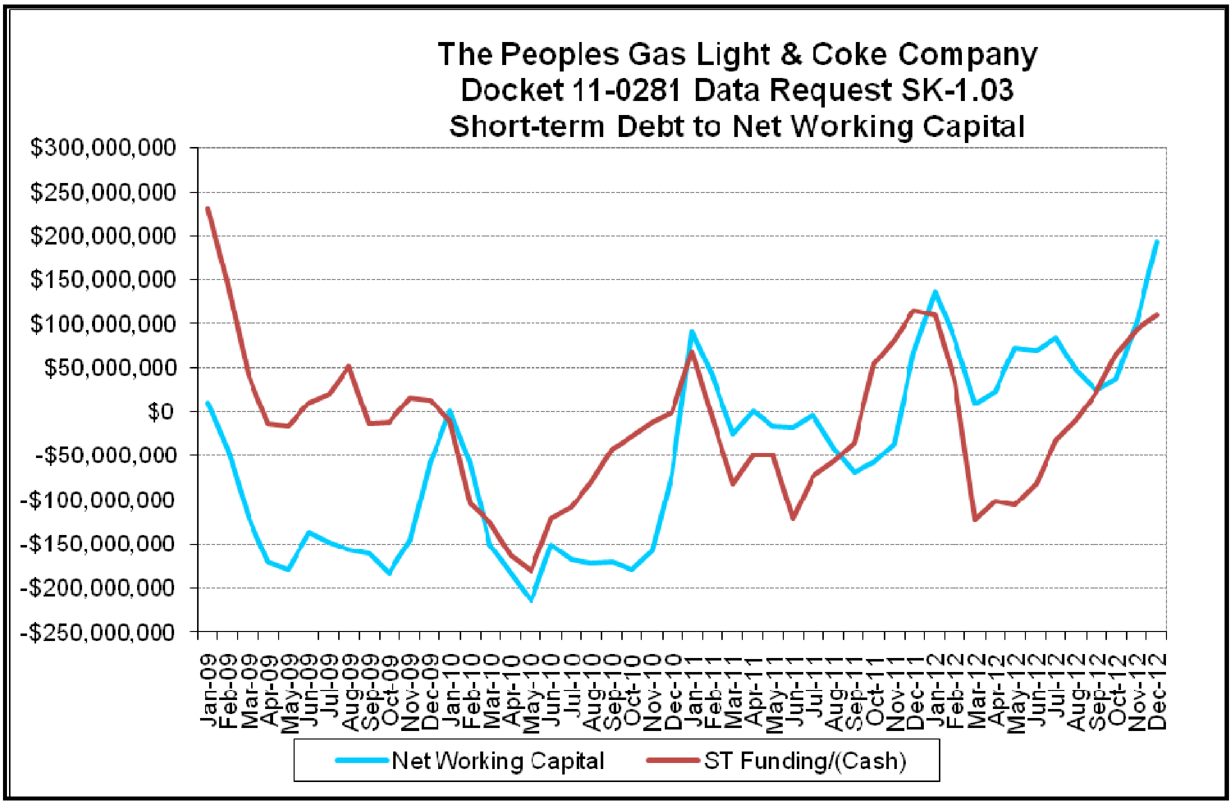
Peoples Gas Schedule D-2 combined with the information shown in the graph below, shows that Peoples Gas did not have short term borrowings for all of 2010. For the forecasted year 2011 and the 2012 rate case year, Peoples Gas is projecting to have no short-term debt outstanding for 8 months and 6 months respectively. The pattern shown in the graph below supports the fact that short-term debt is only used for seasonal cash needs. These seasonal cash needs are driven mostly by timing of receipts and expenditures. During the warmer months of the year, the Company uses cash to fund injections of gas into storage for use during the winter months. As cash is depleted, short term debt is used to fund working capital until customer receipts from gas sales can be used to fund working capital. As the heating season winds down, cash balances increase. At this point the cycle starts over again. The graph below shows how short-term debt is only forecasted to be needed during the winter months for 2011 through 2012. For short-term debt to be the funding source for permanent investments the debt would need to remain outstanding for the entire investment period.



ICC Docket No. 11-0281
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests SK 1.01-1.16
Dated: March 31, 2011

In addition, the difference between rate base of $1,458,099,000 (Section 285.2005, Schedule B-1) and permanent capital of $1,420,966,000 ($624,536,000 LT Debt and $796,430,000 Common Equity per PGL Ex. 2.3, page 1) is forecasted to be $37,133,000 on December 31, 2012. The slight difference between permanent capital and net rate base assets shows that there is a need for short term financing. This difference will be funded with short-term debt. However, the use of short-term debt is only used to fund seasonal cash needs as is the case here.

