

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission,)	
On Its Own Motion)	
)	
v.)	ICC No.: 25-1052
)	
Peoples Gas Light and Coke Company, The)	
)	
Reconciliation of revenues collected under)	
Coal Tar riders with prudent costs associated)	
with coal tar cleanup expenditures.)	
)	

DIRECT TESTIMONY OF
PATRICK F. KENNY

Q. Please state your name.

A. My name is Patrick F. Kenny.

Q. Please describe your background.

A. I received a Bachelor of Agricultural Science degree in Environmental from University College Dublin, Ireland, in 2004 and a Master's in Environmental Diagnostics from Imperial College London, UK, in 2005. I began my career as an Environmental Scientist consultant with URS where I remained employed until 2010, leaving with the title of Project Manager. In 2011, I joined the URS Chicago, IL office where I remained until 2019, leaving with the title of Project Manager. In 2019, I began employment with WEC Business Services LLC ("WBS"), a subsidiary of WEC Energy Group, Inc. ("WEC"), which Peoples Gas Company ("Peoples") and North Shore Gas Company ("North Shore") are also a subsidiary, with the title of Senior Environmental Consultant. I became a Principal Consultant in April 2022. In July 2024, I became WBS' Manager Remediation. In my current position with WBS, I oversee certain environmental activities for both Peoples and North Shore Gas Company along WEC's, other utility subsidiaries.

Q. What are your responsibilities as Manager Remediation?

A. As Manager Remediation, I now have responsibility for the management of environmental activities conducted for the Company by the Environmental Department. I have managed them exclusively beginning in July 2024 and am familiar with all such activities that took place during the four quarters beginning January 1, 2025 and ending December 31, 2025, the reconciliation year for purposes of this proceeding ("Fiscal Year 2025").

Q. Please describe the environmental activities and responsibilities of the Environmental Department as they relate to the Company's former manufactured gas operations.

A. The Environmental Department has the primary responsibility for the oversight of the environmental operations of the Company. Personnel from the Environmental Department review and comment upon documents and technical materials that are prepared by the Company's environmental consultants and also review the invoices that those consultants submit to the Company for the work that they perform. In addition, personnel from the Environmental Department oversee and assist the Company's environmental consultants in conducting field investigations.

Q. What is the purpose of your testimony?

A. My testimony is given for the purpose of describing the environmental activities that have given rise to the incremental costs that were recorded by Peoples under its Rider 11, "Adjustment for Incremental Costs of Environmental Activities," during Fiscal Year 2025.

Q. What is the nature of the incremental costs that Company records under Rider 11?

A. The incremental costs that Peoples' records under its Rider 11 are the costs that it incurs in connection with the environmental activities that are required in order to comply with environmental laws and regulations. These incremental costs relate to manufactured gas operations that were formerly conducted by Peoples and its corporate predecessors and affiliates.

Q. What is Company's policy on complying with environmental laws and regulations?

A. It is the Company's policy to comply fully with environmental laws and regulations.

Q. What is Peoples' policy regarding the costs that are incurred as a result of its policy to fully comply with environmental laws and regulations?

A. It is the policy of Peoples to control such costs to the fullest possible extent. Because of this policy to control costs, Peoples will make expenditures only when it is determined to be prudent to do so.

Q. What standard does Company use in determining the prudence of the expenditures that it makes in complying with environmental laws and regulations?

A. In determining whether or not to make expenditures in complying with environmental laws and regulations, the Company uses the following standards: 1) reasonable and appropriate business standards; 2) the requirements of other relevant state and/or federal authorities; 3) the minimization of costs to ratepayers in a manner that is consistent with safety, reliability and quality assurance; and 4) the facts that are known to the Company at the time that the expenditures are made.

Q. How does Peoples control the costs it incurs in connection with complying with environmental laws and regulations?

A. The most effective way for Peoples to control those costs is to be actively involved in the determinations that are made regarding the timing, choice and

scope of environmental activities. This participation is necessary because of Peoples' desire to keep the cost of its service competitive.

Q. When did Peoples and its corporate predecessors and affiliates conduct manufactured gas operations?

A. In Peoples' territory, manufactured gas operations were conducted over some 110 years -- from 1850 to about 1960. Manufactured gas was essentially the only gas sold in Chicago until 1931, when natural gas became available through the interstate pipeline system. From 1931 to 1956, Company sold a mixed gas comprised of manufactured gas and natural gas. Natural gas became the sole base supply in 1956. For a few years after 1956, manufactured gas was used in declining quantities, and then only for peaking purposes.

Q. Does Peoples currently conduct any manufactured gas operations?

A. No. The gas supply that Peoples currently distributes to its customers is the natural gas obtained from the gas producing regions of the United States and Canada that is transported to Peoples' service territory through the intrastate and interstate pipeline systems.

Q. Please describe the process by which Company and its corporate predecessors and affiliates previously manufactured and stored gas.

A. Coal, coke (an energy rich material converted from coal) and oil were the primary raw materials used in the manufacturing processes. Depending upon the type of manufactured process, coal or coke was loaded into ovens and heated, which thereby produced a low-Btu gas. Oil was then added to enrich the heating value of the gas to the required level, which was approximately half the

heating value of the natural gas that is distributed today. At this point in the manufacturing process, the gas stream passed through a variety of purifying processes in order to make the gas suitable for distribution.

The manufactured gas was then stored in vessels, called holders, until it was later distributed to customers. In addition to the holders that were located at these manufacturing facilities, holders were also placed at strategic locations in the utility's system to assist in balancing the gas sendout requirements.

