The Peoples Gas Light and Coke Company

Cost of Capital Summary (1)

Line No.	Class of Capital	Amount (2)	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	Line No.
		Historical Year 2012					
	(A)	(B)	(C)	(D)	(E)	(F) = (C X D)	
1	Long-term Debt (3)	$ 512,107,000	39.79%	4.67%	D-3	1.86%	1
2	Short-term Debt	77,954,000	6.06%	1.16%	D-2	0.07%	2
3	Common Equity	696,955,000	54.15%	10.25% (4)		5.55%	3
4	Total Capital	$ 1,287,016,000				7.48%	4
		Forecasted Year 2013 (7)					
	Class of Capital	Amount (2)	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	
	(A)	(B)	(C)	(D)	(E)	(F) = (C X D)	
5	Long-term Debt (3)	$ 631,782,000	43.47%	4.38%	D-3	1.90%	5
6	Short-term Debt	79,237,000	5.45%	0.93%	D-2	0.05%	6
7	Common Equity (6)	742,389,000	51.08%	10.25% (4)		5.24%	7
8	Total Capital	$ 1,453,408,000				7.19%	8
		Forecasted Year 2014 (5)					
	Class of Capital	Amount (2)	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	
	(A)	(B)	(C)	(D)	(E)	(F) = (C X D)	
9	Long-term Debt (3)	$ 740,533,000	42.60%	4.30%	D-3	1.83%	9
10	Short-term Debt	123,561,000	7.11%	0.74%	D-2	0.05%	10
11	Common Equity (6)	874,322,000	50.29%	10.25% (4)		5.16%	11
12	Total Capital	$ 1,738,416,000				7.04%	12
		Test Year 2015 (5)					
	Class of Capital	Amount (2)	Percent of Total	Percent Cost	Cost Reference	Weighted Cost	
	(A)	(B)	(C)	(D)	(E)	(F) = (C X D)	
13	Long-term Debt (3)	$ 889,589,000	44.88%	4.72%	D-3	2.12%	13
14	Short-term Debt	95,233,000	4.81%	1.63%	D-2	0.08%	14
15	Common Equity (6)	997,105,000	50.31%	10.25% (4)		5.16%	15
16	Total Capital	$ 1,981,927,000				7.36%	16

Notes:
(1) The weights and costs of the components of the capital structure do not differ from total company data.
(2) 12-month average of monthly average balances of long-term debt, short-term debt, and common equity, except time weighted new/maturing long-term debt series
(3) Includes long-term debt due within one year (if any).
(4) Cost of common equity requested in this filing.
(5) Based on zero months of actual data and twelve months of forecasted data.
(6) Forecasted common equity balances reflect present rates.
(7) Based on six months of actual data and six months of forecasted data.

The Peoples Gas Light and Coke Company

Cost of Short Term Debt

Line No.	Month	Balance of Short Term Debt [A]	Balance of Total CWIP [B]	Balance of CWIP Accruing AFUDC [C]	Net Amount Outstanding Calculation 1 [D]=[A]-[A/B*C]	Net Amount Outstanding Calculation 2 [E]=[A-C]	Greater of [D] and [E] Net Amount Outstanding [F]	Monthly Average [G]	Short-Term Interest Expense [H]	Amortization of Upfront Credit Facility Fees [I]	Total Interest Requirements [J]=[H+I]	Average Interest Rate [K]=[H/G]	Cost of Short Term Debt [L]=[J/G]	Line No.
1	Historical Year Ended December 31, 2012 (6)													1
2	Dec 11						37,000,000							2
3	Jan	78,800,000 (1)	$28,680,000	$0	$78,800,000	$78,800,000	$78,800,000	57,900,000	$20,000	$64,000	$84,000			3
4	Feb	30,050,000 (1,2)	32,169,000	0	30,050,000	30,050,000	30,050,000	54,425,000	14,000	64,000	78,000			4
5	Mar	0	46,161,000	0	0	0	0	15,025,000	3,000	64,000	67,000			5
6	Apr	17,700,000 (1)	52,042,000	0	17,700,000	17,700,000	17,700,000	8,850,000	0	64,000	64,000			6
7	May	28,925,000 (1,2)	58,440,000	0	28,925,000	28,925,000	28,925,000	23,313,000	8,000	64,000	72,000			7
8	Jun	25,675,000 (1,2)	71,326,000	0	25,675,000	25,675,000	25,675,000	27,300,000	8,000	34,000	42,000			8
9	Jul	79,900,000 (1)	74,463,000	0	79,900,000	79,900,000	79,900,000	52,788,000	16,000	34,000	50,000			9
10	Aug	117,200,000 (1)	119,975,000	0	117,200,000	117,200,000	117,200,000	98,550,000	32,000	34,000	66,000			10
11	Sep	168,300,000 (1)	121,666,000	0	168,300,000	168,300,000	168,300,000	142,750,000	49,000	34,000	83,000			11
12	Oct	78,800,000 (1)	88,452,000	0	78,800,000	78,800,000	78,800,000	123,550,000	66,000	34,000	100,000			12
13	Nov	202,300,000 (1)	87,231,000	0	202,300,000	202,300,000	202,300,000	140,550,000	78,000	34,000	112,000			13
14	Dec	178,600,000 (1)	52,908,000	0	178,600,000	178,600,000	178,600,000	190,450,000	55,000	34,000	89,000			14
15								$77,954,000 (3)	$349,000	$558,000	$907,000	0.45%	1.16%	15
16	Forecasted Year Ending December 31, 2013 (4)													16
17	Jan	$135,900,000	$35,528,000	$0	$135,900,000	$135,900,000	$135,900,000	$157,250,000	$51,000	$35,000	$86,000			17
18	Feb	91,200,000	33,654,000	0	91,200,000	91,200,000	91,200,000	113,550,000	29,000	35,000	64,000			18
19	Mar	32,100,000	35,279,000	0	32,100,000	32,100,000	32,100,000	61,650,000	38,000	35,000	73,000			19
20	Apr	8,300,000	37,280,000	0	8,300,000	8,300,000	8,300,000	20,200,000	2,000	35,000	37,000			20
21	May	81,500,000	37,031,000	0	81,500,000	81,500,000	81,500,000	44,900,000	16,000	35,000	51,000			21
22	Jun	124,100,000	45,784,000	0	124,100,000	124,100,000	124,100,000	102,800,000	22,000	35,000	57,000			22
23	Jul	172,076,000	6,938,000	0	172,076,000	172,076,000	172,076,000	148,088,000	48,000	35,000	83,000			23
24	Aug	0	10,805,000	0	0	0	0	86,038,000	30,000	35,000	65,000			24
25	Sep	0	10,763,000	0	0	0	0	0	0	35,000	35,000			25
26	Oct	14,883,000	13,200,000	0	14,883,000	14,883,000	14,883,000	7,442,000	3,000	35,000	38,000			26
27	Nov	99,532,000	11,523,000	0	99,532,000	99,532,000	99,532,000	57,208,000	21,000	35,000	56,000			27
28	Dec	203,905,000	5,540,000	0	203,905,000	203,905,000	203,905,000	151,719,000	56,000	35,000	91,000			28
29								$79,237,000 (3)	$316,000	$420,000	$736,000	0.40%	0.93%	29
30	Forecasted Year Ending December 31, 2014 (5)													30
31	Jan	$171,677,000	$12,444,000	$0	$171,677,000	$171,677,000	$171,677,000	$187,791,000	$69,000	$35,000	$104,000			31
32	Feb	115,633,000	18,890,000	0	115,633,000	115,633,000	115,633,000	143,655,000	53,000	35,000	88,000			32
33	Mar	77,956,000	26,064,000	0	77,956,000	77,956,000	77,956,000	96,795,000	35,000	35,000	70,000			33
34	Apr	55,184,000	34,522,000	0	55,184,000	55,184,000	55,184,000	66,570,000	24,000	35,000	59,000			34
35	May	84,973,000	44,004,000	0	84,973,000	84,973,000	84,973,000	70,079,000	26,000	33,000	59,000			35
36	Jun	21,438,000	55,037,000	0	21,438,000	21,438,000	21,438,000	53,206,000	19,000	33,000	52,000			36
37	Jul	86,777,000	67,862,000	0	86,777,000	86,777,000	86,777,000	54,108,000	19,000	33,000	52,000			37
38	Aug	164,866,000	81,098,000	0	164,866,000	164,866,000	164,866,000	125,822,000	43,000	33,000	76,000			38
39	Sep	235,189,000	83,021,000	0	235,189,000	235,189,000	235,189,000	200,028,000	67,000	33,000	100,000			39
40	Oct	123,182,000	89,627,000	0	123,182,000	123,182,000	123,182,000	179,186,000	57,000	33,000	90,000			40
41	Nov	162,703,000	64,523,000	0	162,703,000	162,703,000	162,703,000	142,943,000	44,000	33,000	77,000			41
42	Dec	162,402,000	62,648,000	0	162,402,000	162,402,000	162,402,000	162,553,000	51,000	33,000	84,000			42
43								$123,561,000 (3)	$507,000	$404,000	$911,000	0.41%	0.74%	43
44	Test Year Ending December 31, 2015 (5)													44
45	Jan	$136,118,000	$63,512,000	$0	$136,118,000	$136,118,000	$136,118,000	$149,260,000	$50,000	$33,000	$83,000			45
46	Feb	$62,931,000	$64,580,000	0	62,931,000	62,931,000	62,931,000	99,525,000	37,000	33,000	70,000			46
47	Mar	$14,487,000	$65,563,000	0	14,487,000	14,487,000	14,487,000	38,709,000	17,000	33,000	50,000			47
48	Apr	$121,000	$67,791,000	0	121,000	121,000	121,000	7,304,000	4,000	33,000	37,000			48
49	May	$17,200,000	$70,141,000	0	17,200,000	17,200,000	17,200,000	8,661,000	6,000	33,000	39,000			49
50	Jun	$61,755,000	$74,299,000	0	61,755,000	61,755,000	61,755,000	39,478,000	30,000	33,000	63,000			50
51	Jul	$115,336,000	$78,260,000	0	115,336,000	115,336,000	115,336,000	88,546,000	79,000	33,000	112,000			51
52	Aug	$138,347,000	$77,536,000	0	138,347,000	138,347,000	138,347,000	126,842,000	130,000	33,000	163,000			52
53	Sep	$208,745,000	$78,866,000	0	208,745,000	208,745,000	208,745,000	173,546,000	201,000	33,000	234,000			53
54	Oct	$100,522,000	$78,617,000	0	100,522,000	100,522,000	100,522,000	154,634,000	202,000	33,000	235,000			54
55	Nov	$133,216,000	$81,650,000	0	133,216,000	133,216,000	133,216,000	116,869,000	171,000	33,000	204,000			55
56	Dec	$145,633,000	$50,815,000	0	145,633,000	145,633,000	145,633,000	139,425,000	229,000	33,000	262,000			56
57								$95,233,000 (3)	$1,156,000	$396,000	$1,552,000	1.21%	1.63%	57

Notes:
(1) Commercial Paper Rate fixed at time of borrowing.
(2) Inter-Company Loan Rate based on comparable Commercial Paper Rate.
(3) 12-month average of monthly average balances.
(4) Includes six months of actual data and six months of forecasted data.
(5) Includes zero months of actual data and twelve months of forecasted data.
(6) The average term for commercial paper was 6 days in 2012.

