

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

The Peoples Gas Light	:	
and Coke Company	:	
	:	
Informational statement pursuant to	:	
Section 6-102(d) of the Public Utilities	:	Docket No. 14-0207
Act in connection with the proposed	:	
issuance and sale of up to \$75 million	:	
aggregate principal amount of bonds or	:	
notes, or a combination thereof, in one	:	
or more series	:	

**DRAFT ORDER**

By the Commission:

**Introduction**

On March 12, 2014, The Peoples Gas Light and Coke Company (“Peoples Gas” or the “Company”) filed a verified Informational Statement, with the Illinois Commerce Commission (“Commission”) pursuant to Section 6-102(d) of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 *et seq.* for the proposed issuance of up to \$75,000,000 in aggregate principal amount of bonds or notes, or a combination thereof, in one or more series. The purpose of the proposed issuance is to refinance Peoples Gas’ currently outstanding \$75,000,000 4.875% Series QQ First and Refunding Mortgage Bonds (“Series QQ”).

On March 20, 2014, Janis Freetly, Senior Financial Analyst for the Finance Department of the Financial Analysis Division, on behalf of the Staff of the Illinois Commerce Commission (“Staff”), filed a verified Answer recommending the Commission issue an Order, pursuant to Section 6-102(a) of the Act, authorizing the transactions described in Peoples Gas’ Informational Statement. Staff further recommended that the Commission require Peoples Gas to file reports relating to the issuance of the securities approved in this Order pursuant to 83 Ill. Adm. Code Part 240 and direct Peoples Gas that the reporting requirements are mandatory.

## **Statutory Authority for Proposed Financing**

As explained more fully below, Peoples Gas stated that its filing is governed by Section 6-102(d) of the Act and that Section 6-102(b) is not applicable to the proposed financing.

Section 6-102(b) of the Act provides, in relevant part, as follows:

(b) The provisions of this subsection (b) ... shall not apply to (3) any issuances of stock or of bonds, notes or other evidences of indebtedness 90% or more of the proceeds of which are to be used by the public utility for purposes of refunding, redeeming or refinancing outstanding issues of stock, bonds, notes or other evidences of indebtedness ... .

Section 6-102(d) of the Act provides, in relevant part, as follows:

(d) Any issuance of stock or of bonds, notes or other evidences of indebtedness, other than issuances of notes pursuant to subsection (c) of this Section, which is not subject to subsection (b) of this Section, shall be regulated by the Commission as follows: the public utility shall file with the Commission, at least 15 days before the date of the issuance, an informational statement setting forth the type and amount of the issue and the purpose or purposes to which the issue or the proceeds thereof are to be applied. Prior to the date of the issuance specified in the public utility's filing, the Commission, if it finds that the issuance is not subject to subsection (b) of this Section, shall issue a written order in conformance with subsection (a) of this Section authorizing the issuance ... .

## **Nature and Purpose of Proposed Financing**

Peoples Gas stated that it plans to issue up to \$75,000,000 in aggregate principal amount of bonds or notes, or a combination thereof, in one or more series and in one or more transactions. The proceeds will be used to refinance Peoples Gas' currently outstanding \$75 million 4.875% Series QQ First and Refunding Mortgage Bonds ("Series QQ"), which will become callable on November 1, 2014 at par. Peoples Gas does not plan on using the proceeds from the new debt to pay issuance costs or redemption costs on Series QQ. Series QQ has a mandatory put on November 1, 2018, for interest rate reset purposes. The 4.875% current rate for Series QQ is required to be reset at that time. The final maturity on Series QQ is November 1, 2038. Peoples Gas stated that it may issue the debt through a private placement, an underwritten offering, an agency sale, or a bank loan. If Peoples Gas determines to issue and sell any of the debt in an underwritten offering, then Peoples Gas stated it plans to do so in a competitive manner to one or more investment banks. If Peoples Gas accepts an underwriting proposal for the debt, it intends to accept the proposal that provides it the lowest annual cost of money.

Peoples Gas anticipates the refinancing issue will have a maturity of 5 years to 35 years. The interest rate on the replacement issue is expected to be in the 2% to 5% range. However, due to capital market fluctuations, the terms of the debt, including the maturity, price, rate of interest and dates for payment thereof, and any redemption, prepayment or sinking fund provisions, will be determined at the time of the offering.