Q. Do the costs that are recovered through Rider 11 arise because of a failure to comply with laws in effect at the time the manufactured gas operations were conducted?

A. No. The incremental costs that Peoples incurs are the result of various duties and obligations that are imposed by laws and regulations enacted long after Peoples discontinued manufactured gas operations. The manufactured gas operations were conducted in accordance with then-existing industry standards. We have found no indication that those operations violated any laws in existence at that time.

Q. Please describe the types of costs that Peoples has typically incurred during the course of its environmental activities.

A. Costs have been incurred, and continue to be incurred, in connection with a variety of environmental activities that are related to former manufactured gas operations. These activities can generally be divided into four phases.

First, there are those activities which are conducted before the actual study of a site begins. These activities may include negotiations with the United

States Environmental Protection Agency ("USEPA") or the Illinois Environmental Protection Agency ("IEPA"), as well as with other potentially responsible parties ("PRPs"). A PRP is a party that is potentially liable for any contamination, or portion of any contamination that might be present at a site. Therefore, a PRP is potentially liable for the cost of any necessary investigative and remedial work at the site. Costs which are associated with the negotiation of a consent decree or of any other formal agreement may also be incurred during the first phase.

Second, an actual study of the site is conducted in order to determine the nature and extent of the contamination that is present, and to identify and develop alternative remediation strategies.

Third, a remediation strategy is chosen which may entail public hearings conducted by the USEPA or the IEPA.

Fourth, the remediation strategy is implemented and monitored.

The activities that are conducted during each of these phases require a highly technical and specialized level of experience and expertise that is obtained from carefully chosen environmental engineers and consultants, laboratory and testing services, law firms, and contractors who perform field work during the investigative and remedial phases. Substantial costs are incurred by the Company as a result of the work that is performed by these vendors.

The Company may also incur costs because of the issuance of a judgment, or of an order entered by a court, or of a state or federal regulatory agency. In addition, costs may arise from activities related to the identification of PRPs and insurance carriers and in connection with cost recovery litigation

against them.

Q. What is Company's policy with regard to PRPs and insurance carriers?

A. It is the Company's policy to make all reasonable efforts necessary to vigorously pursue recovery of incremental costs from PRPs and insurance carriers that are incurred as a result of environmental activity.

Q. Does the Company incur any other types of costs in connection with environmental activities at its sites?

A. Yes. With respect to property acquired before October 1, 2005, the Company has incurred and will continue to incur costs in connection with the acquisition and subsequent ownership of all or a portion of a site. The purpose of such an acquisition is to enable the Company to better control the timing and extent of remediation of the property which it acquires and to eliminate or reduce the potential for various types of claims associated with the property. The Company bases its decision to purchase the property after evaluating some or all of the following factors: (1) information about market value of the property without consideration for environmental factors; (2) nature and extent of contamination; (3) range of remedial levels and associated costs; (4) litigation costs and potential litigation outcomes; (5) timing of remedial expenditures; (6) claims for reimbursement of technical and legal fees associated with the review of environmental reports; (7) claims for lease payments or access payments during remediation; (8) claims for reimbursement of business interruption and relocation costs; and (9) claims for reimbursement of costs associated with the management of contaminated soil and groundwater remaining on the property

after remediation.

Q. What does the Company do with any income which it realizes in connection with a property which it has acquired under the circumstances described above?

A. In the event that the Company realizes income on a property which it has acquired (through sale, lease or otherwise), it credits the income back to the ratepayer under Rider 11.

Q. Does Company incur costs in connection with environmental activities that it does not recover under Rider 11?

A. Yes. The in-house environmental consultants, engineers, regulatory personnel and attorneys of WBS, the Company's corporate affiliate, are actively involved in the Company's environmental activities. The Company incurs costs for wages or salaries of these employees in connection with their environmental-related activities. These costs are not "incremental costs" under Rider 11, and therefore are not recoverable by the Company under Rider 11.

Q. Please describe Company's PGL Exhibit 1.1.

A. Company's PGL Exhibit 1.1 includes Peoples' verified report regarding its Incremental Costs of Environmental Activities, which was filed with the Illinois Commerce Commission on February 11, 2026. It was filed pursuant to the Commission's Order dated October 6, 1992 in Docket 91-0586, and Section D of Rider 11 of the Company's Schedule of Rates. Company's PGL Exhibit 1.1 details the incremental costs of environmental activities that Company incurred during the quarter ended December 31, 2025, and during Fiscal Year 2025, and

cumulative through December 31, 2025. Also included in Company's PGL Exhibit 1.1 is the related certification by Peoples' independent public accountant, Deloitte & Touche, LLP, as required by the Company's Rider 11.

Page 7 of Company's PGL Exhibit 1.1 consists of "Statement of Activity in, Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2025, Fiscal Year 2025 and Cumulative through December 31, 2025". Line 1 of Column C shows that Company had a balance at the beginning of Fiscal Year 2025 of \$28,483,049.24 which represents environmental costs incurred prior to Fiscal Year 2025 which were subject to recovery. Line 4 of Column C represents increases to the account of \$13,154,033.16, which were incurred during Fiscal Year 2025. Line 7 of Column C represents decreases to the account of \$31,232,827.49 that were recovered from ratepayers during Fiscal Year 2025 through operation of Rider 11. Line 12 of Column C represents the Fiscal 2025 year-end balance in the account of \$10,228,983.02. This balance will remain in the account until recovered through rates, through the settlement fund, or through reimbursement by other PRPs or insurance carriers.

Page 8 of Company's PGL Exhibit 1.1 consists of a "Statement of Activity in the Settlement Fund, Quarter Ended December 31, 2025, Fiscal Year 2025, and Cumulative through December 31, 2025".

