

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Operating Statement of
The Peoples Gas Light and Coke Company
under 18 C.F.R. Section 284.224

This Operating Statement describes how The Peoples Gas Light and Coke Company (“Peoples Gas” or “Transporter”), an intrastate natural gas distribution company, shall provide: firm and interruptible transportation and storage services; interruptible parking and loaning service; and firm exchange service on a non-discriminatory basis pursuant to Section 284.224 of the Federal Energy Regulatory Commission’s (“Commission”) rules and regulations (18 C.F.R. §284.224).

Peoples Gas is an intrastate natural gas distribution company engaged in the business of purchasing and storing natural gas for and distributing and selling natural gas to approximately 840,000 retail customers in the City of Chicago, Illinois. Peoples Gas owns and operates a transmission and distribution system, a storage field and an LNG facility. Peoples Gas is directly interconnected with eight interstate pipelines. Peoples Gas is a public utility within the meaning of the Public Utilities Act of Illinois, and its rates and tariffs are subject to regulation by the Illinois Commerce Commission.

Peoples Gas filed an application for a blanket certificate of public convenience and necessity to provide interstate transportation services pursuant to Section 284.224 of the Commission’s rules and regulations (Docket CP98-84), for approval of rates for transportation services (Docket PR98-1) and for approval for rates for storage and parking and loaning services (Docket PR98-13). The Commission issued the blanket certificate by order dated March 2, 1998 (82 FERC ¶62,145), approved the transportation rates by order dated March 11, 1998 (82 FERC ¶61,239) and approved the storage and parking and loaning rates by order dated March 3, 1999 (86 FERC ¶61,226). The Commission, in the above-cited orders dated March 11, 1998, and March 3, 1999, directed Peoples Gas to file an application for rate approval on or before November 12, 2000, to justify the rates approved by the Commission or to establish new maximum rates. Peoples Gas did so in a filing docketed as Docket PR01-2, and the Commission issued an order, dated March 31, 2001, addressing that filing (94 FERC ¶61,402) and on May 29, 2001, approving the compliance filing. In that March 31, 2001 order, the Commission directed Peoples Gas to file certain cost and throughput data on or before November 9, 2003. Peoples Gas did so in a filing docketed as Docket PR04-2, and the Commission issued an order, dated May 7, 2004, approving a stipulation and agreement related to that filing (107 FERC ¶61,125). In that order, the Commission directed Peoples Gas to file certain cost and throughput data on or before November 8, 2006. Peoples Gas did so in a filing docketed as Docket PR07-1, and the Commission issued an order, dated March

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15, 2007, approving that filing (118 FERC ¶61,203). In that order, the Commission directed Peoples Gas to file certain cost and throughput data on or before October 18, 2009.

Peoples Gas reserves the right not to offer or commence service or to discontinue any interruptible service when, in Peoples Gas' sole discretion, any impairment of its firm services, including its ability to use storage to support firm services and gas purchases for firm services, would or may result. Peoples Gas also reserves the right to file to modify this Operating Statement as it may deem necessary and appropriate at any time in the future.

GENERAL TERMS AND CONDITIONS OF SERVICE

SECTION 1. DEFINITIONS

- 1.1 "Authorized Overrun" shall mean a quantity of Gas in excess of Shipper's applicable contract maximum limitations that Transporter agrees, pursuant to Section 10.3, to schedule on any Day.
- 1.2 "Btu" shall mean British thermal unit.
- 1.3 "Business Day" shall mean any day except Saturdays, Sundays and holidays recognized by the New York Mercantile Exchange, and each such Business Day shall commence at 8:00 a.m. Central Clock Time and end at 5:00 p.m. Central Clock Time.
- 1.4 "Central Clock Time" shall mean the prevailing time in Chicago, Illinois.
- 1.5 "Commission" shall mean the Federal Energy Regulatory Commission or any successor to that agency.
- 1.6 "Critical Day" shall mean a Day declared by Transporter, prior to the Day, whenever one or more of the following five conditions occurs or is anticipated to occur: (a) when Transporter experiences failure of transmission, distribution or Gas storage; (b) when transmission system pressures or other unusual conditions jeopardize the operation of Transporter's System; (c) when Transporter's transmission, storage and supply resources are being used at or near their maximum rated deliverability; (d) when any of Transporter's transporters or suppliers call the equivalent of a Critical Day; and (e) when Transporter is unable to fulfill its firm contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a portion of Transporter's System. Transporter shall designate each Critical Day as a Supply Surplus Day or a Supply Shortage Day.
- 1.7 "Daily Price" shall mean the Chicago City Gate Midpoint price as published in Platts Gas Daily or an acceptable successor publication.
- 1.8 "Day" shall mean the period from 9:00 a.m. Central Clock Time to 9:00 a.m. Central Clock Time on the next succeeding calendar day. The date of a Day shall be that of its beginning.
- 1.9 "Delivery Point" shall mean the point or points on Transporter's System where Transporter shall deliver Gas to Shipper. Each Delivery Point may be a Primary Delivery Point or a Secondary Delivery Point, as specified in