The entire proposed issuance of \$75 million constitutes refinancing of the previously authorized debt (\$75 million Series QQ). Therefore, Section 6-102(b) does not apply to the proposed transaction because it satisfies the subsection (3) test.

Pursuant to Section 6-108, subsection (2) of the Act, Peoples Gas states that it does not need to pay a fee with respect to the \$75,000,000 of indebtedness since the proceeds will be used for refinancing existing long-term indebtedness previously authorized by the Commission.

Peoples Gas requested that the Commission provide a single serial number for the issuance.

### **Staff's Position**

The Company's proposal is subject to Section 6-101, which requires the Commission to provide proper identification numbers on the proposed indebtedness when issued. The Company requests one identification number for the proposed indebtedness.

The Company's proposal is subject to Section 6-102(a), which requires a Commission order authorizing the proposed indebtedness. The order must also state the amount of the proceeds and purpose(s) to which they are to be applied, and that such application(s) is reasonably required.

The Company's proposal is not subject to Section 6-102(b) since 100% of the proceeds will be used for the purpose of refinancing outstanding and maturing indebtedness.

The Company's proposal is subject to Section 6-102(d), which requires the Informational Statement filed by the Company and a Commission order in conformance with Section 6-102(a).

The Company's proposal is subject to Section 6-108; however, since the proceeds will be used for the purpose of refinancing outstanding indebtedness that has been issued with the consent of the Commission, no fee shall be required for the proposed issuance.

The Company's proposal is also subject to 83 Illinois Administrative Code Part 240, which requires the petitioner to file reports relative to the new issuance and application of the proceeds, unless the Commission's order provides otherwise.

The Staff of the Illinois Commerce Commission recommended that the Commission issue an Order, pursuant to Section 6-102(a) of the Act, authorizing Peoples Gas to incur indebtedness up to \$75 million to refinance the currently outstanding \$75 million Series QQ. Staff further recommended that the Commission require Peoples Gas to file reports relating to the issuance of the securities approved in

this Order pursuant to 83 Illinois Administrative Code Part 240. Finally, Staff requests that the utility be specifically directed in the Order authorizing the issuance that the reporting requirements are mandatory and that failure to make the mandated filings could result in action against the utility seeking penalties for failure to comply with a Commission order, the requirements of statute or the rules of the Commission.

### **Findings and Ordering Paragraphs**

The Commission, having considered the entire record herein, is of the opinion and finds that:

- (1) Peoples Gas is a corporation engaged in the sale and distribution of natural gas in portions of the State of Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over Peoples Gas and the subject matter of this proceeding;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) subject to the conditions set forth herein, Peoples Gas' proposed issuance of up to \$75,000,000 in aggregate principal amount of bonds or notes to be used only in the manner described in Finding (5) below, is reasonable;
- (5) all proceeds will be used for the purposes of refinancing Peoples Gas' currently outstanding \$75,000,000 4.875% Series QQ bonds;
- (6) the funds to be obtained from the issuance are reasonably required for the purposes described herein;
- (7) the authority granted extends no later than two years from the date of issuance of this Order;
- (8) the proposed transaction is subject to the provisions of Section 6-102(b) of the Act;
- (9) in accordance with Section 6-101 of the Act, Peoples Gas shall, before issuance of the debt described herein, cause the following identification number to be placed on the face of such securities: Ill. C.C. No. \_\_\_\_\_; and
- (10) Peoples Gas shall comply with the reporting requirements of 83 Ill. Admin. Code Part 240, which reporting requirements are mandatory, and failure to make the filings could result in action against the Company seeking penalties for failure to comply with a Commission order, the requirements of a statute or the rules of the Commission.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that The Peoples Gas Light and Coke Company's proposed issuance of up to \$75,000,000 in aggregate principal amount of bonds or notes is hereby approved in accordance with Section 6-102(b) of the Act.

IT IS FURTHER ORDERED that the authority to issue the bonds or notes granted herein shall expire on \_\_\_\_\_, 2016.

IT IS FURTHER ORDERED that The Peoples Gas Light and Coke Company shall comply with Findings (5), (7), (8), (9), and (10) of this Order.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Admin. Code Sec. 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

(SIGNED)

Chairman