Page 9 consists of a "Summary of Incremental Costs, Quarter Ended December 31, 2025, Fiscal Year 2025, and Cumulative through December 31, 2025". Line 36 of Column D shows the Fiscal Year 2025 costs of \$13,154,033.16 broken down by site, or by other category for those costs that

are not attributable to a specific site.

Q. Please describe the Settlement Fund.

A. On February 26, 1999, the Commission, in Docket R-18958, granted Peoples' Request for Special Permission to revise Rider 11 to add provisions relating to amounts received from insurance carriers or other entities in settlement of the Company's claims where the payments apply to future costs. The occasion for the Company's filing was the receipt of a substantial payment by an insurance carrier in settlement of claims made in a pending lawsuit. The Commission approved Peoples' proposal to establish a settlement fund to identify and track the amounts arising from settlements with insurance carriers or other entities that are available to pay costs otherwise recoverable under Rider 11. Beginning with incremental costs incurred in December 1998, 50% of such costs are recovered through the settlement fund and 50% through Rider 11.

Q. Did any Settlement Fund recoveries occur during Fiscal Year 2025?

A. There was a total of \$173,999.30 of Settlement Fund recoveries during 2025 as a result of insurance settlements.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025 Company incurred a total of \$5,601,109.21 for environmental costs associated with the Crawford Station. Please describe the activities that resulted in Company's incurring incremental costs related to the Crawford Station during Fiscal Year 2025.

A. Costs were primarily incurred in connection with environmental site

investigation and remediation activities performed by outside consultants as well as for transportation and disposal of environmental waste material by an outside waste disposal company. Also contributing were costs incurred for real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005 and for professional services supervised by the USEPA.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$201,135.29 in incremental costs for environmental activities related to the Division Street Station. Please describe the activities that resulted in Peoples incurring incremental costs related to the Division Street Station during Fiscal Year 2025.

A. Costs were primarily incurred for environmental site investigative activities performed by outside environmental consultants and for professional services supervised by the USEPA.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$34,657.40 in incremental costs for environmental activities related to the Hawthorne Station. Please describe the activities that resulted in Peoples incurring incremental costs related to the Hawthorne Station during Fiscal Year 2025.

A. Costs were primarily incurred for environmental site investigative and remediation activities performed by outside environmental consultants.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$1,012.20 in incremental costs for environmental activities related to the Hough Place Station. Please describe the activities that resulted in

Peoples incurring incremental costs related to the Hough Place Station during Fiscal Year 2025.

A. Costs were primarily incurred for environmental site investigation activities performed by outside environmental consultants.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$96,891.77 in incremental costs for environmental activities related to the Mutual Fuel Gas Works site. Please describe the activities that resulted in Peoples incurring incremental costs related to the Mutual Fuel Gas Works site during Fiscal Year 2025.

A. Costs were primarily incurred for environmental site remediation activities performed by outside consultants. Additional costs were incurred for environmental oversight performed by the Illinois Environmental Protection Agency.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$54,206.68 in incremental costs for environmental activities related to the North Station. Please describe the activities that resulted in Peoples incurring incremental costs related to the North Station during Fiscal Year 2025.

A. Costs were primarily incurred for environmental site investigative activities performed by outside environmental consultants and for professional services supervised by the USEPA .

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$6,177,157.77 in incremental costs for

environmental activities related to the South Station. Please describe the activities that were conducted in Fiscal Year 2025 that resulted in incremental costs for South Station.

A. Costs were primarily incurred at South Station for environmental site investigation and remediation activities performed by outside consultants. Additional costs were incurred for real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005. Costs were also incurred for transportation and disposal of environmental waste material by an outside waste disposal company as well as for professional services supervised by the USEPA.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$121,349.88 in incremental costs for environmental activities that are associated with the Throop Street Station. Please describe the activities that were conducted in Fiscal Year 2025 that resulted in incremental costs for Throop Street Station.

A. Costs were incurred for environmental site investigative activities performed by outside environmental consultants. Costs were also incurred for professional services supervised under the USEPA.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$189,409.84 in incremental costs for environmental activities that are associated with the Willow Street Station. Please describe the activities that were conducted in Fiscal Year 2025 that resulted in incremental costs for Willow Street Station.

A. The Company incurred costs primarily for environmental site investigative activities by outside environmental consultants and for professional services supervised by the USEPA.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$280,570.40 in incremental costs for environmental activities related to the 22nd Street Station. Please describe the activities that resulted in Peoples incurring incremental costs related to the 22nd Street Station during Fiscal Year 2025.

A. Costs were primarily incurred for environmental site investigation activities performed by outside environmental consultants and for professional services supervised by the USEPA.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$17,052.53 in incremental costs for environmental activities related to the 96th Street Station. Please describe the activities that resulted in Peoples incurring incremental costs related to the 96th Street Station during Fiscal Year 2025.

A. Costs were primarily incurred for real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$7,814.00 in incremental costs for environmental activities related to the 110th Street Station. Please describe the activities that resulted in Peoples incurring incremental costs related to the 110th Street Station during Fiscal Year 2025.

A. Costs were primarily incurred for legal support.

Q. Were there any Insurance-Related Costs and Recoveries during Fiscal Year 2025?

A. Yes, there were insurance-related recoveries during 2025. The Company received a net payment of \$543,747.82 from an insurance carrier. The payment resulted from a negotiated claim settlement concerning the Company's MGP sites. \$369,748.52 of the net payment represents the recovery of past costs incurred by the Company. The \$173,999.30 remainder of the settlement representing future costs was applied to the Settlement Fund.

