ICC Docket No. 12-0511
North Shore Gas Company's Response to
Attorney General Data Requests AG 8.01-8.20
Dated: October 19, 2012

REQUEST NO. AG 8.01:

Ref: NS Schedule D-3, page 1; NS Ex. 2.0, page 8 (Cost of Long Term Debt). The referenced schedule provides a calculation of the projected cost of long term debt for the Test Year Ending December 31, 2013. Ms. Gast' Testimony summarizes two planned new 10-year debt issuances at Forecasted cost rates of 3.43% and 4.95%. Please provide the following additional information:

a. Describe whether the Company's proposed test year cost of debt is intended to represent a year-end annualized calculation versus an average cost rate throughout calendar 2013, explaining whether and how this proposal would change if rate base is quantified at year-end versus average.

b. Given your response to part (a), why is a full annual year of interest cost included for the Series N-2 bonds scheduled to mature on May 1, 2013.

c. Given your response to part (a), why is a full annual year of interest cost included for the Series O bonds scheduled to mature on November 1, 2013

d. State and explain the basis for the assumed cost rate for the planned May 1, 2013 new debt issuance identified in Ms. Gast's testimony.

e. Please provide a complete copy of all reports, analyses, projections, workpapers, publications, correspondence and other information associated with or supportive of your response to part (d).

f. Confirm that the Company's planned new debt issuance with an assumed Effective Date of April 3, 2012 has actually occurred and provide copies of documentation supporting the stated percentage yield included for this debt issuance.

g. For what reasons, if any, does the Company believe that the cost of long term debt should not be annualized as of December 31, 2013 if the Company's rate base is annualized at year-end?

h. Please provide complete copies of all analyses, workpapers, projections, reports, correspondence and other information relied upon or supportive of your response to part (g).

RESPONSE:

a. The Company's proposed test year cost of debt is based on an average cost rate using the average of monthly debt balances and forecasted interest expense. The Company's choice of average or end-of-period valuation for the long-term components of capital structure is independent of the rate base valuation decision and would not change.

b. A full year of interest expense is not included for Series N-2 bonds in 2013. A full year of interest expense would be $1,850,000 ($40,000,000*4.625%). The

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Company only included 4 months of interest expense or $617,000 ($1,850,000/12*4) in 2013.

c. A full year of interest expense is not included for Series O bonds in 2013. A full year of interest expense would be $455,000 ($6,500,000*7.00%). The Company only included 10 months of interest expense or $379,000 ($455,000/12*10) in 2013.

d. North Shore used a forecast of benchmark treasury rates from Moody's DataBuffet.com plus a risk spread applicable to North Shore's credit strength. The DataBuffet.com projection for interest rates on 10-year Treasuries in the second quarter of 2013 was 3.65% on March 13, 2012. A risk premium is added to the Treasury rate and is based on indicative pricing provided by investment banks. The best information on indicative rates available at the time of the forecast was provided by two investment banks for North Shore's regulated affiliate Wisconsin Public Service Corporation ("WPSC"). The average of indicative spreads for WPSC, a utility rated Aa3/A was 100bps. Given North Shore's lower A1/A ratings, an additional 10bps was added to the average of the bank forecasts. Thus the 4.75% rate used was the 3.65% 10-year US Treasury rate forecast plus 110bps.

e. See PGL AG 8.11 Attach 01, attached with response to PGL AG 8.11, for interest rate forecast support.

f. North Shore issued the 3.43% Series P bonds on April 3, 2012. The pricing sheet for this transaction is attached to this request (AG 8.01 Attach 01).

g. Section 285.4000 b) gives utilities a choice between using average or end-of-period balances for purposes of valuing the long-term components of the capital structure. North Shore elected to compute its long-term capital structure components using average balances for 2013 rather than end-of-period balances at December 31, 2013. North Shore believes that a monthly average capital structure more accurately reflects the financing employed by the Company and related costs over the course of its annual business cycle. Using a capital structure as of a certain date (in this case December 31, 2013) is only reflective of the financing employed by the company as of that specific date. Since the Company is using monthly average balances to compute the long-term debt component of the capital structure, it has calculated the costs accordingly.

h. North Shore has not completed any additional analysis analyses, workpapers, projections, reports, or correspondence related to g) above.