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- Shipper's Service Agreement. All Delivery Points not identified as Primary Delivery Points shall be deemed Secondary Delivery Point(s).
- 1.10 "Exchange" shall mean Transporter's receipt of Gas from Shipper at a Receipt Point on various Days and its delivery of a like quantity, adjusted for GLU, of Gas to Shipper at a Delivery Point on other Days. Exchange service shall be Firm. Exchange service shall not include services offered by Transporter pursuant to its Illinois Tariff.
- 1.11 "Exchange Account" shall mean, for accounting purposes, the account maintained by Transporter into which Shipper nominates Gas for delivery or from which Shipper nominates Gas for receipt under an Exchange Service Agreement. The Exchange Account shall not have a negative balance.
- 1.12 "Exchange Account Imbalance" shall mean the quantity, in MMBtu, by which the amount accounted for in the Exchange Account is greater than or less than the quantity required to be delivered or received pursuant to the Service Agreement and Sections 7.3 and 7.4.
- 1.13 "Firm" shall mean that Transporter shall not interrupt its performance except for reason of *force majeure* or non-performance by Shipper.
- 1.14 "February 28/29" shall mean the last Day of February.
- 1.15 "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane.
- 1.16 "GLU" shall mean fuel and Gas lost and unaccounted for.
- 1.17 "Illinois Commission" shall mean the Illinois Commerce Commission or any successor to that agency.
- 1.18 "Illinois Tariff" shall mean Transporter's rates and tariffs, as they may be revised from time to time, on file with the Illinois Commission, and any agreements entered into pursuant to the rates and tariffs.
- 1.19 "Interruptible" shall mean that Transporter may interrupt its performance for any reason pursuant to the terms of this Operating Statement.
- 1.20 "Loaning" or "Loan" shall mean the component of a Parking and Loaning transaction under which Transporter delivers Gas to Shipper pursuant to a Confirmed Service Request, as defined in Section 6. Loaning shall not include services offered by Transporter pursuant to its Illinois Tariff.
- 1.21 "Maximum Daily Delivery Quantity" or "MDDQ" shall mean the maximum quantity of Gas that Shipper may nominate for receipt from Transporter on a Day pursuant to an Exchange Service Agreement and, if confirmed, that Transporter must deliver on such Day.
- 1.22 "Maximum Daily Injection Quantity" or "MDIQ" shall mean the maximum quantity of Gas that Shipper may nominate for injection into its Storage Account on a Day and, if confirmed, that Transporter must accept at a Receipt Point for injection, on a Firm or Interruptible basis, on such Day. The MDIQ shall be one twenty-fifth (1/25) of the MSQ.
- 1.23 "Maximum Daily Quantity" or "MDQ" shall mean the maximum quantity of Gas that Shipper may nominate pursuant to a Transportation Service