Q. Company's PGL Exhibit 1.1 shows that during Fiscal Year 2025, Company incurred a total of \$145,667.13 of General and Unallocated Costs for environmental activities. Please describe the activities that gave rise to these costs.

A. The General and Unallocated Costs reflected in PGL Exhibit 1.1 were primarily incurred for miscellaneous charges.

Q. According to Company's PGL Exhibit 1.1, Company incurred \$595,738.83 in carrying charges in Fiscal Year 2025. Please explain.

A. Pursuant to Company's Rider 11 and the Commission's Order on Remand in Consolidated Dockets 91-0080, *et al.*, Company is entitled to recover carrying charges on its unrecovered balance of incremental costs of environmental activities. The amount represents the cost of carrying amounts in the deferred account before recovery through the Settlement Fund and application of the

adjustments determined under Rider 11. The \$595,738.83 was calculated and recorded pursuant to Rider 11.

Q. In the Initiating Order for this proceeding, the Commission ordered the Company to include as part of its filing cumulative totals of recoveries by customer class. Has the Company provided this data?

A. Yes. Company's PGL Exhibit 1.2 presents by customer class. Note, to better align Rider 11 recoveries with the appropriate Peoples' tariffs, customer categories are divided as follows: Small Residential served as Service Classification 1, Small Commercial and Industrial ("Small C&I"), served as Service Classification 2, and Large Commercial and Industrial ("Large C&I") served under Service Classifications 4 and 8. The cumulative totals of recoveries through rates of \$662,487,075.98 is summarized in Line 7, Column D, Page 7 of PGL Exhibit 1.1.

Q. In Ordering Paragraph No. (8) in the Final Order entered in Docket No. 04-0112, the Commission directed the Company to provide information in its direct testimony regarding the status of all properties for which purchase costs were previously recovered through Rider 11. Has the Company provided this data?

A. Yes. Company's PGL Exhibit 1.3 presents all land acquisitions for environmental remediation purposes that were made prior to October 1, 2005 and for which recovery was allowed under Rider 11.

Q. Since October 1, 2005, has the Company made any additional land acquisitions for environmental remediation purposes?

A. Yes. The Company has made six land acquisitions for environmental

remediation purposes after October 1, 2005. The Company purchased certain real estate located at the Crawford Station remediation site referred to as Parcel K ("Parcel K"), Parcel M ("Parcel M"), Parcel G ("Parcel G"), Parcel H ("Parcel H") and Parcel V ("Parcel V"). In addition, the Company purchased certain land at Mutual Fuels. The Company purchased the Parcel K on October 5, 2011, Parcel M and Parcel V on December 20, 2017, Parcel G and Parcel H on December 26, 2018 and Mutual Fuels on September 27, 2017.

Q. How did the Company treat the costs associated with land acquisitions for environmental remediation purposes incurred after October 1, 2005?

A. Pursuant to the Commission's Order, as outlined in Order Paragraph No. (6) in the Final Order entered in Docket No. 04-0112, if any land purchases are made, any costs associated with land acquisitions for environmental remediation purposes shall be treated as a rate base asset to be recovered in rate case. Parcel K, Parcel M, Parcel G, Parcel H, Parcel V and the Mutual Fuels' parcels acquisition costs are not recoverable through Rider 11 and have not been included in the Rider 11 reconciliation.

Q. How does the Company plan to treat any costs associated with land acquisitions for environmental remediation purposes incurred after October 1, 2005?

A. Pursuant to the Commission's Order, as outlined in Order Paragraph No. (6) in the Final Order entered in Docket 04-0112, if any land purchases are made, any costs associated with land acquisitions for environmental remediation purposes shall be treated as a rate base asset in a rate case.

Q. Were there any land transactions during the 2025 reconciliation year?

A. There were no land acquisitions for environmental remediation purposes in 2025.

Q. In the Initiating Order for this proceeding the Commission ordered the Company to provide notice of its filing in the manner that notice be made for a general rate increase prescribed under Part 255 of the Illinois Administrative Code. Will the Company comply with those filing requirements?

A. Yes.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Peoples Gas

200 East Randolph Street
Chicago, IL 60601

www.peoplesgasdelivery.com

February 11, 2026

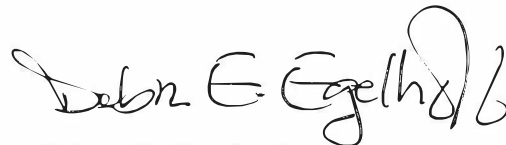
Ms. Stephanie Cook
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Dear Ms. Cook:

Pursuant to the Commission's Order dated October 6, 1992 in Docket 91-0586, Special Permission No. R-18958 dated February 26, 1999 and Section D of Rider 11 of the Company's Schedule of Rates (Ill.C.C. No. 28) for Gas Service, the Company hereby files the enclosed verified report regarding its Incremental Costs of Environmental Activities for the quarter ended December 31, 2025.

Enclosed is an additional copy of this letter for your convenience in acknowledging receipt.

Very truly yours,



Debra E. Egelhoff
Manager, State Regulatory
Compliance & Advocacy

Enclosure

The Peoples Gas Light and Coke Company
Report To Illinois Commerce Commission
With Respect To Operation Of Rider 11, Adjustment
For Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2025
And Fiscal Year 2025

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2025 And Fiscal Year 2025

This report addresses the operation of the Company's Rider 11, Adjustment For Incremental Costs of Environmental Activities, during the quarter ended December 31, 2025, and during Fiscal Year 2025.