J.P.Morgan

March 13, 2012

NORTH SHORE GAS
NATURAL GAS DELIVERY

$28,000,000 First Mortgage Bonds

Dear Investor:

On behalf of the North Shore Gas Company ("Company" or "NSG"), J.P. Morgan Securities LLC ("J.P. Morgan") is pleased to confirm the following circles of the Company's First Mortgage Bonds (the "Bonds").

The pricing details for the Bonds are as follows:

Offering Summary

Tranche	15-year
Benchmark	T 2.00% 2/22
Quoted Yield[1]	2.08%
Credit spread (bps)	135
Final Coupon	3.43%
Final Maturity	4/1/2027

[1] As shown on page PX1 of Bloomberg and on page 2 of this memo.

Participants in the offering are as follows:

Allocation Summary ($ millions)

Bullet Maturity	15-year
HARTFORD	28.0
TOTAL	28.0

Additional information about an investor diligence call will be circulated in the next few days.

Please send the following information to J.P. Morgan (alexander.a.guzinski@jpmorgan.com).

- Diligence questions and topics
- Name and contact information of in-house counsel

The transaction is expected to close and fund on April 3rd, 2012. Interest payment dates will be April 1st and October 1st going forward with the first interest payment date occurring on October 1st, 2012.

Once again, on behalf of the Company and J.P. Morgan, we thank you for your participation in this offering.

J.P. Morgan Securities LLC

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 8.01-8.20
Dated: October 19, 2012

REQUEST NO. AG 8.11:

Ref: PGL Schedule D-3, page 1; PGL Ex. 2.0, page 8 (Cost of Long Term Debt). The referenced schedule provides a calculation of the projected cost of long term debt for the Test Year Ending December 31, 2013. Ms. Gast' Testimony summarizes two planned new 10-year debt issuances at Forecasted cost rates of 4.05% and 4.95%. Please provide the following additional information:

a. Describe whether the Company's proposed test year cost of debt is intended to represent a year-end annualized calculation versus an average cost rate throughout calendar 2013, explaining whether and how this proposal would change if rate base is quantified at year-end versus average.

b. Given your response to part (a), why is a full annual year of interest cost included for the Series NN-2 bonds scheduled to mature on May 1, 2013.

c. Given your response to part (a), why is a full annual year of interest cost included for the Series SS bonds scheduled to mature on November 1, 2013

d. State and explain the basis for the assumed cost rates for each new debt issuance identified in Ms. Gast's testimony.

e. Please provide a complete copy of all reports, analyses, projections, workpapers, publications, correspondence and other information associated with or supportive of your response to part (d).

f. Explain the status of the Company's planned new debt issuance with an assumed Effective Date of November 1, 2012 and provide copies of documentation supporting the latest estimate of pricing and yield expected for this debt issuance.

g. For what reasons, if any, does the Company believe that the cost of long term debt should not be annualized as of December 31, 2013 if the Company's rate base is annualized at year-end?

h. Please provide complete copies of all analyses, workpapers, projections, reports, correspondence and other information relied upon or supportive of your response to part (g).