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- Agreement on a Day and, if confirmed, that Transporter must deliver, on a Firm or Interruptible basis, on such Day.
- 1.24 “Maximum Daily Receipt Quantity” or “MDRQ” shall mean the maximum quantity of Gas that Shipper may nominate on a Day for delivery to Transporter pursuant to an Exchange Service Agreement, and, if confirmed, that Transporter must receive on such Day.
- 1.25 “Maximum Daily Withdrawal Quantity” or “MDWQ” shall mean the maximum quantity of Gas that Shipper may nominate for withdrawal from its Storage Account on a Day and, if confirmed, that Transporter must deliver from Shipper’s Storage Account to a Delivery Point, on a Firm or Interruptible basis, on such Day. Except as provided in Section 5, the MDWQ shall be one twenty-fifth (1/25) of the MSQ.
- 1.26 “Maximum Exchange Quantity” or “MEQ” shall mean the maximum quantity of Gas that Shipper may have in its Exchange Account on any Day.
- 1.27 “Maximum Monthly Delivery Quantity” or “MMDQ” shall mean the maximum quantity of Gas that Shipper may nominate for receipt from Transporter pursuant to an Exchange Service Agreement and Section 7.4, and, if confirmed, that Transporter must deliver during a Month.
- 1.28 “Maximum Monthly Receipt Quantity” or “MMRQ” shall mean the maximum quantity of Gas that Shipper may nominate for delivery to Transporter pursuant to an Exchange Service Agreement and Section 7.3, and, if confirmed, that Transporter must receive during a Month.
- 1.29 “Maximum Storage Quantity” or “MSQ” shall mean the maximum quantity of Gas that Shipper may have in its Storage Account on any Day. The MSQ shall be twenty-five (25) times the MDWQ.
- 1.30 “MMBtu” shall mean one million Btu.
- 1.31 “Month” shall mean a period beginning on the first Day of a calendar Month and extending until the first Day of the next succeeding calendar Month.
- 1.32 “Non-Critical Day” shall mean any Day that is not a Critical Day.
- 1.33 “One-Cycle” shall mean an Exchange service pursuant to which Shipper may, over each one-year term of the applicable Service Agreement, deliver to Transporter a cumulative amount of Gas no greater than the MEQ, and at no time may the Exchange Account balance exceed the MEQ.
- 1.34 “Parking” or “Park” shall mean the component of a Parking and Loaning transaction under which Shipper delivers Gas to Transporter pursuant to a Confirmed Service Request, as defined in Section 6. Parking shall not include services offered by Transporter pursuant to its Illinois Tariff.
- 1.35 “Parking and Loaning” shall mean the service described in Section 6.
- 1.36 “Parking and Loaning Account” shall mean, for accounting purposes, the account maintained by Transporter into which Shipper nominates Gas for Parking or from which Shipper nominates Gas for Loaning under a Service Agreement for Parking and Loaning service. The Parking and Loaning Account may have a negative balance.

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- 1.37 "Person" shall mean an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.
- 1.38 "Receipt Point" shall mean the designated point or points on Transporter's System where Transporter shall receive Gas from Shipper. Each Receipt Point may be a Primary Receipt Point or a Secondary Receipt Point. All Receipt Points not identified as Primary Receipt Points shall be deemed Secondary Receipt Point(s).
- 1.39 "Scheduled Daily Quantity" shall mean the quantity of Gas nominated by Shipper and confirmed by Transporter for flow in accordance with Section 10.
- 1.40 "Security" shall mean each of the types of assurances set forth in Sections 22.4.1 and 22.4.2.
- 1.41 "Service Agreement" shall mean the agreement by and between Transporter and Shipper to enter into Transportation, Storage, Parking and Loaning and Exchange transactions pursuant to this Operating Statement, and such Service Agreement shall be substantially in the form prescribed by this Operating Statement. Each Service Agreement shall incorporate this Operating Statement and applicable Commission rules and regulations by reference.
- 1.42 "Shipper" shall mean any eligible party who contracts for any of the services offered by Transporter pursuant to this Operating Statement.
- 1.43 "Storage" shall mean Transporter's scheduled receipt of Gas from Shipper and scheduled delivery of a like quantity of Gas to Shipper. Storage may be Firm or Interruptible. Storage shall not include services offered by Transporter pursuant to its Illinois Tariff.
- 1.44 "Storage Account" shall mean, for accounting purposes, the account maintained by Transporter into which Shipper nominates Gas for injection and from which Shipper nominates Gas for withdrawal under a Service Agreement for Storage service. The Storage Account may not have a negative balance.
- 1.45 "Supply Shortage Day" shall mean a Critical Day when Transporter anticipates its requirements in excess of its supplies.
- 1.46 "Supply Surplus Day" shall mean a Critical Day when Transporter anticipates its supplies in excess of its requirements.
- 1.47 "Taxes" shall mean any tax (other than *ad valorem*, unless levied on a transaction under this Operating Statement, income or excess profits), license, fee or charge not included in the costs of service used to derive the maximum rates under this Operating Statement and that is levied, assessed or made by any governmental authority on the Gas itself or on the act, right or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering Gas under this Operating Statement.

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- 1.48 "Title Transfer Point" shall mean a paper point deemed to be on Transporter's System. It shall be a Secondary Receipt Point and a Secondary Delivery Point in each Shipper's Service Agreement.
- 1.49 "Transportation" shall mean Transporter's receipt of Gas from Shipper at a Receipt Point and its delivery of a like quantity, adjusted for GLU, of Gas to Shipper at a Delivery Point on a coincidental time basis. Transportation may be Firm or Interruptible. Transportation shall not include services offered by Transporter pursuant to its Illinois Tariff.
- 1.50 "Transporter" shall mean The Peoples Gas Light and Coke Company.
- 1.51 "Transporter's System" or "System" shall mean Transporter's local distribution system, storage field, transmission pipeline and other facilities owned and operated by Transporter and subject to regulation by the Illinois Commission.
- 1.52 "Unauthorized Overrun" shall mean a quantity of Gas in excess of Shipper's applicable contract maximum limitations that Transporter does not agree, pursuant to Section 10.3, to schedule on any Day.