Section D of the Company's Rider 11, Adjustment for Incremental Costs of Environmental Activities, requires that the Company file quarterly reports with the Commission. Rider 11 further requires that each such report contain: a statement of activity in the Deferred Account for the quarter and for the fiscal year through the quarter; a statement of activity in the Settlement Fund for the quarter and for the fiscal year through the quarter; a statement of adjustments that were terminated during the quarter; a summary of the incremental costs incurred during the quarter and for the fiscal year through the quarter; and a description of the environmental activities in which the Company was involved during the quarter. Cumulative incremental costs and recoveries through December 31, 2025 are also included in these reports.

Statement Of Activity In The Deferred Account

Under its Rider 11, the Company recorded \$8,637,194.40 in the Deferred Account during the quarter ended December 31, 2025, the fourth quarter of Fiscal 2025. This amount represents the incremental costs that were incurred in connection with the environmental activities that were conducted by the Company during the quarter ended December 31, 2025.

During the quarter ended December 31, 2025, the Company recognized \$5,161,359.69 in revenues arising from the application of the adjustments determined under Rider 11.

Page 6 of this report presents the "Statement Of Activity In Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2025, Fiscal Year 2025, And Cumulative Through December 31, 2025".

Statement Of Activity in Settlement Fund

On February 26, 1999, the Commission approved changes in Rider 11, including the establishment of the Settlement Fund, by Special Permission No. R-18958. The revision to the rider provides that the lesser of 50% of the incremental costs incurred or the Settlement Fund balance are recovered monthly through the Settlement Fund. At December 31, 2024 the Settlement Fund balance was \$0.00. No settlement funds were received during the fourth quarter of 2025.

Page 7 of this report presents the "Statement Of Activity in the Settlement Fund, Quarter Ended December 31, 2025, Fiscal Year 2025 And Cumulative Through December 31, 2025".

Summary Of Incremental Costs

The Company experienced a total of \$8,637,194.40 in incremental costs relative to the environmental activities that were conducted during the quarter ended December 31, 2025. Of this amount, \$2,535,075.75 is attributable to the Crawford Station; \$117,400.46 is attributable to the Division Street Station; \$7,533.45 attributable to the Hawthorne Place Station; \$162.52 is attributable to the Hough Place Station; \$13,900.62 is attributable to the Mutual Fuel Gas Works Station; \$22,816.92 is attributable to the North Station; \$5,569,638.20 is attributable to the South

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2025 And Fiscal Year 2025

Station; \$50,496.64 is attributable to the Throop Street Station; \$93,368.98 is attributable to the Willow Street Station; \$88,594.12 is attributable to the 22nd Street Station; \$7,266.20 is attributable to the 96th Street Station; a credit of \$3,673.82 is attributable to General and Unallocated Costs; and \$134,614.36 is attributable to Carrying Charges.

Page 8 of this report presents the "Summary Of Incremental Costs, Quarter Ended December 31, 2025, Fiscal Year 2025, And Cumulative Through December 31, 2025".

Description Of Environmental Activities

Crawford Station

During the quarter ended December 31, 2025, the Company incurred \$2,535,075.75 associated with environmental activities that were conducted relative to the Crawford Station. Costs were primarily incurred in connection with environmental site remediation and investigation activities performed by outside consultants. Additional costs were incurred for real estate taxes accrued on the property purchased under the Rider prior to October 1, 2005 and for an accrual for U.S. Environmental Protection Agency ("USEPA") for environmental oversight costs. Costs were also incurred for transportation and disposal of environmental waste material by an outside waste disposal company.

Division Street Station

During the quarter ended December 31, 2025, the Company incurred \$117,400.46 in incremental costs associated with the environmental activities that were conducted relative to the Division Street Station. Costs were primarily incurred in connection with environmental site investigation activities performed by outside consultants and for an accrual for USEPA environmental oversight costs.

Hawthorne Station

During the quarter ended December 31, 2025, the Company incurred \$7,533.45 in incremental costs associated with environmental activities that were conducted relative to the Hawthorne Station. Costs were primarily incurred in connection with environmental site investigation activities performed by outside consultants.

Hough Place Station

During the quarter ended December 31, 2025, the Company incurred \$162.52 in incremental costs associated with environmental activities that were conducted relative to the Hough Place Station. Costs were primarily incurred for environmental site investigation activities performed by outside environmental consultants.

Mutual Fuel Gas Works Station

During the quarter ended December 31, 2025, the Company incurred \$13,900.62 in incremental costs associated with environmental activities that were conducted relative to the

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2025 And Fiscal Year 2025

Mutual Fuel Gas Works Station. Costs were primarily incurred in connection with environmental site remediation performed by outside consultants.

North Station

During the quarter ended December 31, 2025, the Company incurred \$22,816.92 in incremental costs associated with the environmental activities that were conducted relative to the North Station. Costs were primarily incurred for an accrual for USEPA environmental oversight costs and for environmental site investigation activities performed by outside consultants.

South Station

During the quarter ended December 31, 2025, the Company incurred \$5,569,638.20 in incremental costs associated with the environmental activities that were conducted relative to the South Station. Costs were primarily incurred in connection with environmental site remediation and investigation activities performed by outside consultants. Additional costs were incurred for real estate taxes accrued on the property purchased under the Rider prior to October 1, 2005 and for an accrual for USEPA environmental oversight costs.

Throop Street Station

During the quarter ended December 31, 2025, the Company incurred \$50,496.64 in incremental costs associated with the environmental activities that were conducted relative to the Throop Street Station. Costs were primarily incurred in connection with environmental site investigation activities performed by outside consultants and for an accrual for USEPA environmental oversight costs.

