

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. 13-
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 Act¹ (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 829,000

¹ 220 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. Exhibit 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 4% to 6% range and the maturity is expected to be 30 years. 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. The proceeds from the proposed issuance will be used for general corporate utility purposes including capital expenditures. Such funds are reasonably required for those purposes.

5. Section 6-108² 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

² 220 ILCS 5/6-108

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 Act³, 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 April 3, 2013.

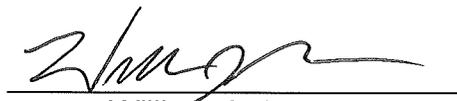
8. Attached to the Petition as Exhibit B is the Direct Testimony of William J. Guc, Treasurer of Peoples Gas. Mr. Guc sponsors three exhibits, namely: Consolidated Statement of Income for the Twelve Months ended September 30, 2012; Consolidated Balance Sheet as of September 30, 2012; and Capital Structure as of September 30, 2012 with 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 general corporate utility purposes including capital expenditures.

³ 220 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

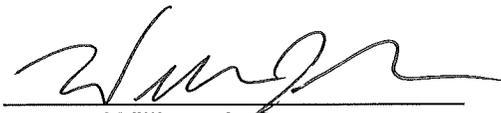
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Attorneys for
The Peoples Gas Light and Coke Company

Dated at Chicago, Illinois
this 20th day of February, 2013

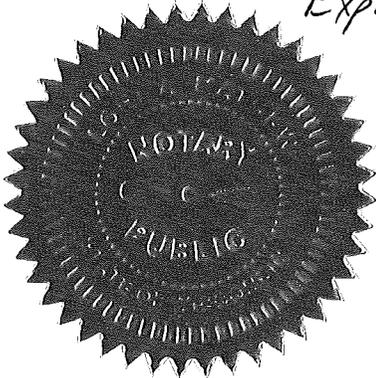
STATE OF WISCONSIN)
) SS
COUNTY OF BROWN)

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 20th day
of February, 2013


Notary Public Lori A. Mathew
Expires: 01-18-2015



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EXHIBIT A

The Peoples Gas Light and Coke Company serves the City of Chicago, Illinois.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

The Peoples Gas Light)	
and Coke Company)	
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Petition for authority pursuant to)	
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**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 Peoples Gas 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 September 30, 2012. PGL Ex. 1.2 is a Consolidated Balance Sheet as of
24 September 30, 2012. PGL Ex. 1.3 is the Capital Structure as of September 30, 2012,
25 with Pro Forma 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 829,000 customers in the City of Chicago,
33 Illinois.

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

35 A. Peoples Gas plans to issue up to \$100,000,000 in aggregate principal amount of
36 bonds or notes, or a combination thereof, in one or more series. Peoples Gas may

37 issue the debt through a private placement, an underwritten offering, agency sale, or a
38 bank loan. If Peoples Gas determines to issue and sell any of the debt in an
39 underwritten offering, then it plans to do so in a competitive manner to one or more
40 investment banks. If Peoples Gas accepts an underwriting proposal for the debt, it
41 intends to accept the proposal that provides it the lowest annual cost of money. The
42 interest rate will be determined at the time of the offering or periodically during the term
43 of the debt. The interest rate is expected to be in the 4% to 6% range and the maturity
44 is expected to be 30 years. However, due to capital market fluctuations, the terms of
45 the debt, including the maturity, price, rate or method of calculation of interest and dates
46 for payment thereof, and any redemption, prepayment or sinking fund provisions, will be
47 determined at the time of the offering.

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

50 A. The purpose of the issuance is to provide funds for general corporate utility
51 purposes, including capital expenditures.

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

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

55 Q. Describe your planned capital expenditures.

56 A. Peoples Gas' capital expenditures include the extension and replacement of
57 mains and pipelines needed in gas distribution. In addition, Peoples Gas is involved in
58 a multi-year Accelerated Main Replacement Program (“AMRP”) to remove

59 approximately 2,000 miles of cast-iron and ductile-iron pipeline in Chicago and replace it
60 with polyethylene and cathodically protected steel pipe.

61 Q. Are the requested funds reasonably required for general corporate utility
62 purposes including capital expenditures?

63 A. Yes. Acquisition, construction and replacement of utility property plant and
64 equipment is necessary for Peoples Gas to continue to deliver natural gas safely to its
65 customers.

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

68 A. Yes. Peoples Gas intends mainly to use the proceeds from the issuance for
69 general corporate utility purposes including capital expenditures, which will increase
70 safety and reliability while reducing maintenance costs. Therefore, the proposed
71 transaction is in the public interest and the public will be inconvenienced thereby.