The company believes Net Working Capital, defined as Current Assets (with the exception of Gas in Storage and Cash) net of Current Liabilities (with the exception of debt related items -ST Debt, Commercial Paper, LT Debt Due within One Year, Accrued Interest - Customer Deposits and Customer Credit Balances), is financed with short-term borrowings and cash on hand[1]. The attached graph shows these balances for July 2010 thru December 2012 and indicates there is a strong correlation between Net Working Capital and short-term funding. See PGL_SK-1.03.xlsx for the list of accounts included as net working capital and their month-end balances.



[1] Gas in Storage, Accrued Interest – Customer Deposits and Customer Credit Balances are excluded from the above as these are normally rate base adjustments.

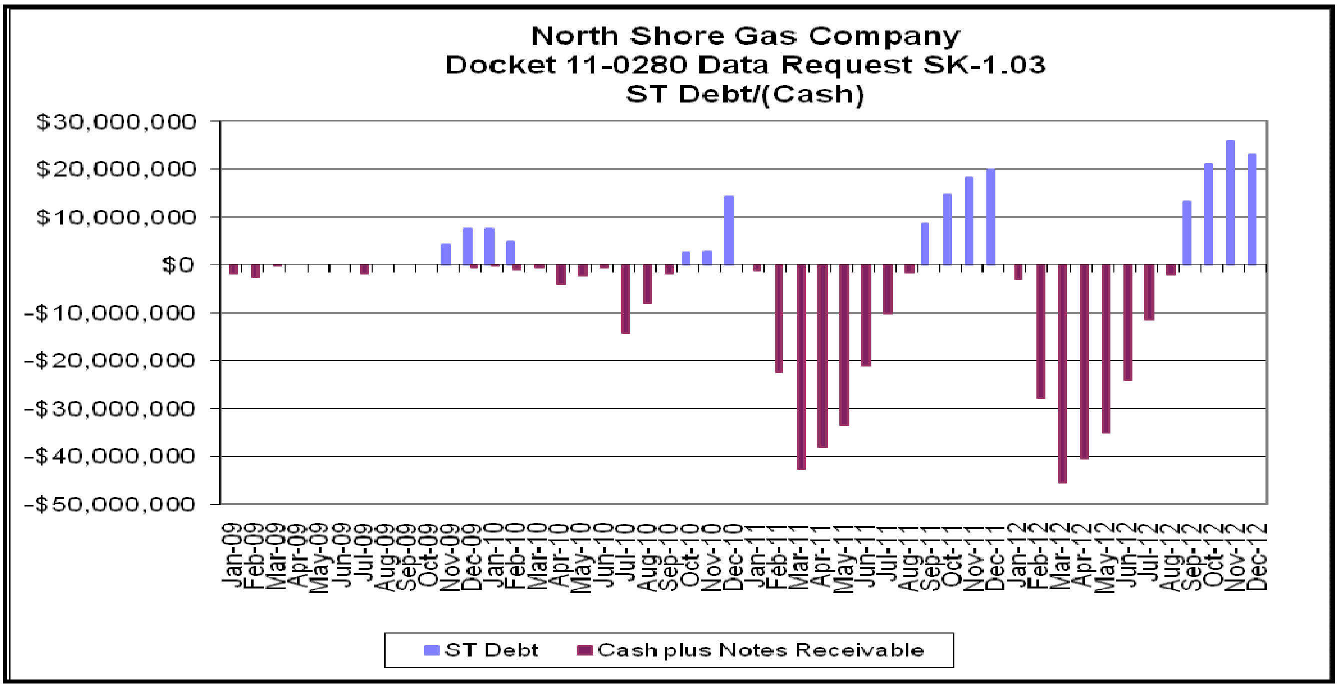
ICC Docket No. 11-0280
North Shore Gas Company's Response to
Staff Data Requests SK 1.01-1.16
Dated: March 31, 2011

REQUEST NO. SK 1.03:

Please provide documentation to support the Companies' claims that short-term debt is only used to finance seasonal cash needs. (PGL Ex. 2.0, p. 6; PGL WPD-1(1); PGL WPD-2; NS WPD-1(1); and NS WPD-2) Include in the response a list of assets the Companies believe short-term debt finances and the month-end balances of those assets for the months July 2010 through December 2012.