Willow Street Station

During the quarter ended December 31, 2025, the Company incurred \$93,368.98 in incremental costs associated with the environmental activities that were conducted relative to the Willow Street Station. Costs were primarily incurred for an accrual for USEPA environmental oversight costs and for environmental site investigation activities performed by outside consultants.

22nd Street Station

During the quarter ended December 31, 2025, the Company incurred \$88,594.12 in incremental costs associated with the environmental activities that were conducted relative to the 22nd Street Station. Costs were primarily incurred in connection with environmental site investigation activities performed by outside consultants and for an accrual for USEPA environmental oversight costs.

96th Street Station

During the quarter ended December 31, 2025, the Company incurred \$7,266.20 in incremental costs associated with the environmental activities that were conducted relative to the 96th Street Station. Costs were incurred for real estate taxes accrued on the property purchased under the Rider prior to October 1, 2005.

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2025 And Fiscal Year 2025

General And Unallocated Costs

During the quarter ended December 31, 2025, the Company incurred a credit of \$3,673.82 in general and unallocated incremental costs which are not associated with any one particular site. The credit was primarily incurred due to reversal of an accrual for outside consultant work that was charged in error to General and Unallocated costs in September 2025. The credit was partially offset by costs incurred for miscellaneous charges and for professional services provided by outside legal counsel.

Carrying Charges

During the quarter ended December 31, 2025, the Company incurred \$134,614.36 in carrying charges. This amount represents the cost of carrying amounts in the deferred account before recovery through the Settlement Fund and application of adjustments determined under Rider 11.

Adjustments

Page 9 of this report presents the "Adjustments Under Rider 11 Terminated During Quarter Ended December 31, 2025". Three adjustments were terminated during the quarter ended December 31, 2025.

THE PEOPLES GAS LIGHT AND COKE COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS
QUARTER ENDED DECEMBER 31, 2025, FISCAL YEAR 2025, AND
CUMULATIVE THROUGH DECEMBER 31, 2025

Line No.	Description	Quarter Ended 12/31/2025 (B)	Fiscal Year 2025 (C)	Cumulative Through 12/31/2025 (D)
1	Balance at Beginning of Period	\$ 6,753,148.31	\$ 28,483,049.24	\$ -
2	Plus Costs Incurred:			
3	Quarter (Page 8, Line 36, Col. C)	8,637,194.40	-	-
4	Fiscal Year (Page 8, Line 36, Col. D)	-	13,154,033.16	-
5	Cumulative (Page 8, Line 36, Col. E)	-	-	699,256,689.81
6	Subtotal	\$ 15,390,342.71	\$ 41,637,082.40	\$ 699,256,689.81
7	Less Costs Recovered Through Rates	5,161,359.69	31,232,827.49	662,487,075.98
8	Less Recovery Through Settlement Fund:			
9	Quarter (Page 8, Line 37, Col. C)	-	-	-
10	Fiscal Year (Page 8, Line 37, Col. D)	-	175,271.89	-
11	Cumulative (Page 8, Line 37, Col. E)	-	-	26,540,630.81
12	Balance at End of Period	\$ <u>10,228,983.02</u>	\$ <u>10,228,983.02</u>	\$ <u>10,228,983.02</u>

THE PEOPLES GAS LIGHT AND COKE COMPANY
STATEMENT OF ACTIVITY IN THE SETTLEMENT FUND
QUARTER ENDED DECEMBER 31, 2025, FISCAL YEAR 2025, AND
CUMULATIVE THROUGH DECEMBER 31, 2025

Line No.		Quarter Ended 12/31/2025	Fiscal Year 2025	Cumulative Through 12/31/2025
1	Balance at Beginning of Period	\$ -	\$ -	\$ -
2	Add: Settlements with insurance carriers			
3	Or other entities (after tax)	-	124,400.80	15,262,649.12
4	Deduct: 50% of net incremental costs,			
5	Less income tax benefit (See note)	-	125,310.64	16,089,190.19
6	Add: Interest (after-tax)	<u>-</u>	<u>909.84</u>	<u>826,541.07</u>
7	Balance at end of period	<u>\$ -</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Note:	Incremental costs, excluding carrying charges	\$ 8,502,580.04	\$ 12,928,042.85	\$ 661,762,302.14
	Less: Incremental costs recovered from insurance carriers or other entities for past costs	<u>-</u>	<u>369,748.52</u>	<u>2,744,787.16</u>
	Net incremental costs	<u>\$ 8,502,580.04</u>	<u>\$ 12,558,294.33</u>	<u>\$ 659,017,514.98</u>
	50% of net incremental costs	\$ 4,251,290.02	\$ 6,279,147.17	\$ 329,508,757.50
	Less: Amount not available from Settlement Fund to recover incremental costs incurred	<u>4,251,290.02</u>	<u>6,103,875.28</u>	<u>302,968,126.69</u>
	Recover incremental costs incurred (Page 8, Line 37)	-	175,271.89	26,540,630.81
	Adjustments to interest on Settlement Fund	<u>-</u>	<u>-</u>	<u>7.29</u>
	Amount to recover through Settlement Fund	-	175,271.89	26,540,638.10
	Less: Adjustment to Amount to recover through Settlement Fund rounding	-	-	0.01
	Less: Income tax benefit calculated at State and Federal Rate of 39.667% through 12/31/04	-	-	9,350,729.03
	Less: Income tax benefit calculated at State and Federal Rate of 39.745% through 12/31/10	-	-	233,436.95
	Less: Income tax benefit calculated at State and Federal Rate of 41.175% through 12/31/14	-	-	403,560.76
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 40.0375%	-	-	224,329.62
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 41.17500%	-	-	-
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 28.50500%**	-	49,961.25	239,391.54
	Total	<u>\$ -</u>	<u>\$ 125,310.64</u>	<u>\$ 16,089,190.19</u>

