

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. 14-
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 831,000

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, as further described in Peoples Gas witness William J. Guc's testimony. 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 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 June 1, 2014. Peoples Gas requests an expiration date for this order of two years from the date of issuance of this order to allow Peoples Gas the flexibility to transact at the most economically opportune time.

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 December 31, 2013 (PGL Ex. 1.1); Consolidated Balance Sheet as of December 31, 2013 (PGL Ex. 1.2); and Capital Structure as of December 31, 2013 with Pro Forma (reflecting the issuance of \$100 million of long-term debt) (PGL Ex. 1.3).

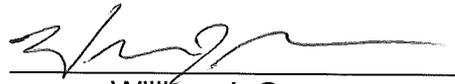
9. The requested relief is in the public interest and the public will be inconvenienced. Moreover, the requested funding is reasonably necessary for general corporate utility purposes including capital expenditures.

² 220 ILCS 5/6-108

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

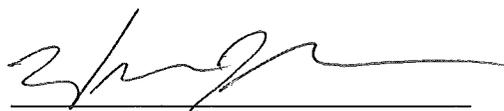
M. Gavin McCarty
Mary Klyasheff
The Peoples Gas Light and Coke Company
130 East Randolph Street
Legal Services Department
Chicago, Illinois 60601
Telephone: (312) 240-4470
Facsimile: (312) 240-4219
E-mail: MPKlyasheff@integrysgroup.com

Attorneys for
The Peoples Gas Light and Coke Company

Dated at Chicago, Illinois
this 11th day of March, 2014

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: 

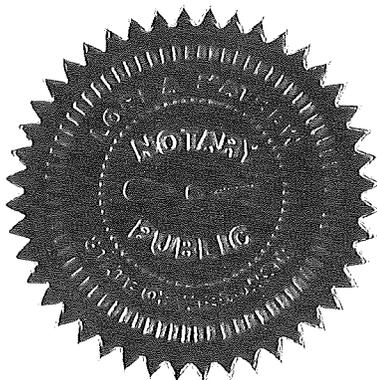
William J. Guc
Treasurer

Subscribed and sworn to
before me this 11th day
of March, 2014

Louie A. Mathew

Notary Public

Expires 01-18-2015



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. 14-
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**

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)	
)	
Petition for authority pursuant to)	
Section 6-102(b) of the Public Utilities)	Docket No. 14-
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 December 31, 2013. PGL Ex. 1.2 is a Consolidated Balance Sheet as of
24 December 31, 2013. PGL Ex. 1.3 is the Capital Structure as of December 31, 2013,
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 831,000 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 Peoples Gas plans to do so in a competitive manner to one
40 or more investment banks. If Peoples Gas accepts an underwriting proposal for the
41 debt, it intends to accept the proposal that provides it the lowest annual cost of money.
42 The interest rate will be determined at the time of the offering or periodically during the
43 term of the debt. The interest rate is expected to be in the 4% to 6% range and the
44 maturity is expected to be 30 years. However, due to capital market fluctuations, the
45 terms of the debt, including the maturity, price, rate or method of calculation of interest
46 and dates for payment thereof, and any redemption, prepayment or sinking fund
47 provisions, will be 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 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 to use the proceeds from the issuance for general
69 corporate utility purposes including capital expenditures, which will increase safety and
70 reliability while reducing maintenance costs. Therefore, the proposed transaction is in
71 the public interest and the public will be inconvenienced thereby.

72 Q. Does this complete your direct testimony?

73 A. Yes.

PGL Ex. 1.1 -- Consolidated Statement of Income for the twelve months ended December 31, 2013

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Millions)	Twelve months ended December 31, 2013
Natural gas operating revenues	\$1,147.7
Natural gas purchased for resale	485.6
Operating and maintenance expense	413.2
Depreciation and amortization expense	97.2
Taxes other than income taxes	19.0
Operating income	132.7
Miscellaneous income	1.2
Interest expense	28.6
Other expense	29.8
Income before taxes	105.3
Provision for income taxes	40.8
Net income	\$64.5

PGL Ex. 1.2 -- Consolidated Balance Sheet as of December 31, 2013

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (Millions)	As of December 31, 2013
Assets	
Cash and cash equivalents	\$3.0
Accounts receivable and accrued unbilled revenues, net of reserves of \$40.6	290.0
Receivables from related parties	1.1
Notes receivable from related parties	38.1
Natural gas in storage, at LIFO	58.2
Regulatory assets	46.6
Deferred income taxes	18.8
Other current assets	35.6
Current assets	491.4
Property, plant, and equipment, net of accumulated depreciation of \$1,158.0	2,421.5
Regulatory assets	842.7
Other long-term assets	14.9
Total assets	\$3,770.5
Liabilities and Shareholder's Equity	
Short-term debt	\$177.2
Accounts payable	161.7
Payables to related parties	23.8
Accrued taxes	53.2
Customer deposits	25.1
Customer credit balances	22.2
Regulatory liabilities	53.3
Other current liabilities	30.0
Current liabilities	546.5
Long-term debt	725.0
Deferred income taxes	533.5
Deferred investment tax credits	26.7
Environmental remediation liabilities	443.6
Pension and other postretirement benefit obligations	225.4
Asset retirement obligations	453.6
Other long-term liabilities	51.5
Long-term liabilities	2,459.3
Commitments and contingencies	
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	220.9
Retained earnings	543.8
Accumulated other comprehensive loss	-
Total liabilities and shareholder's equity	\$3,770.5

PGL Ex. 1.3 -- Capital Structure as of December 31, 2013 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 December 31, 2013	Financing Adjustments	Adjusted Balance	Capitalization Ratios	
				December 31, 2013	Adjusted
Common stock equity					
Common stock, without par value, 40,000,000 shares authorized, 25,357,566 shares issued and outstanding	\$220.9		\$220.9		
Retained earnings	543.8		543.8		
Accumulated other comprehensive loss	-		-		
Total common stock equity	764.7	-	764.7	51.3%	48.1%
Long-term debt					
First and Refunding Mortgage Bonds					
	<u>Series</u>	<u>Year Due</u>			
	QQ ¹	4.875% 2038	\$75.0	\$75.0	
	RR ²	4.30% 2035	50.0	50.0	
	TT	8.00% 2018	5.0	5.0	
	UU	4.63% 2019	75.0	75.0	
	VV ³	2.125% 2030	50.0	50.0	
	WW ⁴	2.625% 2033	50.0	50.0	
	XX	2.21% 2016	50.0	50.0	
	YY	3.98% 2042	100.0	100.0	
	ZZ	4.00% 2033	50.0	50.0	
	AAA	3.96% 2043	220.0	220.0	
	New Issuance			\$100.0	100.0
Total First and Refunding Mortgage Bonds			725.0	100.0	825.0
Unamortized discount on long-term debt, net			-	-	-
Total long-term debt			725.0	100.0	825.0
				48.7%	51.9%
Short-term debt			177.2	-	-
				11.9%	0.0%
Total capitalization			\$1,489.7	\$100.0	\$1,589.7
				100.0%	100.0%

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.