RESPONSE:

North Shore Gas Company did not have any short term borrowings (net of cash) for 7 months during 2010. North Shore Gas is projecting to have no short-term debt (net of cash) outstanding for 8 months in both the forecasted year 2011 and the 2012 rate case year. This fluctuation in short-term debt supports the fact that short-term debt is only used for seasonal cash needs. These seasonal cash needs are driven mostly by timing of receipts and expenditures. During the warmer months of the year, the company uses cash to fund injections of gas into storage for use during the winter months. As cash is depleted, short term debt is used to fund working capital until customer receipts from gas sales can be used to fund working capital. As the heating season winds down, cash balances increase. At this point the cycle starts over again. The graph below shows how short-term debt is only forecasted to be needed during the winter months for 2011 through 2012 For short-term debt to be the funding source for permanent investments the debt would need to remain outstanding for the entire investment period.

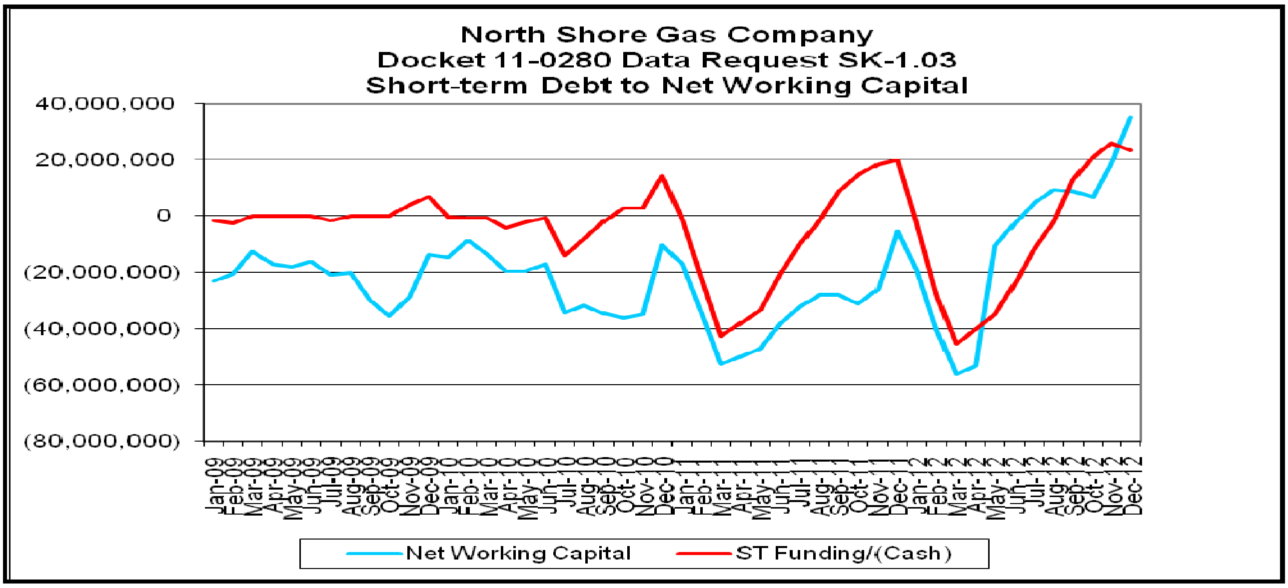


ICC Docket No. 11-0280
North Shore Gas Company's Response to
Staff Data Requests SK 1.01-1.16
Dated: March 31, 2011

In addition, the difference between rate base of $192,361,000 (Section 285.2005, Schedule B-1) and permanent capital of $170,616,000 ($74,969,000 LT Debt and $95,647,000 Common Equity per NSG Ex. 2.3, page 1) is forecasted to be $21,745,000 on December 31, 2012. The slight difference between permanent capital and net rate base assets shows that there is a need for short term financing. This difference will be funded with short-term debt. However, the use of short-term debt is only used to fund seasonal cash needs as is the case here.

For example, although rate base is expected to exceed permanent capital by $21.7 million, the 13-month average cash balance is forecasted to be $15.7 million, while the 13-month average short-term debt outstanding is forecasted to be $6.8 million. This indicates that the Company is forecasting an average net cash balance during the year of over $8.9 million which would be the source for funding the difference between rate base and capital structure on a longer term basis and further proves that the Company does not use short term financing as a permanent source of financing rate base investments.