**Effective January 1, 2018 @ 28.50500%

THE PEOPLES GAS LIGHT AND COKE COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
SUMMARY OF INCREMENTAL COSTS (1)
QUARTER ENDED DECEMBER 31, 2025, FISCAL YEAR 2025, AND
CUMULATIVE THROUGH DECEMBER 31, 2025

Line No.	Site or Other Category of Costs (A)	Recorded in GL Account (B)	Quarter Ended 12/31/2025 (C)	Fiscal Year 2025 (D)	Cumulative Through 12/31/2025 (E)
1	Archives	182021088	\$ 0.00	\$ 8.75	\$ 2,577,613.65
2	Bow en and Langley Station	182021088	0.00	0.00	644,534.46
3	Calumet Station	182021088	0.00	0.00	11,405,958.12
4	Craw ford Station	182021088	2,535,075.75	5,601,109.21	266,103,054.72
5	Division Street Station	182021088	117,400.46	201,135.29	55,063,359.12
6	Equitable Distribution Station	182021088	0.00	0.00	1,817,749.62
7	Haw thorne Station	182021088	7,533.45	34,657.40	4,114,216.10
8	Hough Place Station	182021088	162.52	1,012.20	34,859,951.69
9	Irving Park Road Station	182021088	0.00	0.00	7,780,275.80
10	Lake Gas Works	182021088	0.00	0.00	2,754,659.44
11	Market Street Station	182021088	0.00	0.00	45,948.89
12	Mutual Fuel Gas Works	182021088	13,900.62	96,891.77	19,469,323.60
13	North Shore Avenue Station	182021088	0.00	0.00	3,551,086.97
14	North Station	182021088	22,816.92	54,206.68	21,443,808.25
15	Pitney Court Station	182021088	0.00	0.00	30,058,681.29
16	Pullman Station	182021088	0.00	0.00	257,993.85
17	Roosevelt Road Station	182021088	0.00	0.00	3,120,930.82
18	South Station	182021088	5,569,638.20	6,177,157.77	42,446,963.84
19	Superior Street Holders	182021088	0.00	0.00	42,197.12
20	Throop Street Station	182021088	50,496.64	121,349.88	3,475,671.23
21	Willow Street Station	182021088	93,368.98	189,409.84	16,923,106.03
22	22 nd Street Station	182021088	88,594.12	280,570.40	65,977,534.43
23	24 th Place Station	182021088	0.00	0.00	2,902,875.22
24	31 st Street Station	182021088	0.00	0.00	10,525,303.24
25	40 th Street Holder	182021088	0.00	0.00	88,913.40
26	64 th Street Station	182021088	0.00	0.00	913,656.60
27	73 rd Street Station	182021088	0.00	0.00	8,353,207.97
28	96 th Street Station	182021088	7,266.20	17,052.53	20,278,536.33
29	110 th Street Purifying Station	182021088	0.00	7,814.00	13,616,282.31
30	McCook Property	182021088	0.00	0.00	0.00
31	Cicero Refining	182021088	0.00	0.00	0.00
32	Community Relations Program Insurance Related Costs and Recoveries	182021088	0.00	0.00	72,422.93
33		182021088	0.00	(369,748.52)	7,735,724.79
34	General and Unallocated Costs	182021088	(3,673.82)	145,667.13	9,888,798.55
35	Carrying Charges	182021085	134,614.36	595,738.83	30,946,349.43
36	Total		\$ 8,637,194.40	\$ 13,154,033.16	\$ 699,256,689.81
37	Less: Recovery Through Settlement Fund (Page 7)	182021088	0.00	175,271.89	26,540,630.81
38	Net Total after Settlement Fund recovery		\$ 8,637,194.40	\$ 12,978,761.27	\$ 672,716,059.00

(1) Recorded in Account 182.3, Other Regulatory Assets

THE PEOPLES GAS LIGHT AND COKE COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
ADJUSTMENTS UNDER RIDER 11 TERMINATED
DURING QUARTER ENDED DECEMBER 31, 2025

Adjustments Effective Beginning: <u>(A)</u>	Amount Reflected In Determination Of Adjustment <u>(B)</u>	Amount Recovered Through Rates <u>(C)</u>	<u>Difference (1)</u> <u>(D)</u>
October 1, 2024	\$ 2,870,304.69	\$ 2,806,832.85	\$ 63,471.84
November 1, 2024	\$ 2,017,612.07	\$ 2,204,218.50	\$ (186,606.43)
December 1, 2024	\$ 1,402,612.40	\$ 1,661,647.08	\$ (259,034.68)

(1) Maintained in deferred account for inclusion in subsequent determination of an adjustment.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Peoples Gas Light and Coke Company:

Opinion

We have audited the accompanying Report to the Illinois Commerce Commission ("ICC") on Incremental Costs of Environmental Activities - Statement of Activity in Account 182.3, Other Regulatory Assets and Report to the ICC on Incremental Costs of Environmental Activities - Statement of Activity in Settlement Fund (collectively, the "Statements") of The Peoples Gas Light and Coke Company (the "Company") for the year ended December 31, 2025.

In our opinion, the Statements referred to above, present fairly, in all material respects, the information set forth therein of the Company for the year ended December 31, 2025, in accordance with the financial reporting provisions of Section D of the Company's Rider 11, in effect and on file with the ICC .