The Peoples Gas Light and Coke Company

Embedded Cost of Long-Term Debt

Net Proceeds Method
Test Year Ending December 31, 2015

Line No.	Debt Issue Type, Coupon Rate [A]			Date Issued [B]	Maturity Date [C]	Date Reacquired [D]	Principal Amount at Issuance [E]	New and Retired Time Weighted Face Amount Outstanding [F]	Thirteen Month Average Unamortized Discount or (Premium) [G]	Thirteen Month Average Unamortized Debt Expense (Gain) [H]		Carrying Value [I]=[F-G-H]	Coupon Interest Expense [J]=[A*F]	Amortization of Debt Discount or (Premium) (4) [K]	Amortization of Debt Expense (4) [L]		Total Expense [M]=[J+K+L]	Line No.
	Test Year Ending December 31, 2015 (1)																	
1	First and Refunding Mortgage Bonds:																	1
2	Series QQ	4.875%	(2)	11/25/03	11/01/38	-	$ 75,000,000	$ 75,000,000	$ -	$ 1,325,000		$ 73,675,000	$ 3,656,000	$ -	$ 57,000		$ 3,713,000	2
3	Series RR	4.30%	(2)	06/01/05	06/01/35	-	50,000,000	50,000,000	-	690,000		49,310,000	2,150,000	-	35,000		2,185,000	3
4	Series TT	8.00%		11/03/08	11/01/18	-	5,000,000	5,000,000	-	21,000		4,979,000	400,000	-	6,000		406,000	4
5	Series UU	4.63%		09/30/09	09/01/19	-	75,000,000	75,000,000	-	324,000		74,676,000	3,473,000	-	78,000		3,551,000	5
6	Series WW	2.625%	(2)	10/05/10	02/01/33	08/01/15	50,000,000	29,167,000	-	304,000		28,863,000	766,000	-	16,000	(5)	782,000	6
7	Series XX	2.21%		11/01/11	11/01/16	-	50,000,000	50,000,000	-	149,000		49,851,000	1,105,000	-	112,000		1,217,000	7
8	Series YY	3.98%		12/04/12	12/01/42	-	100,000,000	100,000,000	-	893,000		99,107,000	3,980,000	-	33,000		4,013,000	8
9	Series ZZ	4.00%		04/18/13	02/01/33		50,000,000	50,000,000	-	695,000		49,305,000	2,000,000	-	40,000		2,040,000	9
10	Series AAA	3.96%		08/01/13	08/01/43	-	220,000,000	220,000,000	-	1,674,000		218,326,000	8,712,000	-	60,000		8,772,000	10
11	New Series	5.05%	(2)	07/01/14	03/01/30	-	50,000,000	50,000,000	-	866,000		49,134,000	2,525,000	-	59,000		2,584,000	11
12	New Series	5.50%		10/01/14	10/01/44	-	150,000,000	150,000,000	-	1,423,000		148,577,000	8,250,000	-	49,000		8,299,000	12
13	New Series	5.85%	(2)	08/01/15	02/01/33	-	50,000,000	20,833,000	-	342,000	(3)	20,491,000	1,219,000	-	22,000	(5)	1,241,000	13
14	New Series	6.40%		10/01/15	10/01/45	-	150,000,000	37,500,000	-	303,000	(3)	37,197,000	2,400,000	-	12,000	(5)	2,412,000	14
15	Future Issuance Fee	n/a		n/a	n/a	n/a	n/a	n/a	n/a	-	(6)	-	n/a	n/a	n/a		n/a	15
16	Sub-Total						1,075,000,000	912,500,000	-	9,009,000		903,491,000	40,636,000	-	579,000		41,215,000	16
17	Less: Amortization of Losses on Reacquired Bonds																	17
18	Series X	6.875%	(2)	03/01/85	02/01/33	03/14/03	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -		$ -	18
19	Series KK	5.000%	(2)	02/06/03	02/01/33	04/18/13	-	-	-	2,581,000	(7)	(2,581,000)	-	-	147,000	(7)	147,000	19
20	Series Y	7.50%	(2)	03/01/85	02/01/33	04/03/00	-	-	-	-		-	-	-	-		-	20
21	Series GG	Variable Rate	(2)	03/01/00	02/01/33	03/27/03	-	-	-	-		-	-	-	-		-	21
22	Series LL	3.75%	(2)	02/20/03	02/01/33	10/04/10	-	-	-	-		-	-	-	-		-	22
23	Series WW	2.625%	(2)	10/05/10	02/01/33	08/01/15	-	-	-	2,349,000	(8)	(2,349,000)	-	-	135,000	(8)	135,000	23
24	Series Z	7.50%	(2)	03/01/85	03/01/15	04/03/00	-	-	-	-		-	-	-	-		-	24
25	Series HH	4.75%	(2)	03/01/00	03/01/30	08/18/10	-	-	-	-		-	-	-	-		-	25
26	Series VV	4.75%	(2)	03/01/00	03/01/30	08/18/10	-	-	-	2,005,000	(9)	(2,005,000)	-	-	137,000	(7)(9)	137,000	26
27	Series AA	10.25%	(2)	03/01/85	06/01/35	08/01/95	-	-	-	-		-	-	-	-		-	27
28	Series FF	6.10%	(2)	06/01/95	06/01/35	06/02/05	-	-	-	2,020,000	(10)	(2,020,000)	-	-	101,000	(10)	101,000	28
29	Series BB	8.10%	(2)	05/01/90	10/01/37	05/01/00	-	-	-	-		-	-	-	-		-	29
30	Series II	Variable Rate	(2)	03/01/00	10/01/37	11/12/03	-	-	-	-		-	-	-	-		-	30
31	Series JJ 36%	Variable Rate	(2)	03/01/00	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	31
32	Series OO	Variable Rate	(2)	10/09/03	10/01/37	08/18/11	-	-	-	1,879,000	(11)	(1,879,000)	-	-	84,000	(11)	84,000	32
33	Series BB	8.10%	(2)	05/01/90	10/01/37	05/01/00	-	-	-	-		-	-	-	-		-	33
34	Series JJ 64%	Variable Rate	(2)	03/01/00	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	34
35	Series EE	Variable Rate	(2)	12/01/93	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	35
36	Series PP	Variable Rate	(2)	10/09/03	10/01/37	04/17/08	-	-	-	1,440,000	(12)	(1,440,000)	-	-	65,000	(12)	65,000	36
37	Series DD	5.75%	(2)	12/01/93	11/01/38	12/01/03	-	-	-	1,628,000		(1,628,000)	-	-	70,000		70,000	37
38	Sub-Total						-	-	-	13,902,000		(13,902,000)	-	-	739,000		739,000	38
39	Total						$1,075,000,000	$ 912,500,000	$ -	$ 22,911,000		$ 889,589,000	$ 40,636,000	$ -	$ 1,318,000		$ 41,954,000	39
40	Embedded Cost of Long-Term Debt (M / I)																4.72% (13)	40

Notes:
(1) Based on zero months of actual data and 12 months of forecasted data.
(2) Tax-exempt bonds.
(3) Total costs amortized based on life of the debt.
(4) Annualized amounts were created using the 12/31/11 amortization amounts multiplied by 12 months.
(5) Amount based on life of the debt.
(6) Fee paid for Docket 12-0285 not yet applied to a bond issuance.
(7) Refinancing Series combined (X and KK). Lines 18 and 19.
(8) Refinancing Series combined (Y, GG, LL, and WW). Lines 20 through 23.
(9) Refinancing Series combined (Z, HH, and VV). Lines 24 through 26.
(10) Refinancing Series combined (AA and FF). Lines 27 and 28.
(11) Refinancing Series combined (BB,II, JJ 36% and OO). Lines 29 through 32.
(12) Refinancing Series combined (BB, JJ 64%, EE, and PP). Lines 33 through 36.
(13) Proposed embedded cost of debt requested in this filing.

The Peoples Gas Light and Coke Company

Embedded Cost of Long-Term Debt

Net Proceeds Method
Forecasted Year Ending December 31, 2014

Line No.	Debt Issue Type, Coupon Rate [A]			Date Issued [B]	Maturity Date [C]	Date Reacquired [D]	Principal Amount at Issuance [E]	New and Retired Time Weighted Face Amount Outstanding [F]	Thirteen Month Average Unamortized Discount or (Premium) [G]	Thirteen Month Average Unamortized Debt Expense (Gain) [H]		Carrying Value [I]=[F-G-H]	Coupon Interest Expense [J]=[A*F]	Amortization of Debt Discount or (Premium) (4) [K]	Amortization of Debt Expense (4) [L]		Total Expense [M]=[J+K+L]	Line No.
	Forecasted Year Ending December 31, 2014 (1)																	
1	First and Refunding Mortgage Bonds:																	1
2	Series QQ	4.875%	(2)	11/25/03	11/01/38	-	$ 75,000,000	$ 75,000,000	$ -	$ 1,382,000		$ 73,618,000	$ 3,656,000	$ -	$ 57,000		$ 3,713,000	2
3	Series RR	4.30%	(2)	06/01/05	06/01/35	-	50,000,000	50,000,000	-	725,000		49,275,000	2,150,000	-	35,000		2,185,000	3
4	Series TT	8.00%		11/03/08	11/01/18	-	5,000,000	5,000,000	-	28,000		4,972,000	400,000	-	6,000		406,000	4
5	Series UU	4.63%		09/30/09	09/01/19	-	75,000,000	75,000,000	-	402,000		74,598,000	3,473,000	-	78,000		3,551,000	5
6	Series VV	2.125%	(2)	08/18/10	03/01/30	07/01/14	50,000,000	25,000,000	-	319,000		24,681,000	531,000	-	19,000	(5)	550,000	6
7	Series WW	2.625%	(2)	10/05/10	02/01/33	-	50,000,000	50,000,000	-	509,000		49,491,000	1,313,000	-	27,000		1,340,000	7
8	Series XX	2.21%		11/01/11	11/01/16	-	50,000,000	50,000,000	-	261,000		49,739,000	1,105,000	-	112,000		1,217,000	8
9	Series YY	3.98%		12/04/12	12/01/42	-	100,000,000	100,000,000	-	926,000		99,074,000	3,980,000	-	33,000		4,013,000	9
10	Series ZZ	4.00%		04/18/13	02/01/33	-	50,000,000	50,000,000	-	734,000		49,266,000	2,000,000	-	40,000		2,040,000	10
11	Series AAA	3.96%		08/01/13	08/01/43	-	220,000,000	220,000,000	-	1,733,000	(3)	218,267,000	8,712,000	-	60,000		8,772,000	11
12	New Series	5.05%	(2)	07/01/14	03/01/30	-	50,000,000	25,000,000	-	417,000	(3)	24,583,000	1,263,000	-	29,000	(5)	1,292,000	12
13	New Series	5.50%		10/01/14	10/01/44	-	150,000,000	37,500,000	-	303,000	(3)	37,197,000	2,063,000	-	12,000	(5)	2,075,000	13
14	Future Issuance Fee	n/a		n/a	n/a	n/a	n/a	n/a	n/a	95,000	(6)	(95,000)	n/a	n/a	n/a		n/a	14
15	Sub-Total						925,000,000	762,500,000	-	7,834,000		754,666,000	30,646,000	-	508,000		31,154,000	15
16	Less: Amortization of Losses on Reacquired Bonds																	16
17	Series X	6.875%	(2)	03/01/85	02/01/33	03/14/03	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -		$ -	17
18	Series KK	5.000%	(2)	02/06/03	02/01/33	04/18/13	-	-	-	2,728,000	(7)	(2,728,000)	-	-	147,000	(7)	147,000	18
19	Series Y	7.50%	(2)	03/01/85	02/01/33	04/03/00	-	-	-	-		-	-	-	-		-	19
20	Series GG	Variable Rate	(2)	03/01/00	02/01/33	03/27/03	-	-	-	-		-	-	-	-		-	20
21	Series LL	3.75%	(2)	02/20/03	02/01/33	10/04/10	-	-	-	2,295,000	(8)	(2,295,000)	-	-	123,000	(8)	123,000	21
22	Series Z	7.50%	(2)	03/01/85	03/01/15	04/03/00	-	-	-	-		-	-	-	-		-	22
23	Series HH	4.75%	(2)	03/01/00	03/01/30	08/18/10	-	-	-	-		-	-	-	-		-	23
24	Series VV	4.75%	(2)	03/01/00	03/01/30	08/18/10	-	-	-	1,823,000	(9)	(1,823,000)	-	-	118,000	(7)(9)	118,000	24
25	Series AA	10.25%	(2)	03/01/85	06/01/35	08/01/95	-	-	-	-		-	-	-	-		-	25
26	Series FF	6.10%	(2)	06/01/95	06/01/35	06/02/05	-	-	-	2,121,000	(10)	(2,121,000)	-	-	101,000	(10)	101,000	26
27	Series BB	8.10%	(2)	05/01/90	10/01/37	05/01/00	-	-	-	-		-	-	-	-		-	27
28	Series II	Variable Rate	(2)	03/01/00	10/01/37	11/12/03	-	-	-	-		-	-	-	-		-	28
29	Series JJ 36%	Variable Rate	(2)	03/01/00	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	29
30	Series OO	Variable Rate	(2)	10/09/03	10/01/37	08/18/11	-	-	-	1,963,000	(11)	(1,963,000)	-	-	84,000	(11)	84,000	30
31	Series BB	8.10%	(2)	05/01/90	10/01/37	05/01/00	-	-	-	-		-	-	-	-		-	31
32	Series JJ 64%	Variable Rate	(2)	03/01/00	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	32
33	Series EE	Variable Rate	(2)	12/01/93	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	33
34	Series PP	Variable Rate	(2)	10/09/03	10/01/37	04/17/08	-	-	-	1,505,000	(12)	(1,505,000)	-	-	65,000	(12)	65,000	34
35	Series DD	5.75%	(2)	12/01/93	11/01/38	12/01/03	-	-	-	1,698,000		(1,698,000)	-	-	70,000		70,000	35
36	Sub-Total						-	-	-	14,133,000		(14,133,000)	-	-	708,000		708,000	36
37	Total						$ 925,000,000	$ 762,500,000	$ -	$ 21,967,000		$ 740,533,000	$ 30,646,000	$ -	$ 1,216,000		$ 31,862,000	37
38	Embedded Cost of Long-Term Debt (M / I)																4.30%	38

Notes: (1) Based on zero months of actual data and 12 months of forecasted data.
(2) Tax-exempt bonds.
(3) Total costs amortized based on life of the debt.
(4) Annualized amounts were created using the 12/31/11 amortization amounts multiplied by 12 months.
(5) Amount based on life of the debt.
(6) Fee paid for Docket 12-0285 not yet applied to a bond issuance.
(7) Refinancing Series combined (X and KK). Lines 17 and 18.
(8) Refinancing Series combined (Y, GG, and LL). Lines 19 through 21.
(9) Refinancing Series combined (Z, HH, and VV). Lines 22 through 24.
(10) Refinancing Series combined (AA and FF). Lines 25 and 26.
(11) Refinancing Series combined (BB,II, JJ 36% and OO). Lines 27 through 30.
(12) Refinancing Series combined (BB, JJ 64%, EE, and PP). Lines 31 through 34.