The company believes Net Working Capital, defined as Current Assets (with the exception of Gas in Storage and Cash) net of Current Liabilities (with the exception of debt related items -ST Debt, Commercial Paper, LT Debt Due within One Year, Accrued Interest - Customer Deposits and Customer Credit Balances), are financed with short-term borrowings and cash on hand[1]. The attached graph shows these balances for January 2008 thru December 2010 and indicates there is a strong correlation between Net Working Capital and short-term funding. See NS SK-1.03.xlsx for the list of accounts included as net working capital and their month-end balances.



[1] Gas in Storage, Accrued Interest – Customer Deposits and Customer Credit Balances are excluded from the above as these are normally rate base adjustments.

STANDARD & POOR'S

Global Credit Portal
RatingsDirect®

February 4, 2011

Peoples Gas Light & Coke Co. (The)

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Peoples Gas Light & Coke Co. (The)

Major Rating Factors

Corporate Credit Rating
BBB+/Positive/A-2

Strengths:

- Lower risk regulated gas utility;
- Improved consolidated financial measures; and
- Implementation of regulatory mechanisms that should lead to more stable and predictable cash flows.

Weaknesses:

- Affiliation with Integrys' higher-risk competitive retail electric and gas businesses; and
- Possible increasing regulatory risk.

Rationale

The ratings on Peoples Gas Light & Coke Co. (PG) reflect Integrys Energy Group Inc.'s consolidated credit profile. The ratings also reflect PG's excellent business risk profile and Integrys' significant financial risk profile. Integrys' subsidiaries include intermediate holding company Peoples Energy Corp. (PE), regulated electric and gas utilities Wisconsin Public Service Corp. (WPS), PG (a subsidiary of PE), North Shore Gas Co. (NSG) (a subsidiary of PE), Upper Peninsula Power Co., Minnesota Energy Resources Corp., and Michigan Gas Utilities Corp., and non-rate regulated Integrys Energy Services Inc. (ESI). Integrys also invests in rate-regulated electric transmission through its 34% ownership of American Transmission Co. As of Sept. 30, 2010, Integrys had about $2.5 billion of total debt outstanding.

Integrys' consolidated strong business risk profile reflects the combination of the excellent business risk profiles of Integrys' regulated utility businesses offset by the increased risks at its non-utility business, ESI.

The excellent business risk profiles for PE, PG, and NS reflect their lower-risk gas distribution operations. Integrys' rate-regulated Illinois gas companies collectively serve about 980,000 gas customers in Chicago and the northeastern part of the state. The company's distribution rates are regulated by the Illinois Commerce Commission. Overall, we view the gas distribution businesses as lower risk than a fully integrated electric utility that generally includes electric generation, transmission, and distribution.

More importantly, the company has diligently reduced its regulatory lag by filings forward looking rate cases, employing decoupling and fuel recovery mechanisms, an uncollectible adjustment mechanism, and an infrastructure rider. Ultimately, we expect that these regulatory mechanisms will overtime translate to more stable and predictable cash flows.

Also affecting the business risk profile of Integrys' Illinois gas utilities is their ability to manage their regulatory risk. Although these utilities have to date been able to adequately manage the regulatory risk, even through the 2009 recession, recent developments may indicate increased regulatory risk. In 2010, Standard & Poor's revised its assessment of the Illinois regulation to 'less credit supportive' from 'least credit supportive'. The change reflected our view that the Illinois regulatory climate had returned to stable after the disruption following the state's transition to competition. Our revised assessment was partially based on the 13 constructive rate case orders from 2008-2010.

These developments clearly pointed to a decreasing regulatory risk environment. However, in March 2010, Ameren received rate case orders for its Illinois electric and gas businesses that we viewed as not conducive to credit quality. Although we don't expect that the specific issues that affected Ameren's rate order will negatively harm Integrys' Illinois gas utilities' future rate case filings, we are concerned that the stability of the regulatory climate may not be lasting, causing Integrys' regulatory risk to increase.

The consolidated strong business risk profile reflects the company's restructured unregulated businesses. ESI's businesses will mostly focus on retail electric and natural gas and is not expected to exceed more than 10% of funds from operations (FFO). ESI operates in a highly competitive industry that is characterized by minimal barriers to entry, low margins, and volatile cash flows. Matching supply to variable loads or estimated sales volumes and maintaining sufficient liquidity for collateral and margin calls are the primary risk drivers. Although ESI will increase its solar project investments through its partnership, we view this development as just a diversification of its non-rate regulated businesses, rather than ESI reducing its overall risk.

