

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

The Peoples Gas Light )  
and Coke Company )  
 )  
Petition for authority pursuant to )  
Section 6-102(b) of the Public Utilities ) Docket No. 12-  
Act in connection with the proposed )  
issuance and sale of up to \$100 million )  
aggregate principal amount of long-term )  
debt, in one or more series )

**PETITION OF THE PEOPLES GAS LIGHT AND COKE COMPANY  
FOR AUTHORITY TO ISSUE AND SELL LONG-TERM DEBT**

The Peoples Gas Light and Coke Company (“Peoples Gas”) submits this Petition for Authority to Issue and Sell Long-Term Debt (“Petition”) pursuant to Section 6-102(b) of the Public Utilities Act<sup>1</sup> (the “Act”) in connection with its proposed issuance of up to \$100,000,000 in aggregate principal amount of long-term debt in one or more series. The proceeds from the issuance of long-term debt will be used to fund capital expenditures and for other general corporate utility purposes.

Peoples Gas respectfully requests that the Illinois Commerce Commission (“Commission”) issue an Order, pursuant to Section 6-102(b) of the Act authorizing the proposed issuance. In support of this Petition, Peoples Gas states as follows:

1. Peoples Gas is a corporation organized and existing under the laws of the State of Illinois, having its principal offices at 130 East Randolph Street, Chicago, Illinois. It is engaged in the business of selling and distributing gas to approximately 826,000

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<sup>1</sup> 220 ILCS 5/6-102(b)

residential, commercial and industrial customers. Peoples Gas' service territory covers the City of Chicago, Illinois. Peoples Gas is a "public utility" within the meaning of the Act. Attachment A attached to this Petition identifies the municipality served by Peoples Gas.

2. Peoples Gas plans to issue up to \$100,000,000 in aggregate principal amount of bonds or notes, or a combination thereof, in one or more series. Peoples Gas may issue the debt through a private placement, an underwritten offering, agency sale, or a bank loan. If Peoples Gas determines to issue and sell any of the debt in an underwritten offering, then Peoples Gas plans to do so in a competitive manner to one or more investment banks. If Peoples Gas accepts an underwriting proposal for the debt, it intends to accept the proposal that provides it the lowest annual cost of money.

3. The interest rate will be determined at the time of the offering or periodically during the term of the debt. The interest rate is expected to be in the 3% to 5% range. However, due to capital market fluctuations, the terms of the debt, including the maturity, price, rate or method of calculation of interest and dates for payment thereof, and any redemption, prepayment or sinking fund provisions, will be determined at the time of the offering.

4. In 2011, Peoples Gas began a multi-year endeavor called the Accelerated Main Replacement Program ("AMRP") to remove approximately 2,000 miles of cast-iron and ductile-iron pipeline in Chicago and replace it with polyethylene and cathodically protected steel pipe. When AMRP is complete, Peoples Gas will have replaced nearly half of its natural gas delivery system. This new system will increase safety and reliability while reducing maintenance costs. The primary purpose of the issuance is to

provide funds for capital expenditures due to AMRP for the next few years. However, it will also provide funding for other infrastructure projects and general corporate utility purposes. Such funds are reasonably required for those purposes.

5. Section 6-108<sup>2</sup> of the Act would apply to the issuance. The fee due under Section 6-108 of the Act would equal \$240,000 (24¢ for every \$100 dollars of the principal amount of bonds, notes or other evidence of indebtedness authorized by the Commission). Pursuant to Section 6-108, Peoples Gas will pay such fee to the Commission no later than thirty days after service of the order approving the issuance.

6. Peoples Gas requests that the Commission provide, pursuant to Section 6-101 of the Act<sup>3</sup>, a single serial number for the issuance.

7. Currently, capital market conditions remain favorable with attractive interest rates relative to historical levels. To allow Peoples Gas to take advantage of these favorable market conditions, Peoples Gas respectfully requests that the Commission issue an order authorizing this Petition on or before June 30, 2012.

8. Attached to the Petition as Attachment B is the Direct Testimony of William J. Guc, Treasurer of Peoples Gas. Mr. Guc sponsors three exhibits, namely: Consolidated Statement of Income for the Twelve Months ended March 31, 2012; Consolidated Balance Sheet as of March 31, 2012; and Capital Structure as of March 31, 2012 and Pro Forma (reflecting the issuance of \$100 million of long-term debt).

