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The Peoples Gas Light and Coke Company :
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Informational statement pursuant to Section :
6-102(d) of the Illinois Public Utilities Act in :
connection with the proposed issuance and sale of :
up to \$250 million aggregate principal amount of :
bonds or notes, or a combination thereof, in one :
or more series : Docket No. 01-0655

**STAFF'S ANSWER TO THE PEOPLES GAS LIGHT AND COKE COMPANY'S
INFORMATIONAL STATEMENT**

Now comes the Staff of the Illinois Commerce Commission (Staff) in response to The Peoples Gas Light and Coke Company's ("Peoples" or "Company") Informational Statement. On October 19, 2001, Peoples filed its Informational Statement in this Docket pursuant to Section 6-102(d) of the Illinois Public Utilities Act ("The Act"). This statement explains Peoples' proposed issuance and sale of \$250,000,000 aggregate principal amount of new bonds or notes ("New Debt") for refunding purposes as follows: (1) \$50,000,000 ("Secured Debt") will be applied to the refunding of currently outstanding 6.875% Series X First and Refunding Mortgage Bonds callable on March 1, 2002 and (2) the remaining \$200,000,000 ("Unsecured Debt") will be applied to the refunding of short-term indebtedness which is payable at periods of not more than 12 months after the date of issuance and therefore was issued without Commission consent as permitted under Section 6-102(c) of The Act. Peoples requested that the Commission

issue an order, pursuant to Section 6-102(d) of The Act, finding that Peoples' proposed issuance is not subject to Section 6-102(b) of The Act, and authorizing the issuance and sale.

Staff has reviewed Peoples' Informational Statement and Article VI of The Act and states as follows:

1. The Company's proposal is subject to Section 6-101, which requires the Commission to provide proper identification numbers on the proposed new bonds or notes when issued.
2. The Company's proposal is subject to Section 6-102(a), which requires a Commission order authorizing Peoples' proposed issuance of new bonds or notes. 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.
3. The Company's proposal is not subject to Section 6-102(b) since 100% of the proceeds will be used by Peoples for purposes of refunding outstanding issues of stock, bonds, notes, or other evidences of indebtedness.
4. The Company's proposal is not subject to Section 6-102(c).
5. The Company's proposal is subject to Section 6-102(d), which requires the

Informational Statement filed by Peoples and a Commission order in conformance with Section 6-102(a).

6. The Company's proposal is not subject to Section 6-102(e) and Section 6-102(f).

7. The Company's proposal is not subject to Section 6-103 through Section 6-107.

8. The Company's proposal is subject to Section 6-108; however, since Peoples contemplates using \$50,000,000 of the proceeds for the purposes of refunding bonds on which a fee has been previously paid for the issuance of such bonds, no fee shall be required for this portion of the proposed debt issuance. With respect to the \$200,000,000 of proceeds to be applied to the purpose of refunding short-term indebtedness which is payable at periods of not more than 12 months after the date of issuance and therefore issued without Commission consent as permitted under Section 6-102(c) of The Act, the Company shall be required to pay an amount equal to 20 cents for every \$100 of the principal amount of bonds authorized by the Commission, the required fee being \$400,000, no later than 30 days after service of the Commission order authorizing the issuance of New Debt.

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

(Section 240.30).

FURTHER, Staff has reviewed supplemental information provided by the Company in response to Staff's data requests and states as follows:

1. The Company's currently outstanding First and Refunding Mortgage Bonds, Series X, maturing February 28, 2015 to be retired from the proceeds of the proposed debt issuance have an interest rate of 6.875%.
2. The Company's outstanding short-term debt is \$200,000,000 as of September 30, 2001.
3. The Company's currently outstanding short-term indebtedness to be retired from the proceeds of the proposed debt issuance has an interest rate ranging from 3.5% to 6.7%.
4. The exact interest rate and final maturity associated with the New Debt will be a factor of the market conditions at the time of sale. The Company expects the interest rate on the Unsecured Debt to be in the range of 3% to 5½% with a final maturity between 3 and 7 years. The Company expects the interest rate on the Secured Debt to be in the range of 4½% to 6% with a final maturity of up to 30 years.

WHEREFORE, the Staff of the Illinois Commerce Commission recommends that the Commission issue an Order, pursuant to Section 6-102(d) of The Act, authorizing the transactions described in Peoples' Informational Statement and identifying the applicable provisions of The Act and Administrative Code.

Respectfully submitted,



Phil Hardas
Finance Department
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701
(217) 557-5213
October 25, 2001

VERIFICATION

I, Phil Hardas, first being duly sworn upon oath, depose and say that I am a Financial Analyst of the Finance Department for the Staff of the Illinois Commerce Commission, that I have read the above and foregoing Answer to The Peoples Gas Light and Coke Company's Informational Statement by me subscribed and know the contents thereof; that said contents are true in substance and in fact, except as to those matters stated upon information and belief, and as to those, I believe same to be true.

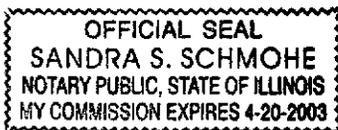


Phil Hardas
Financial Analyst
Finance Department

Subscribed and sworn to before me
this 25th day of October, 2001.

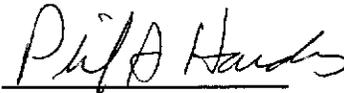


Notary Public, Illinois



CERTIFICATE OF SERVICE

I, Phil Hardas, Financial Analyst of the Finance Department, Financial Analysis Division, Illinois Commerce Commission, do hereby certify that on the 25th day of October, 2001, the Finance Department has delivered for filing with the Clerk of the Illinois Commerce Commission, the original of the attached Answer to Peoples' Informational Statement in Docket No. 01-0655, a copy of which is also hereby served upon the service list.



Phil Hardas
Phil Hardas
Financial Analyst,
Finance Department