Integrys' significant financial risk profile reflects its overall improved financial measures. Despite the recession and Integrys' restructuring of its ESI business, the cash flow measures have remained adequate for the current rating. The improved financial measures are a result of management's focus on reducing its regulatory lag, its proactive reduction of O&M costs, and debt reduction. For the 12 months ended Sept. 30, 2010, adjusted consolidated FFO to total debt slipped to 23.6% from 24.8% at the end of 2009, adjusted debt to EBITDA improved to 3.9x from 4.5x, and adjusted debt to total capital strengthened to 49.9% from 52% at the end of 2009.

Short-term credit factors

The short-term rating on Integrys and PG is 'A-2'. We view its liquidity as adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). Adequate liquidity supports Integrys' 'BBB+' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, necessary capital expenditures, debt maturities, and common dividends by about 1.2x. Integrys' ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its well established bank relationships, its general high standing in the credit markets, and prudent risk management further support our assessment of its liquidity as adequate.

As of Sept. 30, 2010, Integrys and its subsidiaries had cash and cash equivalents of $165 million and revolving credit facilities of $2 billion, of which about $1.8 billion was available after reducing for outstanding borrowings, commercial paper, and letters of credit. Currently, $900 million of the company's current total credit facility capacity terminates by June 2011 and the balance terminates in 2013. Integrys is required to maintain a debt to total capital ratio of less than 65%, and as of Sept. 30, 2010, the company was in compliance with this covenant.

Integrys had positive discretionary cash flow in 2009 partially because of its proactive decision to reduce its capital expenditures. However over the intermediate term, we expect that discretionary cash flow will revert back to negative, reflecting increased environmental capital expenditures and the cast-iron main replacement program. Integrys has long-term maturities for 2011–2013 of $478 million, $251 million, and $314 million, respectively. We expect that Integrys will meet these cash shortfalls in a manner that is credit neutral.

Recovery analysis

We assign recovery ratings to First Mortgage Bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating (CCR) depending on the CCR category and the extent of the collateral coverage. The investment grade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance when assigning issue ratings to utility FMBs. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

PG's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of 1.3x supports a recovery rating of a '1' and an issue rating of one notch above the CCR.

Outlook

The positive outlook reflects Standard & Poor's baseline forecast that Integrys' adjusted FFO to debt and adjusted debt to total capital will approximate, over the intermediate term, 21% and 50%, respectively. Significant risks to the forecast include higher than anticipated capital costs, project delays, or increased regulatory risk. A ratings upgrade is based on an improvement to the business risk profile, specifically that the company is able to manage its non rate regulated businesses so that they consistently represent no more than 10% of consolidated FFO. The outlook can be revised to stable if the financial measures deteriorate, the company's regulatory risk in Illinois increases, or the unregulated businesses disproportionally grow.

Table 1.

Integrys Energy Group Inc. -- Peer Comparison*

Industry Sector: Combo

	Integrys Energy Group Inc.	Alliant Energy Corp.	DTE Energy Co.	Wisconsin Energy Corp.
Rating as of Feb. 3, 2011	BBB+/Positive/A-2	BBB+/Positive/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	10,613.3	3,517.4	8,428.3	4,265.6
Net income from cont. oper.	78.4	278.0	615.0	357.4
Funds from operations (FFO)	660.6	704.2	1,443.6	898.7
Capital expenditures	473.0	882.6	1,229.9	1,018.0
Debt	3,553.9	3,208.9	8,883.7	5,200.0
Equity	3,287.7	2,883.7	6,276.7	3,599.5
Adjusted ratios				
Oper. income (bef. D&A)/revenues (%)	6.0	24.9	23.4	18.6
EBIT interest coverage (x)	2.6	3.1	2.4	2.1
EBITDA interest coverage (x)	3.5	4.6	4.0	3.2
Return on capital (%)	6.8	8.4	6.8	5.6
FFO/debt (%)	18.6	21.9	16.3	17.3
Debt/EBITDA (x)	5.6	3.7	4.5	6.5

Table 1.

Integrys Energy Group Inc. -- Peer Comparison* (cont.)

*Fully adjusted (including postretirement obligations).

Table 2.