The Peoples Gas Light and Coke Company

Embedded Cost of Long-Term Debt

Net Proceeds Method
Forecasted Year Ending December 31, 2013

Line No.	Debt Issue Type, Coupon Rate [A]			Date Issued [B]	Maturity Date [C]	Date Reacquired [D]	Principal Amount at Issuance [E]	New and Retired Time Weighted Face Amount Outstanding [F]	Thirteen Month Average Unamortized Discount or (Premium) [G]	Thirteen Month Average Unamortized Debt Expense (Gain) [H]		Carrying Value [I]=[F-G-H]	Coupon Interest Expense [J]=[A*F]	Amortization of Debt Discount or (Premium) (5) [K]	Amortization of Debt Expense (5) [L]		Total Expense [M]=[J+K+L]	Line No.
	Forecasted Year Ending December 31, 2013 (1)																	
1	First and Refunding Mortgage Bonds:																	1
2	Series KK	5.00%	(2)	02/06/03	02/01/33	04/18/13	$ 50,000,000	$ 12,500,000	$ 134,000	$ 393,000	(4)	$ 11,973,000	$ 625,000	$ 23,000	$ 32,000	$ (7)	$ 680,000	2
3	Series NN-2	4.625%		04/29/03	05/01/13	05/01/13	75,000,000	18,750,000	-	8,000	(6)	18,742,000	867,000	-	38,000	(7)	905,000	3
4	Series QQ	4.875%	(2)	11/25/03	11/01/38	-	75,000,000	75,000,000	-	1,439,000		73,561,000	3,656,000	-	57,000		3,713,000	4
5	Series RR	4.30%	(2)	06/01/05	06/01/35	-	50,000,000	50,000,000	-	759,000		49,241,000	2,150,000	-	35,000		2,185,000	5
6	Series SS	7.00%		11/03/08	11/01/13	-	45,000,000	37,500,000	-	40,000		37,460,000	2,625,000	-	96,000	(7)	2,721,000	6
7	Series TT	8.00%		11/03/08	11/01/18	-	5,000,000	5,000,000	-	34,000		4,966,000	400,000	-	6,000		406,000	7
8	Series UU	4.63%		09/30/09	09/01/19	-	75,000,000	75,000,000	-	479,000		74,521,000	3,473,000	-	78,000		3,551,000	8
9	Series VV	2.125%	(2)	08/18/10	03/01/30	-	50,000,000	50,000,000	-	617,000		49,383,000	1,063,000	-	37,000		1,100,000	9
10	Series WW	2.625%	(2)	10/05/10	02/01/33	-	50,000,000	50,000,000	-	536,000		49,464,000	1,313,000	-	27,000		1,340,000	10
11	Series XX	2.21%		11/01/11	11/01/16	-	50,000,000	50,000,000	-	373,000		49,627,000	1,105,000	-	112,000		1,217,000	11
12	Series YY	3.98%		12/04/12	12/01/42	-	100,000,000	100,000,000	-	958,000		99,042,000	3,980,000	-	33,000		4,013,000	12
13	Series ZZ	4.00%		04/18/13	02/01/33		50,000,000	37,500,000	-	534,000		36,966,000	1,500,000	-	27,000	(7)	1,527,000	13
14	Series AAA	3.96%		08/01/13	08/01/43	-	220,000,000	91,667,000	-	664,000	(3)	91,003,000	3,630,000	-	25,000	(7)	3,655,000	14
15	Future Issuance Fee	n/a		n/a	n/a	n/a	n/a	n/a	n/a	120,000	(8)	(120,000)	n/a	n/a	n/a		n/a	15
16	Sub-Total						895,000,000	652,917,000	134,000	6,954,000		645,829,000	26,387,000	23,000	603,000		27,013,000	16
17	Less: Amortization of Losses on Reacquired Bonds																	17
18	Series X	6.875%	(2)	03/01/85	02/01/33	03/14/03	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -		$ -	18
19	Series KK	5.00%	(2)	02/06/03	02/01/33	04/18/13	-	-	-	2,358,000	(9)	(2,358,000)	-	-	125,000	(9)	125,000	19
20	Series Y	7.50%	(2)	03/01/85	02/01/33	04/03/00	-	-	-	-		-	-	-			-	20
21	Series GG	Variable Rate	(2)	03/01/00	02/01/33	03/27/03	-	-	-	-		-	-	-	-		-	21
22	Series LL	3.75%	(2)	02/20/03	02/01/33	10/04/10	-	-	-	2,419,000	(10)	(2,419,000)	-	-	123,000	(10)	123,000	22
23	Series Z	7.50%	(2)	03/01/85	03/01/15	04/03/00	-	-	-	-		-	-	-	-		-	23
24	Series HH	4.75%	(2)	03/01/00	03/01/30	08/18/10	-	-	-	1,661,000	(11)	(1,661,000)	-	-	100,000	(11)	100,000	24
25	Series AA	10.25%	(2)	03/01/85	06/01/35	08/01/95	-	-	-	-		-	-	-	-		-	25
26	Series FF	6.10%	(2)	06/01/95	06/01/35	06/02/05	-	-	-	2,223,000	(12)	(2,223,000)	-	-	101,000	(12)	101,000	26
27	Series BB	8.10%	(2)	05/01/90	10/01/37	05/01/00	-	-	-	-		-	-	-	-		-	27
28	Series II	Variable Rate	(2)	03/01/00	10/01/37	11/12/03	-	-	-	-		-	-	-	-		-	28
29	Series JJ 36%	Variable Rate	(2)	03/01/00	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	29
30	Series OO	Variable Rate	(2)	10/09/03	10/01/37	08/18/11	-	-	-	2,048,000	(13)	(2,048,000)	-	-	84,000	(13)	84,000	30
31	Series BB	8.10%	(2)	05/01/90	10/01/37	05/01/00	-	-	-	-		-	-	-	-		-	31
32	Series JJ 64%	Variable Rate	(2)	03/01/00	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	32
33	Series EE	Variable Rate	(2)	12/01/93	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	33
34	Series PP	Variable Rate	(2)	10/09/03	10/01/37	04/17/08	-	-	-	1,570,000	(14)	(1,570,000)	-	-	65,000	(14)	65,000	34
35	Series DD	5.75%	(2)	12/01/93	11/01/38	12/01/03	-	-	-	1,768,000		(1,768,000)	-	-	70,000		70,000	35
36	Sub-Total						-	-	-	14,047,000		(14,047,000)	-	-	668,000		668,000	36
37	Total						$ 895,000,000	$ 652,917,000	$ 134,000	$ 21,001,000		$ 631,782,000	$ 26,387,000	$ 23,000	$ 1,271,000		$ 27,681,000	37
38	Embedded Cost of Long-Term Debt (M / I)																4.38%	38

Notes: (1) Based on six months of actual data and six months of forecasted data.
(2) Tax-exempt bonds.
(3) Total costs amortized based on life of the debt.
(4) Includes $17,000 Ambac fee.
(5) Annualized amounts were created using the 12/31/11 amortization amounts multiplied by 12 months.
(6) Includes $4,000 for the unamortized debt expense related to an interest rate swap on these bonds.
(7) Amount based on life of the debt.
(8) Fee paid for Docket 12-0285 not yet applied to a bond issuance.
(9) Refinancing Series combined (X and KK). Lines 18 and 19.
(10) Refinancing Series combined (Y, GG, and LL). Lines 20 through 22.
(11) Refinancing Series combined (Z and HH). Lines 23 and 24.
(12) Refinancing Series combined (AA and FF). Lines 25 and 26.
(13) Refinancing Series combined (BB,II, JJ 36% and OO). Lines 27 through 30.
(14) Refinancing Series combined (BB, JJ 64%, EE, and PP). Lines 31 through 34.

The Peoples Gas Light and Coke Company

Embedded Cost of Long-Term Debt

Net Proceeds Method
Historical Year Ended December 31, 2012

Line No.	Debt Issue Type, Coupon Rate [A]			Date Issued [B]	Maturity Date [C]	Date Reacquired [D]	Principal Amount at Issuance [E]	New and Retired Time Weighted Face Amount Outstanding [F]	Thirteen Month Average Unamortized Discount or (Premium) [G]	Thirteen Month Average Unamortized Debt Expense (Gain) [H]		Carrying Value [I]=[F-G-H]	Coupon Interest Expense [J]=[A*F]	Amortization of Debt Discount or (Premium) (5) [K]	Amortization of Debt Expense (5) [L]		Total Expense [M]=[J+K+L]	Line No.
	Historical Year Ended December 31, 2012																	
1	First and Refunding Mortgage Bonds:																	1
2	Series KK	5.00%	(1)	02/06/03	02/01/33	-	$ 50,000,000	$ 50,000,000	$ 473,000	$ 1,373,000	(2)	$ 48,154,000	$ 2,500,000	$ 23,000	$ 103,000		$ 2,626,000	2
3	Series NN-2	4.625%		04/29/03	05/01/13	-	75,000,000	75,000,000	5,000	126,000	(3)	74,869,000	3,469,000	6,000	113,000		3,588,000	3
4	Series QQ	4.875%	(1)	11/25/03	11/01/38	-	75,000,000	75,000,000	-	1,496,000		73,504,000	3,656,000	-	57,000		3,713,000	4
5	Series RR	4.30%	(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	7.00%		11/03/08	11/01/13	-	45,000,000	45,000,000	-	154,000		44,846,000	3,150,000	-	115,000		3,265,000	6
7	Series TT	8.00%		11/03/08	11/01/18	-	5,000,000	5,000,000	-	40,000		4,960,000	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	-	78,000		3,551,000	8
9	Series VV	2.125%	(1)	08/18/10	03/01/30	-	50,000,000	50,000,000	-	654,000		49,346,000	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	-	563,000		49,437,000	1,313,000	-	27,000		1,340,000	10
11	Series XX	2.21%		11/01/11	11/01/16	-	50,000,000	50,000,000	-	484,000		49,516,000	1,105,000	-	112,000		1,217,000	11
12	Series YY	3.98%		12/04/12	12/01/42	-	100,000,000	7,500,000	-	215,000	(4)	7,285,000	299,000	-	33,000	(6)	332,000	12
13	Future Issuance Fee	n/a		n/a	n/a	n/a	n/a	n/a	n/a	35,000	(7)	(35,000)	n/a	n/a	n/a		n/a	13
14	Sub-Total						625,000,000	532,500,000	478,000	6,491,000		525,531,000	22,578,000	29,000	716,000		23,323,000	14
15	Less: Amortization of Losses on Reacquired Bonds																	15
16	Series X	6.875%	(1)	03/01/85	02/01/33	03/14/03	$ -	$ -	$ -	$ 1,193,000		$ (1,193,000)	$ -	$ -	$ 58,000		$ 58,000	16
17	Series Y	7.50%	(1)	03/01/85	02/01/33	04/03/00	-	-	-	-		-	-	-	-		-	17
18	Series GG	Variable Rate	(1)	03/01/00	02/01/33	03/27/03	-	-	-	-		-	-	-	-		-	18
19	Series LL	3.75%	(1)	02/20/03	02/01/33	10/04/10	-	-	-	2,542,000	(8)	(2,542,000)	-	-	123,000	(8)	123,000	19
20	Series Z	7.50%	(1)	03/01/85	03/01/15	04/03/00	-	-	-	-		-	-	-	-		-	20
21	Series HH	4.75%	(1)	03/01/00	03/01/30	08/18/10	-	-	-	1,761,000	(9)	(1,761,000)	-	-	100,000	(9)	100,000	21
22	Series AA	10.25%	(1)	03/01/85	06/01/35	08/01/95	-	-	-	-		-	-	-	-		-	22
23	Series FF	6.10%	(1)	06/01/95	06/01/35	06/02/05	-	-	-	2,324,000	(10)	(2,324,000)	-	-	101,000	(10)	101,000	23
24	Series BB	8.10%	(1)	05/01/90	10/01/37	05/01/00	-	-	-	-		-	-	-	-		-	24
25	Series II	Variable Rate	(1)	03/01/00	10/01/37	11/12/03	-	-	-	-		-	-	-	-		-	25
26	Series JJ 36%	Variable Rate	(1)	03/01/00	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	26
27	Series OO	Variable Rate	(1)	10/09/03	10/01/37	08/18/11	-	-	-	2,132,000	(11)	(2,132,000)	-	-	84,000	(11)	84,000	27
28	Series BB	8.10%	(1)	05/01/90	10/01/37	05/01/00	-	-	-	-		-	-	-	-		-	28
29	Series JJ 64%	Variable Rate	(1)	03/01/00	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	29
30	Series EE	Variable Rate	(1)	12/01/93	10/01/37	10/14/03	-	-	-	-		-	-	-	-		-	30
31	Series PP	Variable Rate	(1)	10/09/03	10/01/37	04/17/08	-	-	-	1,635,000	(12)	(1,635,000)	-	-	65,000	(12)	65,000	31
32	Series DD	5.75%	(1)	12/01/93	11/01/38	12/01/03	-	-	-	1,837,000		(1,837,000)	-	-	70,000		70,000	32
33	Sub-Total						-	-	-	13,424,000		(13,424,000)	-	-	601,000		601,000	33
34	Total						$ 625,000,000	$ 532,500,000	$ 478,000	$ 19,915,000		$ 512,107,000	$ 22,578,000	$ 29,000	$ 1,317,000		$ 23,924,000	34
35	Embedded Cost of Long-Term Debt (M / I)																4.67%	35

Notes: (1) Tax-exempt bonds.
(2) Includes $17,000 Ambac fee.
(3) Includes $59,000 for the unamortized debt expense related to an interest rate swap on these bonds.
(4) Total costs amortized based on life of the debt.
(5) Annualized amounts were created using the 12/31/11 amortization amounts multiplied by 12 months.
(6) Annualized amount based on life of the debt.
(7) Fee paid for Docket 12-0285 not yet applied to a bond issuance.
(8) Refinancing Series combined (Y, GG, and LL). Lines 17 through 19.
(9) Refinancing Series combined (Z and HH). Lines 20 and 21.
(10) Refinancing Series combined (AA and FF). Lines 22 and 23.
(11) Refinancing Series combined (BB,II, JJ 36% and OO). Lines 24 through 27.
(12) Refinancing Series combined (BB, JJ 64%, EE, and PP). Lines 28 through 31.