9. The requested relief is in the public interest and the public will be inconvenienced. Moreover, the requested funding is reasonably necessary for Peoples Gas to continue with the AMRP.

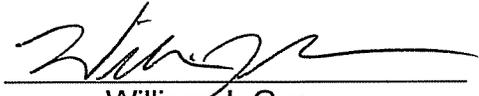
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<sup>2</sup> 220 ILCS 5/6-108

<sup>3</sup> 220 ILCS 5/6-101

WHEREFORE, The Peoples Gas Light and Coke Company respectfully requests that the Commission issue an Order, pursuant to Section 6-102(b) of the Act, authorizing the proposed financing transaction discussed herein.

Respectfully submitted,  
The Peoples Gas Light and Coke Company

By:   
William J. Guc  
Treasurer

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Attorneys for  
The Peoples Gas Light and Coke Company

Dated at Chicago, Illinois  
this 9<sup>th</sup> day of May, 2012

ATTACHMENT A

Municipality Served by The Peoples Gas Light and Coke Company

Chicago, Illinois

ATTACHMENT B

**DIRECT TESTIMONY OF WILLIAM J. GUC**

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

The Peoples Gas Light	)	
and Coke Company	)	
	)	
Petition for authority pursuant to	)	
Section 6-102(b) of the Public Utilities	)	Docket No. 12-
Act in connection with the proposed	)	
issuance and sale of up to \$100 million	)	
aggregate principal amount of long-term	)	
debt, in one or more series	)	

**DIRECT TESTIMONY  
OF  
WILLIAM J. GUC**

1 Q. Please state your name, business address and position.

2 A. My name is William J. Guc. My business address is Integrys Energy Group, Inc.  
3 (“Integrys”), 130 East Randolph Street, Chicago, Illinois, 60601. I am Treasurer of The  
4 Peoples Gas Light and Coke Company (“Peoples Gas” or the “Company”), which is a  
5 wholly-owned indirect subsidiary of Integrys.

6 Q. For whom are you providing testimony?

7 A. I am providing testimony for Peoples Gas in support of its petition for authority to  
8 issue and sell up to \$100 million of long-term debt (“Petition”).

9 Q. Please describe your educational background and business experience.

10 A. I have a Bachelor of Science degree in Accounting from Wayne State University  
11 and a Masters Degree in Business Information Technology from Walsh College. I am a  
12 Certified Public Accountant. I joined Integrys in 2005 as Controller for Integrys Energy  
13 Services, Inc., one of Integrys’ non-utility subsidiaries. In 2010, I was named Vice

14 President and Treasurer of Integrys and Treasurer of its subsidiaries, including Peoples  
15 Gas. Prior to joining Integrys, I managed the accounting department for DTE Energy  
16 Trading. I also managed the accounting group for CoEnergy Trading prior to DTE's  
17 acquisition of CoEnergy's parent company, MCN Energy. I began my professional  
18 career with Arthur Andersen in Detroit, Michigan.

19 Q. Are you familiar with the Petition that has been filed in this matter?

20 A. Yes.

21 Q. Are you including any attachments to your testimony?

22 A. Yes. PGL Ex. 1.1 is a Consolidated Statement of Income for the twelve months  
23 ended March 31, 2012. PGL Ex. 1.2 is a Consolidated Balance Sheet as of March 31,  
24 2012. PGL Ex. 1.3 is the Capital Structure as of March 31, 2012 with Pro Forma  
25 adjustments reflecting the proposed issuance of long-term debt.

26 Q. Please describe the Petitioner.

27 A. I am advised by counsel that Peoples Gas is a corporation organized and  
28 existing under the laws of the State of Illinois, with its principal place of business at 130  
29 East Randolph Street, Chicago, Illinois 60601. Peoples Gas is a wholly-owned  
30 subsidiary of Peoples Energy, LLC, which is a wholly-owned subsidiary of Integrys.  
31 Peoples Gas is engaged in the business of purchasing natural gas for and distributing  
32 and selling natural gas to approximately 826,000 customers in the City of Chicago,  
33 Illinois. I am advised by counsel that Peoples Gas is a public utility within the meaning  
34 of the Public Utilities Act.