Integrys Energy Group Inc. -- Financial Summary*

Industry Sector: Combo

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	BBB+/Negative/A-2	A-/Negative/A-2	A-/Stable/A-2	A/Watch Neg/A-1	A/Watch Neg/A-1
(Mil. $)					
Revenues	7,499.8	14,047.8	10,292.4	6,890.7	6,825.5
Net income from continuing operations	(70.6)	124.8	181.1	151.6	150.6
Funds from operations (FFO)	856.0	737.3	388.5	304.2	180.4
Capital expenditures	464.1	544.6	410.2	348.3	422.7
Cash and short-term investments	44.5	254.1	41.2	23.2	27.7
Debt	3,445.6	4,058.7	3,157.3	2,343.2	1,568.5
Preferred stock	175.6	175.6	175.6	175.6	51.1
Equity	3,176.6	3,275.2	3,411.4	1,709.2	1,237.7
Debt and equity	6,622.2	7,333.8	6,568.7	4,052.4	2,806.3
Adjusted ratios					
EBIT interest coverage (x)	3.2	2.0	2.6	2.7	3.6
FFO int. cov. (x)	5.6	5.2	3.0	3.3	3.4
FFO/debt (%)	24.8	18.2	12.3	13.0	11.5
Discretionary cash flow/debt (%)	27.9	(23.9)	(10.6)	(14.9)	(28.7)
Net Cash Flow / Capex (%)	137.5	96.0	48.9	59.3	21.7
Debt/debt and equity (%)	52.0	55.3	48.1	57.8	55.9
Return on common equity (%)	(2.7)	3.6	7.4	10.4	12.2
Common dividend payout ratio (un-adj.) (%)	(280.7)	167.5	99.4	64.6	57.9

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Integrys Energy Group Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

--Fiscal year ended Dec. 31, 2009--

Integrys Energy Group Inc. reported amounts

	Debt	Shareholders' equity	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	2,733.3	2,908.8	681.8	681.8	450.9	164.8	1,606.3	1,606.3	210.0	444.2
Standard & Poor's adjustments										
Operating leases	55.2	--	11.4	2.5	2.5	2.5	8.8	8.8	--	21.9
Intermediate hybrids reported as debt	(150.0)	150.0	--	--	--	(9.2)	9.2	9.2	9.2	--

Table 3.

Reconciliation Of Integrys Energy Group Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Intermediate hybrids reported as equity	25.6	(25.6)	--	--	--	1.6	(1.6)	(1.6)	(1.6)	--
Postretirement benefit obligations	421.5	--	19.2	19.2	19.2	--	1.9	1.9	--	--
Capitalized interest	--	--	--	--	--	2.0	(2.0)	(2.0)	--	(2.0)
Share-based compensation expense	--	--	--	11.5	--	--	--	--	--	--
Power purchase agreements	233.2	--	39.2	39.2	12.2	12.2	27.0	27.0	--	--
Asset retirement obligations	126.8	--	9.7	9.7	9.7	9.7	(6.3)	(6.3)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	87.2	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(787.3)	--	--
Other	--	143.3	--	--	--	--	--	--	--	--
Total adjustments	712.3	267.8	79.4	82.1	130.8	18.8	37.0	(750.3)	7.6	19.9

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	3,445.6	3,176.6	761.2	763.9	581.7	183.6	1,643.3	856.0	217.6	464.1

*Integrys Energy Group Inc. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009.
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008.
- Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007

Ratings Detail (As Of February 4, 2011)*

Peoples Gas Light & Coke Co. (The)	
Corporate Credit Rating	BBB+/Positive/A-2
Commercial Paper	
Local Currency	A-2

Ratings Detail (As Of February 4, 2011)***(cont.)**	
Senior Secured (8 Issues)	A-
Senior Secured (1 Issue)	AA+/Stable
Corporate Credit Ratings History	
21-Jan-2011	BBB+/Positive/A-2
26-Jan-2010	BBB+/Stable/A-2
05-Mar-2009	BBB+/Negative/A-2
25-Nov-2008	A-/Negative/A-2
13-Nov-2007	A-/Stable/A-2
13-Feb-2006	A-/Negative/A-2
Business Risk Profile	Excellent
Financial Risk Profile	Significant
Related Entities	
Integrys Energy Group Inc.	
Issuer Credit Rating	BBB+/Positive/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated (1 Issue)	BBB-
Senior Unsecured (3 Issues)	BBB
North Shore Gas Co.	
Issuer Credit Rating	BBB+/Positive/NR
Senior Secured (2 Issues)	A
Peoples Energy Corp.	
Issuer Credit Rating	BBB+/Positive/NR
Wisconsin Public Service Corp.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (5 Issues)	BBB
Senior Secured (9 Issues)	A