The Peoples Gas Light and Coke Company

Cost of Common Equity Workpapers

Line No.	Description		Work paper Reference
1	Annual Reports and 10Ks		None
	AGL Resources, Inc. 10K for the period ending December 31, 2012		
	available at:	http://ir.aglr.com/phoenix.zhtml?c=79511&p=irol-sec	
	Atmos Energy Corporation 10K for the period ending September 30, 2012		
	available at:	http://www.investquest.com/iq/a/ato/fin/10k/atok12.pdf	
	Consolidated Edison, Inc. 10K for the period ending December 31, 2012		
	available at:	http://phx.corporate-ir.net/phoenix.zhtml?c=61493&p=irol-sec	
	Laclede Group 10K for the period ending September 30, 2012		
	available at:	http://www.snl.com/irweblinkx/docs.aspx?iid=4002506	
	New Jersey Resources Corporation 10K for the period ending September 30, 2012		
	available at:	http://files.shareholder.com/downloads/NJR/2439235813x0xS356309-12-60/356309/filing.pdf	
	Northeast Utilities 2012 Annual Report		
	available at:	http://www.nu.com/investors/reports/2012_NU_Annual_Report.pdf	
	Northwest Natural Gas 10K for the period ending December 31, 2012		
	available at:	http://www.snl.com/irweblinkx/docs.aspx?iid=4057132	
	PEPCO Holdings, Inc. 10K for the period ending December 31, 2012		
	available at:	http://phx.corporate-ir.net/phoenix.zhtml?c=62854&p=irol-sec	
	Piedmont Natural Gas Company, Inc. 10K for the period ending October 31, 2012		
	available at:	http://www.piedmontng.com/investors/financial/home.aspx	
	South Jersey Industries 10K for the period ending December 31, 2012		
	available at:	http://phx.corporate-ir.net/phoenix.zhtml?c=102959&p=irol-sec	
	Southwest Gas Corporation 10K for the period ending December 31, 2012		
	available at:	http://investors.southwestgas.com/phoenix.zhtml?c=117697&p=irol-sec	
	UIL Holdings Corporation 10K for the period ending December 31, 2012		
	available at:	http://www.uil.com/wps/portal/uil/investors/!ut/p/c5/tZBNkoJADEbP4gG004g0LItBbaT5ExDZWKgUA4goiqin	
	WGL Holdings, Inc. 10K for the period ending September 30, 2012		
	available at:	http://files.shareholder.com/downloads/WGL-II/2439267534x0xS1193125-12-479175/1103601/filing.pdf	
2	Work Papers Supporting PGL Ex. 3.2	Summary Cost of Equity	WPD-6 (1)
3	Work Papers Supporting PGL Ex. 3.3	PGL Capitalization & Financial Statistics	WPD-6 (2)
4	Work Papers Supporting PGL Ex. 3.4	Delivery Group Capitalization & Financial Statistics	WPD-6 (3)
5	Work Papers Supporting PGL Ex. 3.5	S&P Public Utilities Capitalization & Financial Statistics	WPD-6 (4)
6	Work Papers Supporting PGL Ex. 3.6	Monthly Dividend Yields	WPD-6 (5)
7	Work Papers Supporting PGL Ex. 3.7	Historical Growth Rates	WPD-6 (6)
8	Work Papers Supporting PGL Ex. 3.8	Projected Growth Rates	WPD-6 (7)
9	Work Papers Supporting PGL Ex. 3.9	Financial Risk Adjustment	WPD-6 (8)
10	Work Papers Supporting PGL Ex. 3.10	Interest Rates for Investment Grade Public Utility Bonds	WPD-6 (9)
11	Work Papers Supporting PGL Ex. 3.10	Source Docs for PGL Ex. 3.10	WPD-6 (10)
12	Work Papers Supporting PGL Ex. 3.11	Basic Series Total Returns	WPD-6 (11)
13	Work Papers Supporting PGL Ex. 3.11	Source Docs for PGL Ex. 3.11	WPD-6 (12)
14	Work Papers Supporting PGL Ex. 3.12	Yields for Treasury Constant Maturity	WPD-6 (13)
15	Work Papers Supporting PGL Ex. 3.12	Source Docs. for PGL Ex. 3.12 page 1	WPD-6 (14)
16	Work Papers Supporting PGL Ex. 3.12	Measurement of Risk-free Rate of Returh and Market Premium	WPD-6 (15)
17	Work Papers Supporting PGL Ex. 3.12	Source Docs. for PGL Ex. 3.12 page 2 Value Line Median Total Return and DCF	WPD-6 (16)
18	Earnings Estimates source documents	PGL Ex. 3.8	WPD-6 (17)
19	Work Papers Support PGL Ex. 3.13	Comparable Earnings	WPD-6 (18)
20	Work Papers Support PGL Ex. 3.13	Selection Criteria for Comparable Earnings	WPD-6 (19)
21	Comparable Earnings source documents	Supports PGL Ex. 3.13, page 2	WPD-6 (20)
22	Authoritative sources	Reference for Footnote (4)	WPD-6 (21)
		Reference for Footnote (5)	WPD-6 (22)
		Reference for Footnote (7)	WPD-6 (23)
		Reference for Footnote (8)	WPD-6 (24)

The Peoples Gas Light and Coke Company

Comparative Financial Data
(000s) except per share data

Line	Description	Source	Test Year Ending 12/31/2015	Forecasted Year Ending 12/31/2014 (1)	Forecasted Year Ending 12/31/2013 (2)	Historical Year Ended 12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
1	Funds from Operations									
2	Net Income	FERC - Income Statement	$ 50,135	$ 61,340	$ 69,249	$ 54,508	$ 56,605	$ 42,066	$ 27,627	$ 38,135
3	Depreciation and Amortization	SEC Annual Report - Cash Flow	119,203	107,852	98,099	88,293	83,815	79,582	64,512	67,359
4	Deferred Income Tax and Investment Tax Credits - Net	SEC Annual Report - Cash Flow	43,139	38,697	5,402	78,512	46,353	17,242	20,715	16,990
5	AFUDC	N/A	-	-	-	-	-	-	-	-
6	Other Internal Sources:									
7	Pension Funding (Greater) Less Than Expensed	SEC Annual Report - Cash Flow	13,250	27,662	22,910	(67,459)	(5,460)	(962)	12,130	10,452
8	Other Adjustments	SEC Annual Report - Cash Flow	44,960	33,322	64,642	40,614	30,216	59,914	55,524	52,372
9	Total Funds from Operations	Line 2 + 3 + 4 - 5 + 7 + 8	$ 270,687	$ 268,873	$ 260,302	$ 194,468	$ 211,529	$ 197,842	$ 180,508	$ 185,308
10	Capital Structure									
11	Short-term Debt	FERC - Balance Sheet [231, 233]	$ 145,633	$ 162,402	$ 203,904	$ 178,600	$ 37,000	$ -	$ 16,185	$ 278,485
12	Long-term Debt	FERC - Balance Sheet [221, 226]	1,025,000	875,000	725,000	624,536	524,507	525,478	575,441	500,363
13	Preferred Stock	N/A	-	-	-	-	-	-	-	-
14	Common Equity:									
15	Common Equity Excluding AOCI	N/A	1,042,659	946,824	769,776	699,930	699,778	693,357	695,720	668,094
16	Accumulated Other Comprehensive Income	FERC - Balance Sheet [219]	(14)	(14)	(22)	(239)	(735)	(679)	(321)	(1,101)
17	Common Equity Including AOCI	FERC - Balance Sheet	$ 1,042,645	$ 946,810	$ 769,754	$ 699,691	$ 699,043	$ 692,678	$ 695,399	$ 666,993
18	Total Capital Including AOCI	Line 11 + 12 + 13 + 17	$ 2,213,278	$ 1,984,212	$ 1,698,658	$ 1,502,827	$ 1,260,550	$ 1,218,156	$ 1,287,025	$ 1,445,841
19	Total Capital Excluding AOCI	Line 11 + 12 + 13 + 15	$ 2,213,292	$ 1,984,226	$ 1,698,680	$ 1,503,066	$ 1,261,285	$ 1,218,835	$ 1,287,346	$ 1,446,942
20	Capital Structure Ratios - Including AOCI									
21	Short-term Debt Ratio	Line 11 / Line 18	6.58%	8.18%	12.00%	11.88%	2.93%	-	1.26%	19.26%
22	Long-term Debt Ratio	Line 12 / Line 18	46.31%	44.10%	42.68%	41.56%	41.61%	43.14%	44.71%	34.61%
23	Preferred Stock Ratio	Line 13 / Line 18	-	-	-	-	-	-	-	-
24	Common Equity Ratio	Line 17 / Line 18	47.11%	47.72%	45.32%	46.56%	55.46%	56.86%	54.03%	46.13%
25	Capital Structure Ratios - Excluding AOCI									
26	Short-term Debt Ratio	Line 11 / Line 19	6.58%	8.18%	12.00%	11.88%	2.93%	-	1.26%	19.25%
27	Long-term Debt Ratio	Line 12 / Line 19	46.31%	44.10%	42.68%	41.55%	41.59%	43.11%	44.70%	34.58%
28	Preferred Stock Ratio	Line 13 / Line 19	-	-	-	-	-	-	-	-
29	Common Equity Ratio	Line 15 / Line 19	47.11%	47.72%	45.32%	46.57%	55.48%	56.89%	54.04%	46.17%
30	Capital Structure Ratios - Excluding Short Term Debt and AOCI									
31	Long-term Debt Ratio	Line 12 / (Line 19 - Line 11)	49.57%	48.03%	48.50%	47.15%	42.84%	43.11%	45.27%	42.82%
32	Preferred Stock Ratio	Line 13 / (Line 19 - Line 11)	-	-	-	-	-	-	-	-
33	Common Equity Ratio	Line 15 / (Line 19 - Line 11)	50.43%	51.97%	51.50%	52.85%	57.16%	56.89%	54.73%	57.18%

Note: (1) Includes zero months actual data and twelve months of forecast data.
(2) Includes six months actual data and six months of forecast data.

The Peoples Gas Light and Coke Company

Comparative Financial Data
(000s) except per share data

Line	Description	Historical Source	Test Year Ending 12/31/2015	Forecasted Year Ending 12/31/2014 (1)	Forecasted Year Ending 12/31/2013 (2)	Historical Year Ended 12/31/2012	Historical Year Ended 12/31/2011	Historical Year Ended 12/31/2010	Historical Year Ended 12/31/2009	Historical Year Ended 12/31/2008
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
34	Cost of Capital									
35	Embedded Cost of Long-term Debt	Sch. D-3, State Reg. Quarterly Filings	4.72%	4.30%	4.38%	4.67%	4.64%	4.54%	4.81%	5.04%
36	Embedded Cost of Preferred Stock	N/A	-	-	-	-	-	-	-	-
37	Earnings Ratios									
38	Operating Income	FERC - Income Statement	$ 94,168	$ 94,822	$ 99,519	$ 78,983	$ 79,149	$ 66,838	$ 55,218	$ 70,369
39	Earnings Available for Common Equity (EACE)	Line 2 - Line 61	$ 50,135	$ 61,340	$ 69,249	$ 54,508	$ 56,605	$ 42,066	$ 27,627	$ 38,135
40	Net Original Cost Rate Base	Sch. B-1, State Reg. Quarterly Filings	$ 2,154,739	$ 1,958,100	$ 1,780,498 (3)	$ 1,726,586	$ 1,554,849	$ 1,453,711	$ 1,356,114	$ 1,374,505
41	AFUDC as a percentage of EACE	Line 5 / Line 39	-	-	-	-	-	-	-	-
42	Return on Net Original Cost Rate Base	Line 38 / Line 40	4.37%	4.84%	5.59%	4.57%	5.09%	4.60%	4.07%	5.12%
43	Return on Average Common Equity Including AOCI	Line 39 / 2-Yr. Avg. Line 17	5.04%	7.15%	9.43%	7.79%	8.13%	6.06%	4.06%	5.87%
44	Return on Average Common Equity Excluding AOCI	Line 39 / 2-Yr. Avg. Line 15	5.04%	7.15%	9.42%	7.79%	8.13%	6.06%	4.05%	5.86%
45	Fixed Charge Coverage									
46	Pre-Tax Interest Coverage:									
47	Total Operating Income	FERC - Income Statement	$ 94,168	$ 94,822	$ 99,519	$ 78,983	$ 79,149	$ 66,838	$ 55,218	$ 70,369
48	Income From Gas Plant Leased to Others	FERC - Income Statement [412, 413]	(16)	(17)	45	103	126	91	83	67
49	Other Income and Deductions, net	FERC - Income Statement [408.2 - 426.5]	6	(465)	(1,290)	(371)	399	658	(160)	(453)
50	Federal and State Income Taxes	FERC - Income Statement [409.1 - 411.4]	33,769	42,351	43,985	38,211	33,154	35,591	17,085	23,477
51	AFUDC Equity Funds Portion	N/A	-	-	-	-	-	-	-	-
52	Pre-tax Income Before Interest Charges	Line 47 + 48 + 49 + 50 - 51	$ 127,927	$ 136,691	$ 142,259	$ 116,926	$ 112,828	$ 103,178	$ 72,226	$ 93,460
53	Total Interest Charges	FERC - Income Statement [427 - 431]	$ 44,023	$ 33,000	$ 29,025	$ 24,207	$ 23,069	$ 25,521	$ 27,514	$ 31,848
54	Pre-tax Interest Coverage	Line 52 / Line 53	2.9	4.1	4.9	4.8	4.9	4.0	2.6	2.9
55	After-tax Fixed Charge Coverage:									
56	Total Operating Income	FERC - Income Statement	$ 94,168	$ 94,822	$ 99,519	$ 78,983	$ 79,149	$ 66,838	$ 55,218	$ 70,369
57	Income From Gas Plant Leased to Others	FERC - Income Statement [412, 413]	(16)	(17)	45	103	126	91	83	67
58	Other Income and Deductions, net	FERC - Income Statement [408.2 - 426.5]	6	(465)	(1,290)	(371)	399	658	(160)	(453)
59	Income Before Interest Charges	Line 56 + 57 + 58	$ 94,158	$ 94,340	$ 98,274	$ 78,715	$ 79,674	$ 67,587	$ 55,141	$ 69,983
60	Total Interest Charges	FERC - Income Statement [427 - 431]	$ 44,023	$ 33,000	$ 29,025	$ 24,207	$ 23,069	$ 25,521	$ 27,514	$ 31,848
61	Preferred Dividends	N/A	-	-	-	-	-	-	-	-
62	After-tax Fixed Charge Coverage	Line 59 / (Line 60 + 61)	2.1	2.9	3.4	3.3	3.5	2.6	2.0	2.2

Note: (1) Includes zero months actual data and twelve months of forecast data.
(2) Includes six months actual data and six months of forecast data.
(3) Represents June 30, 2013 amount filed with the Commission.