72 Q. Does Section 6-108 of the Public Utilities Act apply?

73 A. Yes. The fee due under Section 6-108 of the Act would equal \$240,000 (24¢ for
74 every \$100 dollars of the principal amount of bonds, notes or other evidence of
75 indebtedness authorized by the Commission).

76 Q. How many serial numbers is Peoples Gas requesting?

77 A. Peoples Gas is requesting that the Commission provide one serial number.

78 Q. Does this complete your direct testimony?

79 A. Yes.

Petition Ex. B

PGL Ex. 1.1 -- Consolidated Statement of Income for the twelve months ended September 30, 2012

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Millions)	Twelve months ended 9-30-2012
Natural gas operating revenues	\$876.6
Natural gas purchased for resale	345.7
Operating and maintenance expense	313.3
Depreciation and amortization expense	87.1
Taxes other than income taxes	16.8
Operating income	113.7
Miscellaneous income	1.1
Interest expense	(24.5)
Other expense	(23.4)
Income before taxes	90.3
Provision for income taxes	32.3
Net income	\$58.0

PGL Ex. 1.2 -- Consolidated Balance Sheet as of September 30, 2012**THE PEOPLES GAS LIGHT AND COKE COMPANY**

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)	As of
(Millions)	9-30-2012
Assets	
Cash and cash equivalents	\$ 1.6
Accounts receivable and accrued unbilled revenues, net of reserves of \$30.6 and \$34.7, respectively	103.7
Receivables from related parties	0.5
Notes receivable from related parties	11.1
Inventories:	
Natural gas in storage, at LIFO	107.0
Materials and supplies	13.5
Regulatory assets	50.8
Deferred income taxes	18.2
Other current assets	10.5
Current assets	316.9
Property, plant, and equipment, net of accumulated depreciation of \$1,130.6 and \$1,098.1, respectively	2,106.2
Regulatory assets	857.2
Other long-term assets	8.7
Total assets	\$3,289.0
Liabilities and Shareholder's Equity	
Short-term debt	\$ 168.3
Current portion of long-term debt	75.0
Accounts payable	120.6
Payables to related parties	17.8
Liabilities from risk management activities	15.2
Accrued taxes	15.9
Customer deposits	24.6
Customer credit balances	35.5
Regulatory liabilities	44.9
Other current liabilities	22.5
Current liabilities	540.3
Long-term debt	449.5
Deferred income taxes	509.8
Deferred investment tax credits	22.1
Environmental remediation liabilities	423.5
Pension and other postretirement benefit obligations	251.6
Asset retirement obligations	369.9
Other long-term liabilities	45.4
Long-term liabilities	2,071.8
Commitments and contingencies	
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	220.2
Retained earnings	457.0
Accumulated other comprehensive loss	(0.3)
Total liabilities and shareholder's equity	\$3,289.0

PGL Ex. 1.3 -- Capital Structure as of September 30, 2012 with Pro Forma Adjustments
Giving effect to the issuance of \$100 million of long-term debt

THE PEOPLES GAS LIGHT AND COKE COMPANY

STATEMENT OF CAPITALIZATION (Millions, except share amounts)	Balance as of 9-30-2012	Financing Adjustments	Adjusted Balance	Capitalization Ratios	
				9-30-2012	Adjusted
Common stock equity					
Common stock, without par value, 40,000,000 shares authorized, 25,357,566 shares issued and outstanding	\$220.2		\$220.2		
Retained earnings	457.0		457.0		
Accumulated other comprehensive loss	(0.3)		(0.3)		
Total common stock equity	676.9	-	676.9	49.4%	46.1%
Long-term debt					
First and Refunding Mortgage Bonds					
	<u>Series</u>	<u>Year Due</u>			
	KK	5.00%	2033	\$50.0	\$50.0
	NN-2 ⁽¹⁾	4.625%	2013	75.0	75.0
	QQ ⁽²⁾	4.875%	2038	75.0	75.0
	RR ⁽³⁾	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 ⁽⁴⁾	2.125%	2030	50.0	50.0
	WW ⁽⁵⁾	2.625%	2033	50.0	50.0
	XX	2.21%	2016	50.0	50.0
	Proposed issuance				100.0
				100.0	100.0
Total First and Refunding Mortgage Bonds				525.0	625.0
Unamortized discount on long-term debt, net	(0.5)			(0.5)	(0.5)
Total long-term debt	524.5	100.0		624.5	38.3%
Short-term debt	168.3	-		168.3	11.5%
Total capitalization	\$1,369.7	\$100.0		\$1,469.7	100.0%

Notes

- 1 Included on balance sheet in current portion of long-term debt
- 2 Mandatory interest reset date on November 1, 2018
- 3 Mandatory interest reset date on June 1, 2016
- 4 Mandatory interest reset date on July 1, 2014
- 5 Mandatory interest reset date on August 1, 2015