35 Q. Please describe the purpose and general nature of the Petition.

36 A. Peoples Gas plans to issue up to \$100,000,000 in aggregate principal amount of  
37 bonds or notes, or a combination thereof, in one or more series. Peoples Gas may  
38 issue the debt through a private placement, an underwritten offering, agency sale, or a  
39 bank loan. If Peoples Gas determines to issue and sell any of the debt in an  
40 underwritten offering, then Peoples Gas plans to do so in a competitive manner to one  
41 or more investment banks. If Peoples Gas accepts an underwriting proposal for the  
42 debt, it intends to accept the proposal that provides it the lowest annual cost of money.  
43 The interest rate will be determined at the time of the offering or periodically during the  
44 term of the debt. The interest rate is expected to be in the 3% to 5% range. However,  
45 due to capital market fluctuations, the terms of the debt, including the maturity, price,  
46 rate or method of calculation of interest and dates for payment thereof, and any  
47 redemption, prepayment or sinking fund provisions, will be determined at the time of the  
48 offering.

49 Q. Please describe the intended use of proceeds from the issuance of long-term  
50 debt.

51 A. The main purpose of the issuance is to provide funds for capital expenditures to  
52 support Peoples Gas' Accelerated Main Replacement Program ("AMRP"), but the  
53 funding would also be available for other infrastructure projects and general corporate  
54 utility purposes. In 2011, Peoples Gas began a multi-year endeavor called AMRP to  
55 remove approximately 2,000 miles of cast-iron and ductile-iron pipeline in Chicago and  
56 replace it with polyethylene and cathodically protected steel pipe. When AMRP is  
57 complete, Peoples Gas will have replaced nearly half of its natural gas delivery system.  
58 This new system will increase safety and reliability while reducing maintenance costs.

59 Q. What do you mean by “other infrastructure projects”?

60 A. “AMRP” refers to a specific pipe replacement project for which the Commission  
61 had approved certain cost recovery through Rider ICR, Infrastructure Cost Recovery.  
62 Although an Illinois appellate court overturned the Commission’s approval of that cost  
63 recovery mechanism, Peoples Gas continues to implement the AMRP. Peoples Gas,  
64 however, has other infrastructure projects that are not related to AMRP. For example,  
65 not all pipe installation or replacement is related to cast or ductile iron main or involves  
66 pressure upgrades.

67 Q. What do you mean by “general corporate utility purposes”?

68 A. Examples of other general corporate utility purposes are acquisition, construction  
69 and replacement of other utility property plant and equipment.

70 Q. Are the requested funds reasonably required for the AMRP, other projects and  
71 other corporate purposes?

72 A. Yes. The AMRP is a capital intensive project, as is any major infrastructure  
73 project.

74 Q. Would granting the authority sought in this proceeding be in the best interest of  
75 the public?

76 A. Yes. Peoples Gas intends mainly to use the proceeds from the issuance to fund  
77 increased capital expenditures under AMRP, which will increase safety and reliability  
78 while reducing maintenance costs. Therefore, the proposed transaction is in the public  
79 interest and the public will be inconvenienced thereby.

80 Q. Does this complete your direct testimony?

81 A. Yes.

**PGL Ex. 1.1 -- Consolidated Statement of Income for the twelve months ended March 31, 2012****THE PEOPLES GAS LIGHT AND COKE COMPANY**

<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</b> (Millions)	<b>Twelve months ended</b> <b>March 31, 2012</b>
<b>Natural gas operating revenues</b>	<b>\$945.7</b>
Natural gas purchased for resale	408.3
Operating and maintenance expense	310.3
Depreciation and amortization expense	84.8
Taxes other than income taxes	16.5
<b>Operating income</b>	<b>125.8</b>
Miscellaneous income	1.8
Interest expense	(24.2)
<b>Other expense</b>	<b>(22.4)</b>
Income before taxes	103.4
Provision for income taxes	37.7
<b>Net income</b>	<b>\$65.7</b>