The Peoples Gas Light and Coke Company

Comparative Financial Data
(000s) except per share data

Line	Description	Historical Source	Test Year Ending 12/31/2015	Forecasted Year Ending 12/31/2014 (1)	Forecasted Year Ending 12/31/2013 (2)	Historical Year Ended 12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
63	Cash Flow Ratios									
64	Funds from Operations	Line 9	$ 270,687	$ 268,873	$ 260,302	$ 194,468	$ 211,529	$ 197,842	$ 180,508	$ 185,308
65	Cash Interest Paid	SEC Annual Report - Cash Flow	39,391	28,567	25,313	23,027	22,180	25,539	24,935	31,136
66	Funds from Operation plus Cash Interest Paid	Line 64 + 65	$ 310,078	$ 297,440	$ 285,615	$ 217,495	$ 233,709	$ 223,381	$ 205,443	$ 216,444
67	Total Interest Incurred	Line 53	$ 44,023	$ 33,000	$ 29,025	$ 24,207	$ 23,069	$ 25,521	$ 27,514	$ 31,848
68	Funds Flow Interest Coverage	Line 66 / Line 67	7.0	9.0	9.8	9.0	10.1	8.8	7.5	6.8
69	Average Short-term Debt	12 Month Average [231, 233]	$ 94,580	$ 121,895	$ 80,291	$ 83,854	$ 5,865	$ -	$ 44,525	$ 133,072
70	Average Long-term Debt (3)	12 Month Average [221, 226]	$ 912,500	$ 762,500	$ 652,917	$ 532,500	$ 512,577	$ 533,798	$ 525,406	$ 471,411
71	Funds Flow as % of Average Total Debt	Line 64 / (Line 69 + 70)	26.88%	30.40%	35.50%	31.55%	40.80%	37.06%	31.67%	30.66%
72	Common Dividends	SEC Annual Report - Cash Flow	$ -	$ -	$ -	$ 55,000	$ 50,741	$ 44,400	$ -	$ -
73	Preferred Dividends	N/A	-	-	-	-	-	-	-	-
74	Cash Coverage of Common Dividends	(Line 64 - 73) / Line 72	-	-	-	3.5	4.2	4.5	-	-
75	Gross Construction Expenditures	SEC Annual Report - Cash Flow	$ 391,626	$ 473,529	$ 321,885	$ 287,415	$ 133,992	$ 76,216	$ 76,800	$ 113,342
76	Net Cash Flow as % of Construction Expenditures	(Line 64 - 72 - 73) / (Line 75 - 5)	69%	57%	81%	49%	120%	201%	235%	163%
77	Common Stock Related Data									
78	Shares Outstanding - Calendar Year End	SEC Annual Report	25,357,566	25,357,566	25,357,566	25,357,566	25,357,566	25,357,566	25,357,566	25,357,566
79	Shares Outstanding - Monthly Weighted Average	SEC Annual Report	25,357,566	25,357,566	25,357,566	25,357,566	25,357,566	25,357,566	25,357,566	25,357,566
80	Earnings Per Share - Weighted Average	(Line 39 * 1,000) / Line 79	$1.98	$2.42	$2.73	$2.15	$2.23	$1.66	$1.09	$1.50
81	Dividend Paid Per Share - Weighted Average	(Line 72 * 1,000) / Line 79	$0.00	$0.00	$0.00	$2.17	$2.00	$1.75	$0.00	$0.00
82	Dividend Payout Ratio (Declared Basis)	Line 72 / Line 39	0%	0%	0%	101%	90%	106%	0%	0%

Note: (1) Includes zero months actual data and twelve months of forecast data.
(2) Includes six months actual data and six months of forecast data.
(3) Includes long-term debt due within one year and unamortized discount on long-term debt.

The Peoples Gas Light and Coke Company

Comparative Financial Data
(000s) except per share data

Line	Description	Source	Test Year Ending 12/31/2015	Forecasted Year Ending 12/31/2014 (1)	Forecasted Year Ending 12/31/2013 (2)	Historical Year Ended 12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
	Amounts Attributable to Non-Utility Subsidiaries									
1	Funds from Operations									
2	Net Income	FERC - Income Statement [418.10]	$ 36	$ 34	$ 31	$ 14	$ (4)	$ 1	$ 10	$ (44)
3	Depreciation and Amortization	N/A	-	-	-	-	-	-	-	-
4	Deferred Income Tax and Investment Tax Credits - Net	N/A	200	76	(29)	(69)	(248)	19	(53)	(143)
5	AFUDC	N/A	-	-	-	-	-	-	-	-
6	Other Internal Sources:									
7	Pension Funding (Greater) Less Than Expense	N/A	-	-	-	-	-	-	-	-
8	Other Adjustments	SEC Annual Report - Cash Flow	16	19	26	65	94	103	96	82
9	Total Funds from Operations		$ 252	$ 129	$ 28	$ 10	$ (158)	$ 123	$ 53	$ (105)
10	Capital Structure									
11	Short-term Debt	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12	Long-term Debt	N/A	-	-	-	-	-	-	-	-
13	Preferred Stock	N/A	-	-	-	-	-	-	-	-
14	Common Equity:									
15	Common Equity Excluding AOCI	N/A	4,805	4,769	4,735	4,705	4,691	4,695	4,694	4,683
16	Accumulated Other Comprehensive Income	N/A	-	-	-	-	-	-	-	-
17	Common Equity Including AOCI	FERC - Balance Sheet [123.10]	$ 4,805	$ 4,769	$ 4,735	$ 4,705	$ 4,691	$ 4,695	$ 4,694	$ 4,683
18	Total Capital Including AOCI	Line 11 + 12 + 13 + 17	$ 4,805	$ 4,769	$ 4,735	$ 4,705	$ 4,691	$ 4,695	$ 4,694	$ 4,683
19	Total Capital Excluding AOCI	Line 11 + 12 + 13 + 15	$ 4,805	$ 4,769	$ 4,735	$ 4,705	$ 4,691	$ 4,695	$ 4,694	$ 4,683
20	Earnings Ratios									
21	Operating Income	N/A	-	(2)	21	66	(10)	(64)	(82)	(91)
22	Earnings Available for Common Equity (EACE)	Line 2 - Line 39	$ 36	$ 34	$ 31	$ 14	$ (4)	$ 1	$ 10	$ (44)
23	Net Original Cost Rate Base	N/A	-	-	-	-	-	-	-	-
24	Fixed Charge Coverage									
25	Pre-Tax Interest Coverage:									
26	Total Operating Income	N/A	$ -	$ (2)	$ 21	$ 66	$ (10)	$ (64)	$ (82)	$ (91)
27	Income From Gas Plant Leased to Others	N/A	-	-	-	-	-	-	-	-
28	Other Income and Deductions, net	FERC - Income Statement [418.10]	36	36	10	(52)	6	65	92	47
29	Federal and State Income Taxes	N/A	(30)	(31)	(34)	(58)	(66)	(97)	(135)	(98)
30	AFUDC Equity Funds Portion	N/A	-	-	-	-	-	-	-	-
31	Pre-tax Income Before Interest Charges	Line 26 + 27 + 28 + 29 - 30	$ 6	$ 3	$ (3)	$ (44)	$ (70)	$ (96)	$ (125)	$ (142)
32	Total Interest Charges	N/A								

Note: (1) Includes zero months actual data and twelve months of forecast data.
(2) Includes six months actual data and six months of forecast data.

The Peoples Gas Light and Coke Company

Comparative Financial Data
(000s) except per share data

Line	Description	Source	Test Year Ending 12/31/2015	Forecasted Year Ending 12/31/2014 (1)	Forecasted Year Ending 12/31/2013 (2)	Historical Year Ended 12/31/2012	Historical Year Ended 12/31/2011	Historical Year Ended 12/31/2010	Historical Year Ended 12/31/2009	Historical Year Ended 12/31/2008
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
33	After-tax Fixed Charge Coverage:									
34	Total Operating Income	N/A	$ -	$ (2)	$ 21	$ 66	$ (10)	$ (64)	$ (82)	$ (91)
35	Income From Gas Plant Leased to Others	N/A	-	-	-	-	-	-	-	-
36	Other Income and Deductions, net	FERC - Income Statement [418.10]	36	36	10	(52)	6	65	92	47
37	Income Before Interest Charges	Line 34 + 35 + 36	$ 36	$ 34	$ 31	$ 14	$ (4)	$ 1	$ 10	$ (44)
38	Total Interest Charges	N/A	-	-	-	-	-	-	-	-
39	Preferred Dividends	N/A	-	-	-	-	-	-	-	-
40	Cash Flow Ratios									
41	Funds from Operations	Line 9	$ 252	$ 129	$ 28	$ 10	$ (158)	$ 123	$ 53	$ (105)
42	Cash Interest Paid	N/A	-	-	-	-	-	-	-	-
43	Funds from Operation plus Cash Interest Paid	Line 41 + 42	$ 252	$ 129	$ 28	$ 10	$ (158)	$ 123	$ 53	$ (105)
44	Total Interest Incurred		-	-	-	-	-	-	-	-
45	Average Short-term Debt	N/A	-	-	-	-	-	- #	-	-
46	Average Long-term Debt	N/A	-	-	-	-	-	-	-	-
47	Common Dividends	N/A	-	-	-	-	-	-	-	-
48	Preferred Dividends	N/A	-	-	-	-	-	-	-	-
49	Gross Construction Expenditures	N/A	-	-	-	-	-	-	-	-
50	Common Stock Related Data									
51	Shares Outstanding - Calendar Year End	N/A	3,041	3,041	3,041	3,041	3,041	3,041	3,041	3,041
52	Shares Outstanding - Monthly Weighted Average	N/A	3,041	3,041	3,041	3,041	3,041	3,041	3,041	3,041

Note: (1) Includes zero months actual data and twelve months of forecast data.
(2) Includes six months actual data and six months of forecast data.

The Peoples Gas Light and Coke Company

Security Quality Ratings

		Moodys		Standard & Poors		
Line No.	Debt	Rating	Date Assigned	Rating	Date Assigned	Line No.
	[A]	[B]	[C]	[D]	[E]	
1	Senior Secured Debt	Aa3	1/31/2014	A	2/14/2013	1
2	(First Mortgage Bonds)	A1	5/27/2010	A-	9/26/2002	2
3		A2	6/9/2009			3
4		A1	4/20/2006			4
5	Short-Term Debt	P-1	1/31/2014	A-2	9/26/2002	5
6	(Commercial Paper)	P-2	6/9/2009			6
7		P-1	9/30/1971			7

The Peoples Gas Light and Coke Company

Provide a copy of all credit rating analyses or reports on the utility and its parent, in the utility's possession, published during the last 12 months that describe security rating changes and the rationale for those changes.

Provided is a Moody's Global Credit Research report for Integrys Energy Group, Inc. and its utility subsidiaries, including The Peoples Gas Light and Coke Company, reflecting the rationale for upgrading Peoples Gas' Senior Secured Debt rating from A1 to Aa3, and it's Commercial Paper rating from P-2 to P-1, on January 31, 2014.
Integrys Energy Group, Inc. did not have any security rating changes during the last 12 months and the utility's parent, Peoples Energy, LLC, is not rated.

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's confirms Integrys Energy Group, Inc.'s senior unsecured rating and upgrades its three rated utility subsidiaries by one notch, outlooks stable

Global Credit Research - 31 Jan 2014

Approximately $3.6 Billion of Debt Securities Affected

New York, January 31, 2014 -- Moody's Investors Service confirmed the rating of Integrys Energy Group, Inc. (Baa1 senior unsecured rating), and upgrades the rating of its operating utility subsidiaries Wisconsin Public Service Corporation (Issuer Rating to A1 from A2), Peoples Gas Light and Coke Company (Issuer Rating to A2 from A3), and North Shore Gas Company (Issuer Rating to A2 from A3). The commercial paper rating for Integrys Energy Group, Inc. is confirmed at P-2 while Peoples Gas Light and Coke Company commercial paper rating is upgraded (to P-1 from P-2). These rating actions conclude our review of these companies' ratings initiated on November 8, 2013. The rating outlooks are stable.

"The upgrade of Integrys Energy Group, Inc.'s rated utility subsidiaries reflects regulatory provisions in Wisconsin and Illinois that are consistent with our view of a generally improving regulatory environment for US electric and gas utilities", said Lesley Ritter, Analyst, "while the decision to confirm the parent's rating at Baa1 and the resulting three notch differential between the parent and its regulated utility subsidiaries is tied to the subordination of over 30% of holding company debt as well as the higher business risk profile associated with Integrys' energy marketing business".

RATINGS RATIONALE

The primary driver of today's rating action is Moody's more favorable view of the relative credit supportiveness of the US regulatory framework, as detailed in our September 23, 2013 Request for Comment: "Proposed Refinements to the Regulated Utilities Rating Methodology and our Evolving View of US Utility Regulation." Factors supporting this view include better cost recovery provisions, reduced regulatory lag, and generally fair and open relationships between utilities and regulators. The US utility sector's low number of defaults, high recovery rates, and generally strong financial metrics from a global perspective provide additional corroboration of these upgrades.

The confirmation of Integrys Energy Group's (Integrys) rating takes into consideration the company's sizable non-regulated energy marketing business, currently making up about 10-15% of consolidated earnings as well as the substantial amount of debt held at the parent. Today's rating action assumes Integrys management will keep holding company debt around 30% of consolidated debt, while maintaining the size of its unregulated segment at current levels. It further assumes that management would take necessary actions to address any deterioration in its business risk profile if required in the future.

Rating Outlook

Integrys, Wisconsin Public Service Corporation (WPSC), People's Gas Light and Coke Company (PGL) and North Shore Gas Company's (NSG) stable rating outlooks reflect the credit supportiveness of the regulatory environment under which the group operates, the healthy credit metrics at each of the operating subsidiaries as well as the holding company. These positive factors are balanced against the parent's significant amount of holdco debt, the size of Integrys' unregulated business, and its above average dividend payout policy, as well as an increase in capex at WPSC set to temporarily weaken its historically strong financial metrics.

What Could Change the Rating - Up

Integrys, WPSC, PGL and NSG's rating could be raised if there were an improvement in the regulatory environment that led to meaningfully greater predictability, timeliness and/or sufficiency of rates such that financial metrics would be expected to improve on a sustained basis relative to our current view.

Furthermore, Integrys' rating could be upgraded if there was a notable reduction in holding company debt, if the company adopted a less aggressive dividend payout policy, and if the company reduced its business risk profile by decreasing its exposure to non-regulated businesses.

What Could Change the Rating - Down

Integrys, WPSC, PGL and NSG's rating could be lowered if there were a deterioration in the regulatory environment, which might include greater regulatory lag, uncertainty about the recovery of investments, further compression in rates (especially if accompanied by a rise in interest rates), or if there were a downward revision in our expectation of future financial metrics relative to our current view. Unanticipated additional capex requirements that are not prudently funded, as well as less than expected equity issuances at the parent to fund contributions to the regulated subsidiaries, could also trigger a downgrade.

Finally, Integrys' rating could be downgraded if there was an increase in holding company debt, if the company began funding its dividends with external debt, or if the company generated more than 15% of its cash flows from its unregulated business on a sustained basis.

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in December 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Debt Classes

Integrys Energy Group, Inc.