RESPONSE:

a. The Company's proposed test year cost of debt is based on an average cost rate using the average of monthly debt balances and forecasted interest expense. The Company's choice of average or end-of-period valuation for the long-term components of capital structure is independent of the rate base valuation decision and would not change.
b. A full year of interest expense is not included for Series NN-2 bonds in 2013. A full year of interest expense would be $3,469,000 ($75,000,000*4.625%). The

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Dated: October 19, 2012

Company only included 4 months of interest expense or $1,156,000 ($3,469,000/12*4) in 2013.

c. A full year of interest expense is not included for Series SS bonds in 2013. A full year of interest expense would be $3,150,000 ($45,000,000*7.00%). The Company only included 10 months of interest expense or $2,625,000 ($3,150,000/12*10) in 2013.

d. Peoples Gas used a forecast of benchmark treasury rates from Moody's DataBuffet.com plus a risk spread applicable to Peoples Gas's credit strength. The DataBuffet.com projection for interest rates on 10-year Treasuries in the fourth quarter of 2012 and the third quarter of 2013 was 2.95% and 3.85%, respectively, on March 13, 2012. A risk premium is added to the Treasury rate and is based on indicative pricing provided by investment banks. The best information on indicative rates available at the time of the forecast was provided by two investment banks for Peoples Gas's regulated affiliate Wisconsin Public Service Corporation ("WPSC"). The average of indicative spreads for WPSC, a utility rated Aa3/A was 100bps. Given the lower A1/A- ratings of Peoples Gas, an additional 10bps was added to the average of the bank forecasts. Thus the 4.05% rate used was the 2.95% 10-year US Treasury rate forecast plus 110bps. The 4.95% rate used was the 3.85% 10-year US Treasury rate forecast plus 110bps.

e. See attached Excel file (PGL AG 8.11 Attach 02).

f. Peoples Gas priced the new debt issuance at 3.98% on September 18, 2012. The new debt is scheduled to close and fund on December 4, 2012 with a December 1, 2042 maturity date. The pricing sheet for this transaction is attached to this request (PGL AG 8.11 Attach 01).

g. Section 285.4000 b) gives utilities a choice between using average or end-of-period balances for purposes of valuing the long-term components of the capital structure. Peoples Gas elected to compute its long-term capital structure components using average balances for 2013 rather than end-of-period balances at December 31, 2013. Peoples Gas believes that a monthly average capital structure more accurately reflects the financing employed by the Company and related costs over the course of its annual business cycle. Using a capital structure as of a certain date (in this case December 31, 2013) is only reflective of the financing employed by the company as of that specific date. Since the Company is using monthly average balances to compute the long-term debt component of the capital structure, it has calculated the costs accordingly.

h. Peoples Gas has not completed any additional analysis analyses, workpapers, projections, reports, or correspondence related to g) above.

The Peoples Gas Light & Coke Company
$100,000,000 First Mortgage Bonds
Traditional Private Placement

September 18, 2012

Dear Investor,

On behalf of Integrys Energy Group subsidiary The Peoples Gas Light & Coke Company ("Peoples Gas" or the "Company"), Deutsche Bank Securities Inc. ("DB") and KeyBanc Capital Markets Inc. ("KeyBanc") are pleased to confirm the following circles of the Company's $100 million of First Mortgage Bonds (the "Bonds"), 30-year Bonds due 2042 ("the 2042 Bonds").

The pricing of the Bonds is detailed as follows:

Offering Summary	
Benchmark US Treasury	3.00% due 5/15/2042
Quoted Yield	2.98%
Credit Spread	+ 100 bps
Final Coupon	**3.98%**

Participants in the offering are as follows:

Investors ($ millions)	
2042 Bonds	Total
TIAA	52.0
New York Life	33.0
Mutual of Omaha	8.0
CUNA	7.0
Total	**100.0**

Execution of documentation is scheduled for October 18, 2012 and closing and funding is scheduled for December 4, 2012. The Bonds will mature on December 1, 2042 and pay interest on December 1 and June 1. Please contact your KeyBanc or DB representative if you have any additional questions or due diligence requests prior to closing. Thanks again for participating in this offering.

Regards,

Stephanie Acheson
Director
312.360.2090

Meara Kelley
Director
212.250.6109

Deutsche Bank

KeyBanc
Capital Markets