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

The Peoples Gas Light and Coke Company

Embedded Cost of Long-Term Debt

Net Proceeds Method
Average 2012

Line No.	Debt Issue Type, Coupon Rate [A]		Date Issued [B]	Maturity Date [C]	Date Reacquired [D]	Principal Amount [E]	Face Amount Outstanding [F]	Unamortized Discount or (Premium) [G]	Unamortized Debt Expense (Gain) [H]	Carrying Value [I]=[F-G-H]	Annual Coupon Interest [J]=[A*F]	Annualized Amort. Of Discount or (Premium) [K]	Annualized Amort. Of Debt Expense [L]	Annualized Interest Expense [M]=[J+K+L]	Line No.
	Test Year Ending December 31, 2012														
1	First and Refunding Mortgage Bonds:														1
2	Series KK - 5%	(1)	02/06/03	02/01/33	-	$ 50,000,000	$ 50,000,000	$ 473,500	$ 1,355,000	$ 48,171,500	$ 2,500,000	$ 23,000	$ 66,000	$ 2,589,000	2
3	Series NN-2 - 4.625		04/29/03	05/01/13	-	75,000,000	75,000,000	5,000	126,000 (4)	74,869,000	3,469,000	6,000	151,000	3,626,000	3
4	Series QQ - 4.875	(1)	11/25/03	11/01/38	-	75,000,000	75,000,000	-	1,495,500	73,504,500	3,656,000	-	57,000	3,713,000	4
5	Series RR - 4.3	(1)	06/01/05	06/01/35	-	50,000,000	50,000,000	-	794,000	49,206,000	2,150,000	-	35,000	2,185,000	5
6	Series SS - 7		11/03/08	11/01/13	-	45,000,000	45,000,000	-	153,500	44,846,500	3,150,000	-	115,000	3,265,000	6
7	Series TT - 8		11/03/08	11/01/18	-	5,000,000	5,000,000	-	40,500	4,959,500	400,000	-	6,000	406,000	7
8	Series UU - 4.63		09/30/09	09/01/19	-	75,000,000	75,000,000	-	557,000	74,443,000	3,473,000	-	71,000	3,544,000	8
9	Series VV - 2.125	(1)	08/18/10	03/01/30	-	50,000,000	50,000,000	-	659,500	49,340,500	1,063,000	-	37,000	1,100,000	9
10	Series WW - 2.625	(1)	10/05/10	02/01/33	-	50,000,000	50,000,000	-	543,000	49,457,000	1,313,000	-	26,000	1,339,000	10
11	New Issue - 2.21	(2)	11/01/11	11/01/21	-	50,000,000	50,000,000	-	606,667	49,393,333	1,105,000	-	140,000	1,245,000	11
12	New Issue - 3.98	(3)	03/01/12	03/01/22	-	62,500,000	62,500,000	-	739,583	61,760,417	2,487,500	-	73,958	2,561,458	12
13	Sub-Total					587,500,000	587,500,000	478,500	7,070,250	579,951,250	24,766,500	29,000	777,958	25,573,458	13
14	Less: Amortization of Losses on Reacquired Bonds														14
15	Series X (KK) - 6.875%	(1)	03/01/85	02/01/33	03/14/03	$ -	$ -	$ -	$ 1,193,000	$ (1,193,000)	$ -	$ -	$ 58,000	$ 58,000	15
16	Series Y (LL) - 7.5	(1)	03/01/85	02/01/33	04/03/00	-	-	-	541,000	(541,000)	-	-	26,000	26,000	16
17	Series Z (HH) - 7.5	(1)	03/01/85	03/01/30	04/03/00	-	-	-	1,761,000	(1,761,000)	-	-	100,000	100,000	17
18	Series AA (RR) - 10.25	(1)	03/01/85	06/01/35	08/01/95	-	-	-	1,184,000	(1,184,000)	-	-	52,000	52,000	18
19	Series BB - 8.1	(1)	05/01/90	10/01/37	05/01/00	-	-	-	575,500	(575,500)	-	-	23,000	23,000	19
20	Series DD (QQ) - 5.75	(1)	12/01/93	11/01/38	12/01/03	-	-	-	1,837,000	(1,837,000)	-	-	70,000	70,000	20
21	Series EE - Variable Rate	(1)	12/01/93	10/01/37	10/14/03	-	-	-	189,000	(189,000)	-	-	7,000	7,000	21
22	Series FF (RR) - 6.1	(1)	06/01/95	06/01/35	06/02/05	-	-	-	1,140,000	(1,140,000)	-	-	50,000	50,000	22
23	Series GG (LL) - Variable Rate	(1)	03/01/00	02/01/33	03/27/03	-	-	-	2,001,000	(2,001,000)	-	-	61,000	61,000	23
24	Series II - Variable Rate	(1)	03/01/00	10/01/37	11/12/03	-	-	-	649,000	(649,000)	-	-	26,000	26,000	24
25	Series JJ - Variable Rate	(1)	03/01/00	10/01/37	10/14/03	-	-	-	649,000	(649,000)	-	-	26,000	26,000	25
26	Series OO - Variable Rate	(1)	10/09/03	10/01/37	10/01/11	-	-	-	859,000	(859,000)	-	-	34,000	34,000	26
27	Series PP - Variable Rate	(1)	10/09/03	10/01/37	04/17/08	-	-	-	838,000	(838,000)	-	-	54,000	54,000	27
28	Sub-Total					-	-	-	13,416,500	(13,416,500)	-	-	587,000	587,000	28
29	Total					$ 587,500,000	$ 587,500,000	$ 478,500	$ 20,486,750	$ 566,534,750	$ 24,766,500	$ 29,000	$ 1,364,958	$ 26,160,458	29
30	Embedded Cost of Long-Term Debt (M / I)													4.62%	30