Outlook Stable

The following ratings have been confirmed:

Senior Unsecured Baa1

Jr Subordinate Baa2

Commercial Paper P-2

Senior Unsecured Shelf (P)Baa1

Subordinate Shelf (P)Baa2

Jr. Subordinate Shelf (P)Baa2

Wisconsin Public Service Corporation

Outlook Stable

Issuer Rating to A1 from A2

First Mortgage Bonds to Aa2 from Aa3

Senior Secured to Aa2 from Aa3

Pref. Stock to A3 from Baa1

Senior Secured Shelf to (P)Aa2 from (P)Aa3

Pref. Shelf to (P)A3 from (P)Baa1

Commercial Paper Unchanged at P-1

Peoples Gas Light and Coke Company

Outlook Stable

Issuer Rating to A2 from A3

First Mortgage Bonds to Aa3 from A1

Senior Secured MTN to (P)Aa3 from (P)A1

Commercial Paper to P-1 from P-2

North Shore Gas Company

Outlook Stable

Issuer Rating to A2 from A3

Senior Secured MTN to (P)Aa3 from (P)A1

REGULATORY DISCLOSURES

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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Lesley Ritter
Analyst
Infrastructure Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

William L. Hess
MD - Utilities
Infrastructure Finance Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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The Peoples Gas Light and Coke Company

Provide a copy of all credit rating analyses or reports on the utility and its parent, in the utility's possession, published by each rating agency engaged by the utility to rate its securities that comprehensively describes the utility's operations, financial condition, and regulatory environment.

Provided are Moody's and Standard and Poor's reports for The Peoples Gas Light and Coke Company and Integrys Energy Group, Inc. The utility's parent, Peoples Energy, LLC, is not rated.

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RATINGS SERVICES

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Summary:
The Peoples Gas Light & Coke Co.

Primary Credit Analyst:
Ana M Olaya-Rotonti, New York (1) 212-438-1000; ana_olaya-rotonti@standardandpoors.com

Secondary Contact:
Gerrit W Jepsen, CFA, New York (1) 212-438-1000; gerrit_jepsen@standardandpoors.com

Table Of Contents

Summary:

The Peoples Gas Light & Coke Co.

Credit Rating: A-/Stable/A-2

Rationale

Standard & Poor's Ratings Services' ratings on Peoples Gas Light & Coke Co. (PG) reflect its parent company Integrys Energy Group Inc.'s consolidated credit profile.

PG distributes gas to about 826,000 gas customers in the city of Chicago. The Illinois Commerce Commission (ICC) regulates the company's distribution rates.

The business risk profile of PG is "excellent", reflecting the lower risk gas distribution business and effective management of regulatory risk in Illinois, which is a jurisdiction that we generally view as less credit supportive according to our U.S. Utility Regulatory Assessments. We expect the company to continue to reduce its regulatory lag by frequent rate case filings, including its currently pending rate case, through which PG requested an increase of $102.7 million.

The recent ruling by the Illinois Appellate Court that the ICC did not have the authority to approve PG's infrastructure cost recovery rider and the uncertainty regarding the further use of the decoupling mechanism somewhat undermine the excellent business risk profile. In addition, such outcomes may potentially lead to weaker financial measures due to increased regulatory lag and refunds and increase vulnerability to weather in the future.

Integrys's "significant" financial risk profile reflects the company's strong historical financial measures, despite the recession and the subsequent weak recovery. We expect financial measures to support the current rating in the future. However, lower sales volumes, driven by mild weather, may continue to pressure the company's consolidated finances.

For the 12 months ended Sept. 30, 2012, consolidated FFO to total debt was 18.6%, compared with 19.8% on June 30, 2012. Debt to EBITDA was 4.3x and debt to capital was 50.7%. Under our base-case scenario, over the next three years, we forecast FFO to debt of about 20%, debt to EBITDA to average 4.1x, and debt to total capital to equal about 50%. Key assumptions include a continued slow economy, frequent rate case filings, and timely recovery of large capital spending.

Integrys had positive discretionary cash flow in 2011, partly because of increased bonus depreciation and reduced capital spending. Over the next three years, we expect discretionary cash flow to revert to negative, primarily because of increased environmental capital spending and the acquisition of the Fox Energy Center. However, we expect Integrys to meet these cash shortfalls in a manner that is at least credit neutral.

Liquidity

Our short-term rating on Integrys is 'A-2'. The company has "adequate" liquidity and can cover its needs for the next year, even if FFO decreases.

Our liquidity assessment is based on the following factors and assumptions:

- We expect the company's liquidity sources (including cash, FFO, and credit facility availability) to exceed its uses by about 1.3x over the next 12 months.
- Debt maturities are manageable, with about $314 million maturing in 2013, $100 million maturing in 2014, and about $126 million maturing in 2015.
- Even if EBITDA decreases by 15%, we believe net sources will be well in excess of liquidity requirements.
- The company can absorb high-impact, low-probability events with limited need for refinancing, has the flexibility to lower capital spending, has sound bank relationships and solid standing in the credit markets, and has generally prudent risk management.

In our analysis, we assumed liquidity sources of more than $1.8 billion over the next 12 months. Integrys has more than $1.6 billion currently committed under revolving credit facilities. We estimate the company will use about $1.4 billion over the same period for capital spending, debt maturities, working capital needs, and shareholder dividends.

Integrys's credit agreements include a financial covenant requiring that the consolidated ratio of total debt to total capital be no more than 65%. As of Sept. 30, 2012, the company had adequate cushion with respect to this financial covenant.

Recovery analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating (CCR) depending on the rating category and the extent of the collateral coverage. The FMBs issued by U.S. utilities are a form of "secured utility bond" that qualify for a recovery rating as defined in our criteria (see Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007).

The recovery methodology is supported by the ample historical record of 100% recovery for secured bondholders in utility bankruptcies in the U.S. and our view that the factors that enhanced 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 secured utility bond criteria, we calculate a ratio of our estimate of the value of the collateral pledged to bondholders relative to the amount of FMBs outstanding. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in 'BBB' category, and three notches in speculative-grade categories depending on the calculated ratio.

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 more than 1.5x supports a recovery rating of '1+' and an issue rating one notch above the CCR.

Outlook

The stable rating outlook on Integrys reflects Standard & Poor's baseline forecast that consolidated FFO to debt and debt to total capital will equal about 20% and 50%, respectively, over the next three years. Significant risks to the forecast include higher-than-anticipated capital costs, a weaker-than-expected economy, or materially lower rate case increases than we predict. We could lower the rating if the nonutility business were to disproportionately grow to greater than 15% of the consolidated company or FFO to debt were to weaken to below 18% on a consistent basis. We consider an upgrade to be highly unlikely, but it could occur if the company's FFO to debt were to be consistently greater than 30% and its debt to total capital less than 45%, and if it were to maintain its excellent business risk profile.

Related Criteria And Research

- Issuer Ranking: U.S. Regulated Utility Companies, Strongest To Weakest, Aug. 6, 2012
- Standard & Poor's Revises Its U.S. Utility Regulatory Assessments, Dec. 28, 2012
- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- 2008 Corporate Ratings Criteria: Ratios And Adjustments, April 15, 2008
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008

Temporary contact numbers: Ana Olaya-Rotonti 646-581-5949; Gerrit Jepsen 917-584-2786

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Summary:

Integrys Energy Group Inc.

Primary Credit Analyst:
Ana M Olaya-Rotonti, New York (1) 212-438-1000; ana_olaya-rotonti@standardandpoors.com

Secondary Contact:
Gerrit W Jepsen, CFA, New York (1) 212-438-1000; gerrit_jepsen@standardandpoors.com

Table Of Contents

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Summary:

Integrys Energy Group Inc.

Credit Rating: A-/Stable/A-2

Rationale

Standard & Poor's Ratings Services' ratings on Chicago-based Integrys Energy Group Inc. reflect Integrys' consolidated credit profile, including its "excellent" business risk profile and "significant" financial risk profile under our criteria.

Integrys's rate-regulated electric and gas utility subsidiaries include:

- Peoples Energy, LLC., formerly Peoples Energy Corp., an intermediate holding company of Peoples Gas Light & Coke Co. (PG) and North Shore Gas Co. (NSG);
- Wisconsin Public Service Corp. (WPS);
- Upper Peninsula Power Co.;
- Minnesota Energy Resources Corp.;
- Michigan Gas Utilities Corp.; and
- American Transmission Co. LLC, a rate regulated electric transmission company of which Integrys owns 34%.

Integrys's nonutility operations include Integrys Energy Services Inc., a retail energy marketing company, and the compressed natural gas operations of Integrys Transportation Fuels LLC, through two recently acquired subsidiaries, Trillium USA and Pinnacle CNG. Integrys's nonutility businesses also include solar projects, through its partnership with Duke Energy Generation Services.

We view Integrys's various businesses as a diversification of its nonutility operations, but we do not view them as an overall reduction of the nonutility risk portfolio and would not expect them to grow disproportionately. We expect Integrys to maintain the current size of its nonutility businesses and these to account for about 10% of consolidated funds from operations (FFO) and the remaining 90% to represent the more stable cash flows of the regulated utility business.

Integrys's excellent business risk profile reflects the company's lower-risk monopolistic rate-regulated businesses that provide an essential service, partly offset by the company's higher-risk nonutility businesses. Integrys has continued to effectively manage its regulatory risk in its service territories, including regular filing of rate cases, with the goal of further reducing regulatory lag. Rate cases were filed in Illinois and are currently pending for PG and NSG; the utilities requested increases of $102.7 million and $12.5 million, respectively. In Wisconsin, a settlement was recently approved by the Public Service Commission authorizing a rate increase of $28.5 million for WPS' electric rates, subject to certain offsets and deferrals in 2013 and a $3.4 million decrease in WPS's gas distribution rates.

The riskier nonutility businesses reflect the highly competitive energy retail marketing industry that is characterized by minimal barriers to entry, low margins, and volatile cash flows. The primary risks are matching supply to variable loads or estimated sales volumes and maintaining sufficient liquidity for collateral and margin calls. The company continues to expand this business and was recently selected as the supplier of electricity for the city of Chicago's 900,000 customers.

Integrys's significant financial risk profile reflects the company's strong historical financial measures, despite the recession and the subsequent weak recovery. We expect financial measures to support the current rating in the future. However, lower sales volumes, driven by mild weather, may continue to pressure the company's consolidated finances. The company also faces uncertainty regarding the Illinois gas companies' further use of the decoupling mechanism pending the Appellate Court's decision, which may result in regulatory refunds and increase vulnerability to weather in the future.

For the 12 months ended Sept. 30, 2012, consolidated FFO to total debt was 18.6%, compared with 19.8% on June 30, 2012. Debt to EBITDA was 4.3x and debt to capital was 50.7%. Under our base-case scenario, over the next three years, we forecast FFO to debt of about 20%, debt to EBITDA to average 4.1x, and debt to total capital to equal about 50%. Key assumptions include a continued slow economy, frequent rate case filings, and timely recovery of large capital spending.

Integrys had positive discretionary cash flow in 2011, partly because of increased bonus depreciation and reduced capital spending. Over the next three years, we expect discretionary cash flow to revert to negative, primarily because of increased environmental capital spending and the acquisition of the Fox Energy Center. However, we expect Integrys to meet these cash shortfalls in a manner that is at least credit neutral.

Liquidity

Our short-term rating on Integrys is 'A-2'. The company has "adequate" liquidity and can cover its needs for the next year, even if FFO decreases.

Our liquidity assessment is based on the following factors and assumptions:

- We expect the company's liquidity sources (including cash, FFO, and credit facility availability) to exceed its uses by about 1.3x over the next 12 months.
- Debt maturities are manageable, with about $314 million maturing in 2013, $100 million maturing in 2014, and about $126 million maturing in 2015.
- Even if EBITDA decreases by 15%, we believe net sources will be well in excess of liquidity requirements.

The company can absorb high-impact, low-probability events with limited need for refinancing, has the flexibility to lower capital spending, has sound bank relationships and solid standing in the credit markets, and has generally prudent risk management.

In our analysis, we assumed liquidity sources of more than $1.8 billion over the next 12 months. Integrys has more than $1.6 billion currently committed under revolving credit facilities. We estimate the company will use about $1.4 billion over the same period for capital spending, debt maturities, working capital needs, and shareholder dividends.

Integrys's credit agreements include a financial covenant requiring that the consolidated ratio of total debt to total capital be no more than 65%. As of Sept. 30, 2012, the company had adequate cushion with respect to this financial covenant.

Outlook

The stable rating outlook on Integrys reflects Standard & Poor's baseline forecast that consolidated FFO to debt and debt to total capital will equal about 20% and 50%, respectively, over the next three years. Significant risks to the forecast include higher-than-anticipated capital costs, a weaker-than-expected economy, or materially lower rate case increases than we predict. We could lower the rating if the nonutility business were to disproportionately grow to greater than 15% of the consolidated company or FFO to debt were to weaken to less than 18% on a consistent basis. We consider an upgrade to be highly unlikely, but it could occur if the company's FFO to debt were to be consistently greater than 30% and its debt to total capital less than 45% and if it were to maintain its excellent business risk profile.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's confirms Integrys Energy Group, Inc.'s senior unsecured rating and upgrades its three rated utility subsidiaries by one notch, outlooks stable

Global Credit Research - 31 Jan 2014

Approximately $3.6 Billion of Debt Securities Affected

New York, January 31, 2014 – Moody's Investors Service confirmed the rating of Integrys Energy Group, Inc. (Baa1 senior unsecured rating), and upgrades the rating of its operating utility subsidiaries Wisconsin Public Service Corporation (Issuer Rating to A1 from A2), Peoples Gas Light and Coke Company (Issuer Rating to A2 from A3), and North Shore Gas Company (Issuer Rating to A2 from A3). The commercial paper rating for Integrys Energy Group, Inc. is confirmed at P-2 while Peoples Gas Light and Coke Company commercial paper rating is upgraded (to P-1 from P-2). These rating actions conclude our review of these companies' ratings initiated on November 8, 2013. The rating outlooks are stable.

"The upgrade of Integrys Energy Group, Inc.'s rated utility subsidiaries reflects regulatory provisions in Wisconsin and Illinois that are consistent with our view of a generally improving regulatory environment for US electric and gas utilities", said Lesley Ritter, Analyst, "while the decision to confirm the parent's rating at Baa1 and the resulting three notch differential between the parent and its regulated utility subsidiaries is tied to the subordination of over 30% of holding company debt as well as the higher business risk profile associated with Integrys' energy marketing business".

