

The Peoples Gas Light and Coke Company

Statement on Assumptions Used in the Forecast

- a) The forecast for the test year contains the same assumptions and methodologies used in forecasts that are prepared for management or other entities such as the Securities and Exchange Commission, security rating companies and agencies, underwriters, and investors, except as described in c) below.
- b) There are no differences in assumptions or methodologies used in the forecast of the test year and in forecasts prepared for management or other entities, except as described in c) below.
- c) The test year forecast reflects our judgment, as of December 18, 2008 based on present circumstances of the expected conditions and our expected course of action assuming that: (a) current tariffed rates remain in effect through December 31, 2010; (b) forecasted natural gas commodity prices reflect the average of the New York Mercantile Exchange ("NYMEX") futures prices for 2010 for the thirty day period ended June 25, 2008; and (c) future economic conditions in the United States and/or Illinois do not impact customer behavior and do not require the Company to significantly reduce its expenditures, including capital, in 2009 and 2010. The Company will likely reduce its 2009 operation and maintenance and capital expenditures in response to the current economic slowdown, and may make reductions in 2010 if the current economic environment does not significantly improve. No changes have been made to the forecast as a result of any of those possible reductions. The impact on the December 31, 2010 forecasted balance sheet of the likely reduction in 2009 capital expenditure is a reduction in property, plant and equipment of up to approximately \$60 million.