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

The Statements were prepared by the Company on the basis of the financial reporting provisions of Section D of the Company's Rider 11, in effect and on file with the ICC, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Statements

Management is responsible for the preparation and fair presentation of the Statements in accordance with the financial reporting provisions of Section D of the Company's Rider 11, in effect and on file with the ICC, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of the Company and the ICC and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Milwaukee, Wisconsin
March 31, 2026

PGL Ex. 1.2 25-1052 The Peoples Gas Light and Coke Company
Rider 11 Recoveries by Customer Class

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
1994	\$ 106,145.08	\$ 49,179.46	\$ 29,394.16	\$ 184,718.70
1995	123,763.24	59,623.49	41,084.55	224,471.28
1996	1,328,169.69	530,011.39	324,110.77	2,182,291.85
1997	1,769,849.14	687,354.20	368,246.80	2,825,450.14
1998	732,632.13	306,529.73	191,015.37	1,230,177.23
1999	1,523,320.04	622,818.39	364,030.06	2,510,168.49
2000	916,167.60	398,724.43	235,364.89	1,550,256.92
2001	3,584,701.37	1,455,099.45	691,471.74	5,731,272.56
2002	3,514,988.32	1,576,177.45	796,504.57	5,887,670.34
2003	13,169,382.06	5,267,527.40	2,097,406.33	20,534,315.79
2004	9,993,730.07	4,370,799.14	1,841,369.95	16,205,899.16
2005	17,664,850.77	7,706,268.56	3,202,703.73	28,573,823.06
2006	19,366,815.53	8,757,352.07	3,464,279.74	31,588,447.34
2007	40,401,775.31	18,227,824.60	6,485,009.54	65,114,609.45
2008	35,945,691.28	16,320,598.00	5,623,534.72	57,889,824.00
2009	22,536,376.14	10,158,985.81	3,005,207.14	35,700,569.09
2010	5,359,925.96	2,403,731.47	744,930.12	8,508,587.55
2011	2,844,413.31	1,326,245.36	451,162.53	4,621,821.20
2012	6,289,696.30	2,944,706.04	969,335.90	10,203,738.24
2013	21,189,735.88	9,945,142.43	2,978,386.15	34,113,264.46
2014	23,534,103.03	11,107,056.28	3,195,954.84	37,837,114.15
2015	14,522,571.87	7,077,448.87	2,088,178.99	23,688,199.73
2016	17,138,177.10	8,524,836.27	2,509,265.03	28,172,278.40
2017	<u>18,887,584.72</u>	<u>9,425,234.63</u>	<u>3,412,323.17</u>	<u>31,725,142.52</u>
Total	<u>282,444,565.94</u>	<u>129,249,274.92</u>	<u>45,110,270.79</u>	<u>456,804,111.65</u>

PGL Ex. 1.2 25-1052 The Peoples Gas Light and Coke Company
Rider 11 Recoveries by Customer Class

	<u>Small Residential</u>	<u>Small C&I</u>	<u>Large C&I</u>	<u>Total</u>
2018	11,032,643.57	10,443,573.08	3,461,873.51	24,938,090.16
2019	13,965,127.37	13,661,518.09	4,305,137.61	31,931,783.07
2020	9,594,946.09	8,945,280.10	2,738,283.91	21,278,510.10
2021	7,765,434.34	\$7,202,845.95	2,335,198.06	17,303,478.35
2022	11,642,120.29	\$11,318,244.23	3,777,814.88	26,738,179.40
2023	9,493,299.99	\$9,328,263.25	2,570,161.36	21,391,724.60
2024	13,106,668.89	\$13,287,127.13	4,474,575.14	30,868,371.16
2025	14,036,725.53	\$13,381,239.98	3,814,861.98	31,232,827.49
			Total	662,487,075.98

Small Residential: Service Classification Number 1

Small C&I (Commercial and Industrial): Service Classification Number 2, and Service Classification Number 8

Large C&I (Commercial and Industrial): Service Classification Number 4

Property Acquired in Fiscal Year	Property Description	PIN's	Current Ownership/Lease
1999	South Station -Parcel A	17-29-301-014-0000	PGL Owns
	South Station - Parcel B	17-29-301-013-0000	PGL Owns
2000	110th Street - Main Parcel	25-13-400-005-0000	Sold
2002	Crawford Station - Parcels L, Z and AA	16-34-209-015-0000	PGL Owns
		16-34-209-016-0000	PGL Owns
		16-34-209-017-0000	PGL Owns
		16-34-302-009-0000	PGL Owns
		16-34-302-018-0000 Now 034 and 035	034 parcel PGL owns - 035 parcel Sold
		16-34-302-031-0000 Now 036 and 037	036 parcel PGL owns - 037 parcel Sold
		16-34-400-013-0000 Now 028 and 029	028 parcel PGL owns - 029 parcel Sold
		16-34-400-014-0000 Now 030 and 031	030 parcel PGL owns - 031 parcel Sold
		16-34-400-015-0000 Now 032 and 033	032 parcel PGL owns - 033 parcel Sold
		16-34-400-022-0000	Sold
2003	96th Street Station	26-06-428-032-0000	PGL owns
2004	Crawford Station - Parcel A	16-34-302-023-0000	PGL owns - vacant and currently for sale
	Crawford Station - Parcel B	16-34-302-014-0000	PGL owns - vacant and currently for sale
2005	Pitney Court	17-29-319-001-0000	Sold
		17-29-319-002-0000	

¹ SAS RI - USEPA Superfund Alternate Sites Program Remedial Investigation

² SRP - Site Remediation Program