Notes: (1) Tax-exempt bonds.
(2) Actual new taxable issuance at 2.21% coupon rate and assumed issuance costs of 60 basis points plus $400,000.
(3) Assumed new taxable issuance at 3.98% coupon rate and issuance costs of 65 basis points plus $400,000.
(4) Includes $24,000 for the unamortized debt expense related to an interest rate swap on these bonds.
(5) Based on zero months of actual data and twelve months of forecasted data.

Per Staff and Included Above	
Series LL	$ 2,542,000
Series HH	1,761,000
Series KK	1,193,000
Series QQ	1,837,000
Series RR	2,324,000
	$ 9,657,000
Missing from	
Staff Calculation	**Response to SK-1.07**
Series BB	$ 575,500
Series EE	189,000
Series II	649,000
Series JJ	649,000
	$ 2,062,500
Series OO and Series PP	
Series BB	$ 859,000
Series EE	838,000
	$ 1,697,000
Total	$ 13,416,500

The Peoples Gas Light and Coke Company

Cost of Capital Summary (1)

		Forecasted Year Ending December 31, 2011 (5)					
	Class of Capital	Amount (2)	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	
	(A)	(B)	(C)	(D)	(E)	(F) = (C X D)	
7	Long-term Debt (3)	$ 504,052,333	40.34%	4.68%	D-3	1.89%	7
8	Common Equity	745,507,000	59.66%	10.85% (4)		6.47%	8
9	Total Capital	$ 1,249,559,333				8.36%	9

		Test Year Ending December 31, 2012 (5)					
	Class of Capital	Amount (2)	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	
	(A)	(B)	(C)	(D)	(E)	(F) = (C X D)	
10	Long-term Debt (3)	$ 579,682,792	43.06%	4.60%	D-3	1.98%	10
11	Common Equity	766,430,000	56.94%	10.85% (4)		6.18%	11
12	Total Capital	$ 1,346,112,792				8.16%	12

		Forecasted Average 2012					
	Class of Capital	Amount (2)	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	
	(A)	(B)	(C)	(D)	(E)	(F) = (C X D)	
10	Long-term Debt (3)	$ 566,534,750	42.84%	4.62%	D-3	1.98%	10
11	Common Equity	755,968,500	57.16%	10.85% (4)		6.20%	11
12	Total Capital	$ 1,322,503,250				8.18%	12

		Pro Forma Test Year Average 2012 (6)					
	Class of Capital	Amount	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	
	(A)	(B)	(C)	(D)	(E)	(F) = (C X D)	
13	Long-term Debt (3)	-	44.00%	4.62% (7)	D-3	2.03%	13
14	Common Equity	-	56.00%	10.85% (4)		6.08%	14
15	Total Capital	-				8.11%	15

Notes:
(1) The weights and costs of the components of the capital structure do not differ from total company data.
(2) Long Term Debt using net proceeds method. Common Equity balances exlcuding Accumulated Other Comprehensive Income
(3) Includes long-term debt due within one year (if any).
(4) Cost of common equity per Mr. Moul's rebuttal testimony
(5) Based on zero months of actual data and twelve months of forecasted data.
(6) Capital structure requested in this filing.
(7) Cost of long-term debt per revised Schedule D-3 (NS-PGL Ex. 35.3P)