SECTION 2. INTERRUPTIBLE TRANSPORTATION SERVICE

- 2.1 Subject to Transporter having available capacity, Transporter shall offer Interruptible Transportation service to Shippers on a non-discriminatory basis in accordance with this Operating Statement.
- 2.2 Transporter shall transport the Scheduled Daily Quantity from the Receipt Point to the Delivery Point on behalf of Shipper.
- 2.3 Once Interruptible Transportation service is nominated and scheduled for a Day, Transporter may interrupt such service on four (4) hours' prior notice to Shipper.
- 2.4 Shipper shall be responsible for contracting and paying for any necessary transportation service at and upstream of the Receipt Point and at and downstream of the Delivery Point.
- 2.5 If, on any Day, Shipper shall fail to transport or cause to be transported the Scheduled Daily Quantity away from the Delivery Point, Shipper shall be liable for Unauthorized Overrun charges for such Day, and Transporter shall cash out the quantity not taken away from the Delivery Point in accordance with Section 11.5.
- 2.6 The daily rate for Interruptible Transportation service shall consist of a commodity charge per MMBtu of Gas transported by Transporter on Shipper's behalf. If the Delivery Point for a transaction is for purposes of a Storage withdrawal, then there shall be no commodity charge and GLU shall not apply to that transaction.

SECTION 3. FIRM TRANSPORTATION SERVICE

- 3.1 If Transporter determines that it has available capacity and the ability to offer defined amounts of Firm Transportation service, Transporter shall offer Firm Transportation service to Shippers on a non-discriminatory basis in accordance with this Operating Statement.

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- 3.2 Transporter shall transport the Scheduled Daily Quantity from the Receipt Point to the Delivery Point on behalf of Shipper.
- 3.3 Shipper shall be responsible for contracting and paying for any necessary transportation service at and upstream of the Receipt Point and at and downstream of the Delivery Point.
- 3.4 If, on any Day, Shipper shall fail to transport or cause to be transported the Scheduled Daily Quantity away from the Delivery Point, Shipper shall be liable for Unauthorized Overrun charges for such Day, and Transporter shall cash out the quantity not taken away from the Delivery Point in accordance with Section 11.5.
- 3.5 The monthly rate for Firm Transportation service shall consist of a reservation charge per MMBtu of MDQ and a commodity charge per MMBtu of Gas transported by Transporter on Shipper's behalf. If the Delivery Point for a transaction is for purposes of a Storage withdrawal, then there shall be no commodity charge and GLU shall not apply to that transaction.

SECTION 4. INTERRUPTIBLE STORAGE SERVICE

- 4.1 Subject to Transporter having available capacity, Transporter shall offer Interruptible Storage service to Shippers on a non-discriminatory basis in accordance with this Operating Statement.
- 4.2 A Shipper contracting for Interruptible Storage service must contract or have contracted with Transporter for no less than a corresponding quantity of Interruptible or Firm Transportation service.
- 4.3 Once Interruptible Storage service is nominated and scheduled for a Day, Transporter may interrupt such service on four (4) hours' prior notice to Shipper.
- 4.4 Transporter shall account for Gas stored on Shipper's behalf in Shipper's Storage Account up to the MSQ.
- 4.5 Transporter shall, on any Day, accept the Scheduled Daily Quantity at the Receipt Point for injection into Shipper's Storage Account.
- 4.6 Transporter shall, on any Day, deliver the Scheduled Daily Quantity to the Delivery Point for withdrawal from Shipper's Storage Account.
- 4.7 Shipper shall be responsible for contracting and paying for any necessary transportation service at and upstream of the Receipt Point and at and downstream of the Delivery Point.
- 4.8 If, on any Day, Shipper shall fail to transport or cause to be transported the Scheduled Daily Quantity away from the Delivery Point, Shipper shall be liable for Unauthorized Overrun charges for such Day, and Transporter shall cash out the quantity not taken away from the Delivery Point in accordance with Section 11.5.
- 4.9 Transporter may require Shipper to withdraw Gas held in Shipper's Storage Account on three (3) hours' notice, by telephone, facsimile or electronic mail, prior to the nomination deadlines specified in Section 10. Pursuant to such notice, Shipper shall accept Gas at an agreed upon point in an amount equal to Shipper's MDWQ on consecutive Days until