**PGL Ex. 1.2 -- Consolidated Balance Sheet as of March 31, 2012****THE PEOPLES GAS LIGHT AND COKE COMPANY**

<b>CONDENSED CONSOLIDATED BALANCE SHEETS</b> (Millions)	<b>As of</b> <b>March 31, 2012</b>
<b>Assets</b>	
Cash and cash equivalents	\$6.4
Accounts receivable and accrued unbilled revenues, net of reserves of \$31.3 and \$34.7, respectively	193.1
Receivables from related parties	0.7
Notes receivable from related parties	-
Natural gas in storage, at LIFO	19.3
Regulatory assets	68.5
Deferred income taxes	16.6
Other current assets	27.3
<b>Current assets</b>	<b>331.9</b>
Property, plant, and equipment, net of accumulated depreciation of \$1,108.8 and \$1,098.1, respectively	1,962.0
Regulatory assets	880.8
Other long-term assets	6.1
<b>Total assets</b>	<b>\$3,180.8</b>
<b>Liabilities and Shareholder's Equity</b>	
Short-term debt	\$ -
Accounts payable	85.6
Payables to related parties	18.9
Liabilities from risk management activities	36.4
Accrued taxes	47.7
Customer deposits	27.1
Customer credit balances	16.3
Regulatory liabilities	51.2
Temporary LIFO liquidation credit	27.8
Other current liabilities	21.3
<b>Current liabilities</b>	<b>332.3</b>
Long-term debt	524.5
Deferred income taxes	473.9
Deferred investment tax credits	22.0
Environmental remediation liabilities	439.8
Pension and other postretirement benefit obligations	241.4
Asset retirement obligations	360.9
Other long-term liabilities	43.8
<b>Long-term liabilities</b>	<b>2,106.3</b>
<b>Commitments and contingencies</b>	
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	219.9
Retained earnings	523.2
Accumulated other comprehensive loss	(0.9)
<b>Total liabilities and shareholder's equity</b>	<b>\$3,180.8</b>

**PGL Ex. 1.3 -- Capital Structure as of March 31, 2012 with Pro Forma Adjustments**  
**Giving effect to the issuance of \$100 million of long-term debt**

**THE PEOPLES GAS LIGHT AND COKE COMPANY**

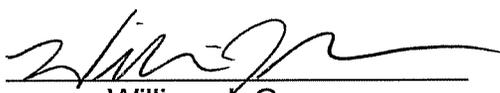
<b>STATEMENT OF CAPITALIZATION</b> <b>(Millions, except share amounts)</b>	<b>Balance as of</b> <b>March 31, 2012</b>	<b>Financing</b> <b>Adjustments</b>	<b>Adjusted</b> <b>Balance</b>	<b>Capitalization Ratios</b>	
				<b>March 31, 2012</b>	<b>Adjusted</b>
<b>Common stock equity</b>					
Common stock, without par value, 40,000,000 shares authorized, 25,357,566 shares issued and outstanding	\$219.9		\$219.9		
Retained earnings	523.2		523.2		
Accumulated other comprehensive loss	(0.9)		(0.9)		
<b>Total common stock equity</b>	<b>742.2</b>	<b>-</b>	<b>742.2</b>	<b>58.6%</b>	<b>54.3%</b>
<b>Long-term debt</b>					
First and Refunding Mortgage Bonds					
Series	Year Due				
KK	5.00%	2033	\$50.0		\$50.0
NN-2	4.625%	2013	75.0		75.0
QQ <sup>1</sup>	4.875%	2038	75.0		75.0
RR <sup>2</sup>	4.30%	2035	50.0		50.0
SS	7.00%	2013	45.0		45.0
TT	8.00%	2018	5.0		5.0
UU	4.63%	2019	75.0		75.0
VV <sup>3</sup>	2.125%	2030	50.0		50.0
WW <sup>4</sup>	2.625%	2033	50.0		50.0
XX	2.21%	2016	50.0		50.0
New Issuance				100.0	100.0
Total First and Refunding Mortgage Bonds	525.0	100.0	625.0		
Unamortized discount on long-term debt, net	(0.5)		(0.5)		
<b>Total long-term debt</b>	<b>524.5</b>	<b>100.0</b>	<b>624.5</b>	<b>41.4%</b>	<b>45.7%</b>
<b>Short-term debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total capitalization</b>	<b>\$1,266.7</b>	<b>\$100.0</b>	<b>\$1,366.7</b>	<b>100.0%</b>	<b>100.0%</b>

Notes

- 1 Mandatory interest reset date on November 1, 2018
- 2 Mandatory interest reset date on June 1, 2016
- 3 Mandatory interest reset date on July 1, 2014
- 4 Mandatory interest reset date on August 1, 2015

STATE OF ILLINOIS )  
 ) SS  
COUNTY OF COOK )

William J. Guc, being first duly sworn, upon oath states that he is Treasurer of The Peoples Gas Light and Coke Company; that he has read the foregoing Petition by him subscribed and knows the contents thereof, and that said contents are true to the best of his knowledge and belief.

By:   
William J. Guc  
Treasurer

Subscribed and sworn to  
before me this 9 day  
of May, 2012

  
Notary Public