RATINGS RATIONALE

The primary driver of today's rating action is Moody's more favorable view of the relative credit supportiveness of the US regulatory framework, as detailed in our September 23, 2013 Request for Comment: "Proposed Refinements to the Regulated Utilities Rating Methodology and our Evolving View of US Utility Regulation." Factors supporting this view include better cost recovery provisions, reduced regulatory lag, and generally fair and open relationships between utilities and regulators. The US utility sector's low number of defaults, high recovery rates, and generally strong financial metrics from a global perspective provide additional corroboration of these upgrades.

The confirmation of Integrys Energy Group's (Integrys) rating takes into consideration the company's sizable non-regulated energy marketing business, currently making up about 10-15% of consolidated earnings as well as the substantial amount of debt held at the parent. Today's rating action assumes Integrys management will keep holding company debt around 30% of consolidated debt, while maintaining the size of its unregulated segment at current levels. It further assumes that management would take necessary actions to address any deterioration in its business risk profile if required in the future.

Rating Outlook

Integrys, Wisconsin Public Service Corporation (WPSC), People's Gas Light and Coke Company (PGL) and North Shore Gas Company's (NSG) stable rating outlooks reflect the credit supportiveness of the regulatory environment under which the group operates, the healthy credit metrics at each of the operating subsidiaries as well as the holding company. These positive factors are balanced against the parent's significant amount of holdco debt, the size of Integrys' unregulated business, and its above average dividend payout policy, as well as an increase in capex at WPSC set to temporarily weaken its historically strong financial metrics.

What Could Change the Rating - Up

Integrys, WPSC, PGL and NSG's rating could be raised if there were an improvement in the regulatory environment that led to meaningfully greater predictability, timeliness and/or sufficiency of rates such that financial metrics would be expected to improve on a sustained basis relative to our current view.

Furthermore, Integrys' rating could be upgraded if there was a notable reduction in holding company debt, if the company adopted a less aggressive dividend payout policy, and if the company reduced its business risk profile by decreasing its exposure to non-regulated businesses.

What Could Change the Rating - Down

Integrys, WPSC, PGL and NSG's rating could be lowered if there were a deterioration in the regulatory environment, which might include greater regulatory lag, uncertainty about the recovery of investments, further compression in rates (especially if accompanied by a rise in interest rates), or if there were a downward revision in our expectation of future financial metrics relative to our current view. Unanticipated additional capex requirements that are not prudently funded, as well as less than expected equity issuances at the parent to fund contributions to the regulated subsidiaries, could also trigger a downgrade.

Finally, Integrys' rating could be downgraded if there was an increase in holding company debt, if the company began funding its dividends with external debt, or if the company generated more than 15% of its cash flows from its unregulated business on a sustained basis.

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in December 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Debt Classes

Integrys Energy Group, Inc.

Outlook Stable

The following ratings have been confirmed:

Senior Unsecured Baa1

Jr Subordinate Baa2

Commercial Paper P-2

Senior Unsecured Shelf (P)Baa1

Subordinate Shelf (P)Baa2

Jr. Subordinate Shelf (P)Baa2

Wisconsin Public Service Corporation

Outlook Stable

Issuer Rating to A1 from A2

First Mortgage Bonds to Aa2 from Aa3

Senior Secured to Aa2 from Aa3

Pref. Stock to A3 from Baa1

Senior Secured Shelf to (P)Aa2 from (P)Aa3

Pref. Shelf to (P)A3 from (P)Baa1

Commercial Paper Unchanged at P-1

Peoples Gas Light and Coke Company

Outlook Stable

Issuer Rating to A2 from A3

First Mortgage Bonds to Aa3 from A1

Senior Secured MTN to (P)Aa3 from (P)A1

Commercial Paper to P-1 from P-2

North Shore Gas Company

Outlook Stable

Issuer Rating to A2 from A3

Senior Secured MTN to (P)Aa3 from (P)A1

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Lesley Ritter
Analyst
Infrastructure Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

William L. Hess
MD - Utilities
Infrastructure Finance Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Peoples Gas Light and Coke Company

Global Credit Research - 28 May 2013

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured MTN	(P)A1
Commercial Paper	P-2
Ult Parent: Integrys Energy Group, Inc.	
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate	Baa2
Commercial Paper	P-2

Contacts

Analyst	Phone
Scott Solomon/New York City	212.553.4358
William L. Hess/New York City	212.553.3837

Key Indicators

[1]Peoples Gas Light and Coke Company

	2012	2011	2010	2009
(CFO Pre-W/C + Interest) / Interest Expense	7.1x	8.6x	7.3x	6.8x
(CFO Pre-W/C) / Debt	19%	30%	30%	26%
(CFO Pre-W/C - Dividends) / Debt	13%	23%	23%	26%
Debt / Book Capitalization	45%	38%	36%	37%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Fairly supportive regulatory environment

Low business risk profile

Improving financial performance

Increased capital spending program

Illinois Appellate Court's reversal of Rider ICR is a credit negative

Corporate Profile

The Peoples Gas Light and Coke Company (PGL: A3 Issuer Rating) is a regulated local gas distribution utility (LDC) that purchases, stores, distributes, sells and transports natural gas to approximately 829,000 customers through a 4,560-mile distribution and transmission system serving Chicago, Illinois. The customer base includes residential, commercial, industrial and transportation customers. Transportation customers acquire their gas elsewhere and pay PGL for the use of its distribution system. PGL had revenue of approximately $883 million in 2012, which accounted for 21% of Integrys' consolidated revenue.

North Shore Gas Company (NSG: A3 Issuer Rating) is also a regulated LDC, albeit smaller than PGL. It purchases, stores, distributes, sells and transports natural gas to approximately 158,000 customers through a 2,330-mile distribution and transmission system serving 54 communities in northeastern Illinois. The customer base includes residential, commercial, industrial and transportation customers. NSG had revenue of $162 million in 2012, which accounted for 4% of Integrys' consolidated revenue.

PGL and NSG are wholly-owned subsidiaries of Peoples Energy LLC (PEC), which is a subsidiary of Integrys Energy Group, Inc. (Integrys: Baa1 senior unsecured, stable outlook). PEC and WPS Resources merged to form Integrys in February 2007.

Rating Rationale

Moody's evaluates PGL and NSG's consolidated financial performance relative to the Regulated Electric and Gas Utilities rating methodology (the methodology) published in August 2009. As depicted in the grid below, PGL and NSG's indicated ratings under this methodology are weak A3/strong Baa1 compared to their current A3 Issuer Ratings. The indicated ratings using the factors highlighted on the grid considers their respective consolidated financial performance based on a three-year historical average and our projections for the next 18 months.

PGL and NSG's A3 Issuer Ratings are supported by their low risk business profiles, a fairly supportive regulatory environment and appropriate financial performance. Since acquiring PGL and NSG, Integrys has improved their respective profitability through rate case filings and cost management efforts. In 2012, PGL and NSG earned net income of $54.3 million and $8.2 million, respectively, compared to a loss of $13.7 million and net income of $7.9 million, respectively, during 2007.

DETAILED RATING CONSIDERATIONS

Fairly supportive regulatory environment

PGL and NSG have been biennial rate filers and each currently has an active rate case. Specifically, PGL has requested a $98 million base rate revenue increase based on a 10% allowed return on equity (ROE) and 50% equity ratio while NSG requested a $10 million increase based on the same financial parameters. In April 2013, the assigned Administrative Law Judge (ALJ) issued recommendations that included a $52 million increase for PGL based on a 9.33% ROE and $6 million for NSG with also a 9.33% ROE. We expect the ICC's order, which is expected in June, to be in-line with the recommendations made by the ALJ.

Recent rate case decisions have been slightly less supportive than previously. In its January 2012 order, the ICC granted PGL a $58 million rate increase (compared to $125 million requested and $57 million increase recommended by the ALJ) and NSG a $1.9 million rate increase ($9 million requested and $1 million recommended by the ALJ) premised on a 9.45% ROE and a common equity ratio of 49% (50% for NSG). This compares negatively to the parameters authorized by the ICC in its January 2010 order that authorized PGL a 10.23% ROE (10.33% for NSG) based on a 56% common equity ratio.

Importantly, the 2012 rate case decisions for PGL and NSG included the permanent approval of an existing decoupling mechanism. This mechanism allows PGL and NSG to adjust rates going forward to recover or refund the difference between the actual and authorized margin impact of variations in distributed volumes. While the Illinois Attorney General appealed the ICC's authority to approve PGL's and NSG's permanent decoupling mechanism, an Appellate Court ruled in March 2013 that the ICC did have the authority to approve permanent decoupling, a credit positive outcome to the challenge.

PGL and NSG have historically earned significantly less than their allowed ROE. For example, in 2009 PGL and NSG earned ROEs (from a GAAP perspective) of approximately 4%. Management has undertaken initiatives including workforce reductions and frequent rate case filings in an effort to move PGL and NSG closer to their allowed returns. As a result, PGL's earned ROE improved to approximately 8% in 2012 (NSG's increased to approximately 9%).

Moody's has viewed the last few rate outcomes for PGL and NSG's as adequate in their supportiveness and scores PGL and NSG a mid-Baa for Factor 1: Regulatory Framework. For Factor 2: Ability to Recover Costs and Earn Returns, we score PGL and NSG a high-Baa to reflect the permanent approval of decoupling and increased earned returns.

While noting that Illinois has been a challenging regulatory environment, past political interference has been focused mostly on electric utilities. Moreover, LDC's are generally considered to have lower business risk than electric utilities and tend to have less contentious issues with their regulators.

Limited exposure to commodity prices and industrial customers

PGL and NSG typically record approximately 60% of their respective revenues during the heating season: from November through March. In addition to a rate charged for the distribution of natural gas, PGL and NSG also bill their customers a Gas Charge. The Gas Charge represents the companies' cost of gas, transportation, storage service and gains, losses and costs incurred under their respective hedging programs, thereby limiting their exposure to commodity prices. The ICC conducts annual gas charge proceedings which review and determine the prudence of all gas costs passed through to ratepayers through the Gas Charge. If the ICC were to find that the reconciliation was inaccurate or any gas costs were imprudently incurred, the ICC would order the utility to provide ratepayers a refund.

PGL and NSG benefit from a limited reliance on industrial customers. At December 31, 2012, industrial and commercial customers only accounted for approximately 10% of total customer throughput (residential and transportation customers combined accounted for approximately 90%). For this reason, PGL and NSG map to a high-Baa rating factor for Factor 3: Market Position.

Financial performance appropriate for rating category

PGL's key financial metrics (incorporating Moody's standard analytical adjustments) adequately position the company in the low-A rating category as outlined in the methodology. Specifically, PGL's key financial metric of CFO pre W/C to debt, interest coverage and debt-to-capitalization has averaged 25%, 7.9 times and 40%, respectively, over the three year period 2010-2012. That said, PGL's financial performance weakened in 2012 such that these specific metrics were 18.5%, 7 times and 45%, respectively. The drivers for the weakened financial metrics included increased contributions to the company's post-retirement account (approximately $86 million in 2012 compared to $23 million in 2011 and $19 million in 2010) and a higher debt balance.

We anticipate contributions to PGL's post-retirement account in 2013 to be more in-line with historical amounts; incremental debt, however, needed to fund PGL's capital expenditure programs is expected to modestly reduce financial metrics relative to historical averages. As such, we anticipate PGL will achieve CFO pre-WC to debt and interest coverage in a range of 21-23% and 6.7-7.3 times, respectively, through at least 2014.

NSG's financial metrics also adequately position the company in the low-A rating category. Specifically, the utility's ratio of CFO pre W/C to debt, CFO pre W/C interest coverage and debt-to-capitalization has averaged 26%, 6.7 times and 39%, respectively, over the three year period 2010-2012. These metrics, however, are expected to be pressured modestly going forward.

Increased capital spending program

PGL's capital expenditures over the next three-year period are expected to significantly exceed historical levels. Specifically, PGL's capital expenditures for the three-year period 2013 through 2015 are estimated to total $859 million ($345 million in '13 and $257 million in each of '14 and '15) compared to the $498 million spent during the period 2010 through 2012. The planned increase is driven by the company's accelerated cast iron replacement program, a 20-year project that began in 2011 and involves the replacement of cast iron pipes with steel and polyethylene pipes.

In 2010, the ICC approved an infrastructure cost recovery mechanism (ICR) for PGL. The purpose of the ICR is to eliminate regulatory lag by allowing PGL to recover costs associated with its gas main replacement program outside of a rate case. However, on September 30, 2011, the Illinois Appellate Court reversed the ICC's approval of the ICR, concluding it was improper single issue ratemaking decision. PGL and the ICC filed for leave to appeal with the Illinois Supreme Court, but their requests were denied.

The Appellate Courts' decision is a credit negative and will delay cost recovery associated with PGL's substantial gas main replacement program. However, the Illinois state senate and house have each introduced legislation that, if enacted, would enable gas LDC's that commit to certain levels of investments in their distribution systems to file annually for ICC approval of formula rate plan rate changes in lieu of full base rate proceedings.

Passage of such legislation would likely be viewed as a credit positive as it would provide for more timely and formulaic cost recovery relative to biennial rate proceedings. It is currently unclear whether the proposed legislation will gain traction; the Citizens Utility Board and AARP Illinois have already voiced concerns.

PGL anticipates being free cash flow negative over the next several years due to the gas main replacement program and expects to meet its funding requirements with a combination of equity contributions from Integrys and debt offerings.

NSG's capital expenditures over the next three-year period are also expected to increase relative to historical levels. Specifically, NSG's capital expenditures for the three-year period 2013 through 2015 are estimated to be $78 million ($29 million in '13, $28 million in '14 and $21 million in '15) compared to $47 million during the period 2010 through 2012, and the company will require incremental debt for funding.

Liquidity:

PGL's external liquidity source is through a 5-year $250 million unsecured revolving credit facility that expires in June 2017 to support a similarly sized commercial paper program and for general corporate purposes. PGL had $179 million of commercial paper outstanding as of December 31, 2012. The average daily amount of commercial paper outstanding during 2012 was $78 million.

Terms and conditions of the credit facility include a representation that no material adverse change has occurred but only on the facility's effective date. The sole financial covenant is a 65% limitation on the debt component of PGL's capital structure. The company has substantial headroom under the capital structure covenant. Usage of the revolving credit facility mirrors the seasonality of PGL business with borrowings typically peaking in the 4th quarter that are repaid in full during the spring months.

Separately, PGL has the ability to borrow up to $150 million from Integrys. Integrys has three committed credit facilities: $275 million due May 2014, $200 million due May 2016 and $635 million due June 2017 and its liquidity profile is considered to be good.

NSG does not have its own revolving credit facility or commercial paper program. Instead, it has the ability to loan to or borrow from PGL up to $50 million. At December 31, 2012, NSG had $21 million of short-term debt outstanding from PGL.

PGL priced $220 million of delayed draw senior secured debt earlier this year to prefund $120 million of debt maturities and to reduce commercial paper outstanding. As a result, its most near-term maturity occurs in 2016. NSG's long-term debt consists of three series of first mortgage bonds totaling $75 million. NSG has $47 million of debt maturities in 2013. NSG issued $54 million of new first mortgage bonds in May 2013 to fund these maturities.

Rating Outlook

PGL and NSG's stable rating outlooks reflect an expectation for the continuation of strong financial performance and credit metrics consistent with their ratings.

What Could Change the Rating - Up

Upward rating pressure for PGL and NSG could be triggered by significant improvement in financial metrics such that the ratio of pre W/C to debt exceeds 26% on a sustainable basis.

What Could Change the Rating - Down

Unanticipated additional capital expenditure requirements without appropriate regulatory support, or changes in the regulatory framework that results in a decline in PGL and NSG financial metrics; such that the ratio of CFO pre-W/C to debt falls below 20% for an extended period.

Rating Factors

Peoples Gas Light and Coke Company

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2012		Moody's 12-18 month Forward View* As of May 2013	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (10%)		Baa		Baa
b) Generation and Fuel Diversity (0%)		n.a		n.a.
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	7.6x	Aa	6.7x-7.3x	Aa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	25.0%	A	21%-23%	Baa/A
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	18.8%	A	19%-21%	A
e) Debt/Capitalization (3 Year Avg) (7.5%)	40.2%	A	35%-40%	A
Rating:				
a) Indicated Rating from Grid		Baa1/A3		Baa1/A3
b) Actual Rating Assigned		A3		A3

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2012; Source: Moody's Financial Metrics

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Credit Opinion: Integrys Energy Group, Inc.

Global Credit Research - 28 May 2013

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate	Baa2
Commercial Paper	P-2
Wisconsin Public Service Corporation	
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	Aa3
Senior Secured	Aa3
Pref. Stock	Baa1
Commercial Paper	P-1
Peoples Gas Light and Coke Company	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured MTN	(P)A1
Commercial Paper	P-2
North Shore Gas Company	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured MTN	(P)A1

Contacts

Analyst	Phone
Scott Solomon/New York City	212.553.4358
William L. Hess/New York City	212.553.3837

Key Indicators

[1]**Integrys Energy Group, Inc.**

	LTM 3/30/2013	2012	2011	2010
(CFO Pre-W/C + Interest) / Interest Expense	6.3x	5.7x	6.6x	6.0x
(CFO Pre-W/C) / Debt	21%	20%	28%	27%
(CFO Pre-W/C - Dividends) / Debt	14%	13%	21%	21%
Debt / Book Capitalization	43%	42%	41%	44%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Utility subsidiaries operate in diverse and relatively supportive regulatory environments

Repositioning of non-regulated businesses

Strong financial performance

Large capital spending program

Significant holding company debt and above average dividend payout

Corporate Profile

Integrys Energy Group, Inc. (Integrys: Baa1 senior unsecured, stable outlook) is a diversified energy holding company headquartered in Chicago, Illinois that was created through the February 2007 merger between WPS Resources and Peoples Energy, LLC (PEC).

Integrys owns six regulated utilities, Wisconsin Public Service Corporation (WPSC: A2 Issuer Rating), The Peoples Gas, Light and Coke Company (PGL: A3 Issuer Rating), North Shore Gas Company (NSG: A3 Issuer Rating), Minnesota Energy Resources Corporation (MERC: not rated), Michigan Gas Utilities Corporation (MGUC: not rated) and Upper Peninsula Power Corporation (UPPCO: not rated). In the aggregate, these utilities serve approximately 1.7 million gas and 500,000 electric customers in Wisconsin, Illinois, Michigan, and Minnesota. The most sizable utilities are WPSC, a vertically-integrated electric utility headquarter in Green Bay, Wisconsin and PGL, a local natural gas distribution company(LDC) that operates in and around Chicago.

Integrys also has an approximate 34% ownership interest in the American Transmission Company (ATC: A1 senior unsecured).

Integrys' sizable non-regulated retail energy marketing business is focused on marketing natural gas and electricity to commercial, industrial and residential customers primarily in the northeastern quadrant of the United States. Retail electric volumes in 2012 totaled 13.3 million megawatt hours (Mwh) while retail gas volumes totaled 130 bcf. Integrys has operated a retail energy marketing business since 1994 and has largely managed the associated risks over this period in an adequate manner. We estimate Integrys' non-regulated energy marketing business accounts for 10- 15% of the company's consolidated cash flow .

Rating Rationale

Integrys is firmly positioned in the Baa1 rating category. The company's rating is supported by the underlying cash flow stability provided by its six regulated utility subsidiaries, a diverse, multi-state service territory and strong historical financial performance. The rating, however, is tempered by the degree of holding company debt, the risk profile of its non-regulated business and an above average dividend payout.

DETAILED RATING CONSIDERATIONS

The primary drivers for the rating and outlook are as follows:

Diverse and reasonably supportive regulatory environments

Integrys has successfully reduced the business risk profile of the enterprise through the acquisition of four regulated gas utilities, MGUC in April 2006, MERC in July 2006 and NSG and PGL in February 2007 followed by a restructuring of its non-regulated business in 2009-2010. As a result, Integrys' regulated utilities (including its investment in ATC), typically account for approximately 85-90% of its annual consolidated cash flow.

Generally speaking, Integrys' regulated LDC utilities operate in relatively supportive regulatory environments that provide PGL, NSG, MGU and MERC with rate mechanisms to pass gas costs directly to their customers and to recover bad debts. Furthermore, PGL, NSG, MGU and MERC have been granted decoupling mechanisms to offset the financial impact of declining usage. An offset to these allowed recovery mechanisms by regulators, a credit positive, is the below average allowed return on equity 9.45% granted to PGL and NSG and 9.70% to MERC.

The supportive regulatory environments in which the LDC's operate combined with the strong regulatory environment provided in Wisconsin supports a high-Baa rating factor for Factor 1: Regulatory Framework within Moody's methodology. That being said, we have notched this rating factor downward to reflect the higher risk profile of Integrys' remaining non-regulated business; however, a high-Baa rating factor has been assigned for Factor 2: Ability to Recover Costs and Earn Returns.

Please refer to the credit opinions for WPSC, PGL and NSG for additional detail.

Reduced scale and scope of non-regulated energy marketing business

Integrys substantially reduced the scale and scope of its non-regulated energy marketing businesses in 2009-2010 largely by selling several wholesale businesses with substantial collateral requirements. That said, the risk profile of this business is considerably higher than that of a regulated utility.

Integrys' remaining non-regulated business is focused on marketing electricity and natural gas in the retail market serving commercial, industrial, direct and aggregated small commercial and residential customers primarily in the northeastern quadrant of the United States. Integrys manages the supply risk of its natural gas marketing business through a multi-year natural gas supply agreement with a creditworthy counterparty. This agreement provides Integrys with sufficient capacity to meet the natural gas requirements of its energy marketing business and includes a contractually set limitation on collateral support requirements. The non-regulated energy marketing business has no leverage and Integrys parent provides the needed collateral support.

In 2012, realized retail electric margins totaled $91.3 million or $6.86 per MWh compared to $98.5 million or $7.93 per MWh in 2011. The decrease was driven in large part by increased competitive pressure in the marketplace. Realized retail gas margins totaled $47.5 million in 2012 or $0.37 per dekatherm down slightly from $49.1 million and $0.39 per dekatherm realized in 2011. Retail electric volumes are expected to increase in 2013 due to the company's success in winning a municipal aggregation contract with the city of Chicago. That said, competitive pressures will continue to reduce per unit margins.

As this business grew in scale, so did the collateral requirements, thereby pressuring Integrys' liquidity profile. The downsizing of this business segment beginning in 2009, however, has resulted in significantly reduced collateral requirements. Guarantees and other forms of corporate support provided by Integrys on behalf of its non-regulated operations to support its commodity transactions has declined to approximately $500 million from $2.6 billion at December 31, 2008. Cash collateral provided to third parties declined to $24 million at March 31, 2013 from $256 million at December 31, 2008. Furthermore, the collateral requirement associated with a hypothetical downgrade of Integrys' rating to below investment grade has declined to a more manageable $121 million at March 31, 2013, from approximately the $700 million potential amount at December 31, 2008.

Strong key financial metrics

Intergrys' consolidated historical financial metric have firmly positioned the company in the Baa1 rating category. Specifically, Integrys achieved consolidated CFO-pre WC to debt of approximately 21%, cash flow coverage of interest expense of 6.3 times and debt-to-capitalization of 42.9% for the trailing twelve months ended March 31, 2013. Over the past three year- period, these specific metrics averaged 24.4%, 6.0 times and 41.3%, respectively, driven in part by the positive impact of bonus depreciation.

Integrys' consolidated capital expenditure program for the three-year period 2013 through 2015 is significant at an estimated $2.8 billion (compared to $1.2 billion for the three year period ended 2012). The primary drivers for the increase in capital spending are PGL's accelerated cast iron replacement program, the installation of environmental controls on WPSC's existing coal plant facilities and its recent $392 million purchase of the Fox Energy Center. Both utilities are expected to file frequent rate cases to ensure timely recovery of these investments.

Integrys' subsidiaries are expected to fund their respective capital expenditure programs with internally generated funds, incremental debt issuances and parent equity contributions. Integrys recently contributed $200M in equity capital to WPSC to fund in part its acquisition of Fox. Integrys anticipates issuing up to $400 million of hybrid securities in 2013 as well as $65-70 million in equity through its Stock Investment Plan and other stock-based benefit plans to fund its capital requirements. Incremental holding company debt and equity offerings are likely in 2014 and 2015.

Going forward, we anticipate that the investments in Integrys' regulated utilities combined with above average regulatory treatment and a conservative financing policy will result in consolidated key financial metrics of CFO pre-WC to debt and interest coverage in excess of 20% and 6 times, respectively, and a debt-to-consolidation ratio below 46% through at least 2015.

Above average holding company debt levels and above average dividend payout

Integrys' rating reflects in part the still significant amount of holding company debt and the current high dividend payout ratio, which are the primary drivers for the two-notch rating difference between it and the senior unsecured rating assigned to WPSC, its largest regulated subsidiary. At December 31, 2012, long-term holding company debt was $608 million (adjusted for a $270M hybrid security that currently receives 25% equity and 75% debt treatment for financial leverage purposes by Moody's) or approximately 28% of consolidated long-term balance sheet debt.

Most of our peer universe of rated utility companies have less than 20% of consolidated debt at the holding company level.

Integrys' dividend payout to its shareholders in 2012 was approximately $212 million or 75% of consolidated net income. That said, the company's earnings are somewhat influenced by mark-to-market accounting at its energy marketing business. For example, in 2012, the company earnings were skewed by $27 million (after-tax) of net unrealized gains on non-regulated energy contracts and inventory accounting activities. Ignoring this non-cash impact, Integrys' dividend payout in 2012 was approximately 84%, which is higher than industry average of 70%, a credit negative.

That said, distributions from Integrys' subsidiaries have historically been sufficient to fund the company's external dividend. In 2012, Integrys parent received $274 million in dividends and return of capital from its subsidiaries. Integrys parent contributed $90 million in equity to its subsidiaries in 2012.

Liquidity Profile

Integrys proactively manages its liquidity profile to ensure access to funds in an amount comfortably in excess of all potential requirements.

Integrys' parent's external sources of liquidity include $1,110 million of unsecured revolving credit facilities commitments ($275 million due in May 2014; $200 million due in May 2016 and $635 million due June 2017), a significant amount relative to the company's requirements. The committed facilities support the issuance of letters of credit, meet short-term funding requirements and provide alternate liquidity for Integrys' commercial paper program. Terms of the syndicated revolving credit facilities include a representation that no material adverse change has occurred on the facilities' effective date (but not at any other times throughout the facility's term). The sole financial covenant is a 65% limitation on the debt component of Integrys' capital structure. The company has substantial headroom under the capital structure covenant; we estimate that Integrys' debt-to-capitalization for the purpose of this covenant is currently less than 45%.

Integrys parent had approximately $208 million of commercial paper outstanding as of December 31, 2012. Short-term borrowings likely increased during 1Q13 to fund Integrys $200 million equity contribution to WPSC. Integrys' most near-term parent-level debt maturity is $100 million in December 2014.

Availability under Integrys' credit facilities are more than adequate to meet potential collateral requirements associated with a hypothetical downgrade of Integrys' rating to below investment grade. We anticipate the Integrys $275 million facility due May 2014 will be extended prior to maturity.

Separately, WPSC and PGL have access to three credit facilities totaling $500 million in commitments to support their respective business requirements.

Rating Outlook

The stable rating outlook reflects a reduced business risk profile associated with the completed restructuring of the company's non-regulated businesses and an expectation that Integrys' consolidated ratio of CFO pre-W/C to debt will continue to exceed 20% for the near-to- medium term.

What Could Change the Rating - Up

Upward rating movement is not expected in the medium-term. Longer term, we would likely need to see Integrys' consolidated ratio of CFO pre-W/C to debt exceed 25% without the benefit of any temporary items such as bonus depreciation on a sustainable basis to consider an upgrade.

What Could Change the Rating - Down

Changes in regulatory supportiveness or an unexpected increase in leverage or decline in cash flow such that its ratio of CFO pre-W/C to debt falls below 17% on a sustainable basis.

Rating Factors

Integrys Energy Group, Inc.

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2012		Moody's 12-18 month Forward View* As of May 2013	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (10%)		A		A
b) Generation and Fuel Diversity (0%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	6.1x	Aa	6.0x-6.5X	Aa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	25.2%	A	20-25%	A
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	18.3%	A	15-18%	A
e) Debt/Capitalization (3 Year Avg) (7.5%)	42.2%	A	40-45%	A
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2012; Source: Moody's Financial Metrics

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