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October 24, 1996

IN REPLY REFER TO:

Ansley Watson, Jr.  
P O Box 1531  
Tampa, Florida 33601

**VIA FEDERAL EXPRESS**

*961284-GU*

Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

**Re: Peoples Gas System, Inc. -- Application for Authority to Issue and Sell Up to \$40 Million in Long-Term Debt and Equity Securities and Have Outstanding a Maximum of \$40 Million in Short-Term Unsecured Promissory Notes During the Year Ending December 31, 1997**

Dear Ms. Bayo:

We enclose herewith for filing on behalf of Peoples Gas System, Inc., the original and 12 copies of its above application, together with a computer diskette containing such application (but not the exhibits thereto).

\_\_\_\_\_ Please acknowledge your receipt and the date of filing of the enclosures, together with the docket number assigned, on the duplicate copy of this letter enclosed for that purpose. A preaddressed envelope is enclosed to assist you.

\_\_\_\_\_ Thank you for your assistance.

Sincerely,

*Ansley Watson, Jr.*  
ANSLEY WATSON, JR.

AWjr/a  
Enclosures

DOCUMENT NUMBER DATE

14378 OCT 25 96

FPSC-RECORDS/REPORTING

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Blanca S. Bayo, Director  
October 24, 1996  
Page 2

cc: Mr. Jack E. Uhl  
Mr. Joseph W. McCormick

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FILE 007

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

IN RE: PEOPLES GAS SYSTEM, INC. )  
APPLICATION FOR AUTHORITY TO )  
ISSUE AND SELL UP TO \$40 MILLION )  
IN LONG-TERM DEBT AND EQUITY )  
SECURITIES AND HAVE )  
OUTSTANDING A MAXIMUM OF \$40 )  
MILLION IN SHORT-TERM )  
UNSECURED PROMISSORY NOTES )  
DURING THE YEAR ENDING )  
DECEMBER 31, 1997. )

DOCKET NO.  
Submitted for Filing: 10-25-96

The Applicant, Peoples Gas System, Inc. ("Applicant" or "Company"), files this, its Application under Rule 25-8.001, et seq., Florida Administrative Code, for authority to issue and sell securities during the year ending December 31, 1997, and submits the following information in the manner, form and order indicated by the rules of the Commission governing such an application:

(1) Name and Address of Applicant: The exact name of the applicant is PEOPLES GAS SYSTEM, INC., a Florida corporation, and its place of business is 111 Madison Street, Tampa, Florida 33602.

(2) State and Date Incorporated: Peoples Water and Gas Company, a Florida corporation, was incorporated in the State of Florida on April 4, 1949. Said Company and the Tampa Gas Company, a Florida corporation, and a wholly owned subsidiary of said Peoples Water and Gas Company, were merged to form Peoples Gas System, Inc. by an agreement of consolidation which became effective on July 17, 1958. The Company operates only in the State of Florida.

(3) Persons to Receive Notices: Names and addresses of persons authorized to receive official notices and communications in respect to this application:

Jack E. Uhl  
Executive Vice President-  
Finance and Administration  
Peoples Gas System, Inc.  
P. O. Box 2562  
Tampa, Florida 33601

Ansley Watson, Jr.  
Macfarlane Ferguson & McMullen  
P. O. Box 1531  
Tampa, Florida 33601

(4) Principal Officers: The names, titles and addresses of the principal officers of the Company are as follows:

<u>Name</u>	<u>Title</u>	<u>Address</u>
John A. Brabson, Jr.	Chairman of the Board, President and Chief Executive Officer	Tampa, FL
Tom L. Rankin	Vice Chairmen of the Board	Tampa, FL
Jack E. Uhl	Executive Vice President- Finance & Administration	Tampa, FL
B. T. Bailey	Senior Vice President and Comptroller	Tampa, FL
Daniel R. Pountney	Senior Vice President- Marketing	Tampa, FL
M. Lee Young	Senior Vice President- Operations	Tampa, FL
Gerald E. Cox	Vice President- Technical Services	Tampa, FL
Francis J. Sivard	Vice President- Accounting	Tampa, FL
David R. Schindler	Secretary and Treasurer	Tampa, FL
G. L. Finley	Assistant Treasurer	Tampa, FL
Nathan B. Simpson	Assistant Treasurer and Assistant Secretary	Tampa, FL

(5) Nature and Extent of Business: Applicant is a public utility operating entirely within the State of Florida engaged in the distribution and sale of natural gas to approximately 200,000 customer users in residences, commercial establishments and industrial plants located in twelve separate geographic areas of state. The required maps are on file with the Commission.

(6) **Brief Description of Facilities:** Company headquarters is located at Tampa, Florida. Divisional offices are located at Jacksonville, Daytona Beach, Orlando, Palm Beach Gardens, Eustis, Lakeland, Tampa, St. Petersburg, Sarasota, Avon Park and North Miami, Florida. Under the administrative and operational control of these division offices the Company owns and operates a system of natural gas mains and services providing service to its customers. Each division has facilities to permit receipt of the natural gas from its pipeline supplier, distribution through the necessary mains and services and delivery to the customers, together with the necessary metering and pressure regulation facilities to control and record such deliveries. Also included at each division location are the necessary office, warehouse and storage facilities, together with construction and transportation equipment to support operations.

(7) **Statement of Capital Stock and Funded Debt:** The capital stock of the applicant as of August 31, 1996 (See Exhibit "B") is as follows:

- (a) **Brief description:** Common stock, no par value.
- (b) **Amount authorized:** 100 shares
- (c) **Amount issued:** 100 shares
- (d) **Amount held as reacquired securities:** None
- (e) **Amount pledged by applicant:** None
- (f) **Amount owned by affiliated corporation:** 100 shares owned by Lykes Energy, Inc.
- (g) **Amount held in any fund:** None

The funded debt of the applicant as of August 31, 1996 (see Exhibit "B") is as follows:

<u>Brief Description</u>	<u>Amount Authorized</u>	<u>Amount Outstanding</u>	<u>Amount in Sinking Funds</u>
10.35% Long-term Note, due 2007	10,000,000	8,000,000	-0-
10.33% Long-term Note, due 2008	10,000,000	9,400,000	-0-
10.30% Long-term Note, due 2009	10,000,000	9,600,000	-0-
9.93% Long-term Note, due 2010	10,000,000	9,800,000	-0-
8.00% Long-term Note, due 2012	35,000,000	35,000,000	-0-
Long-term Revolving Credit Note, due 2001	<u>10,000,000</u>	<u>10,000,000</u>	-0-
	<u>\$85,000,000</u>	<u>\$81,800,000</u>	<u>-0-</u>

NOTE: None of the above Long-term Notes have been reacquired or pledged by the applicant and none are owned by affiliated corporations.

**(B) Statement of Proposed Transaction:**

**(a) The Company seeks authority to issue and/or sell equity securities and long-term debt securities, as well as issue and/or sell short-term unsecured promissory notes during the period covered by this Application.**

**The equity securities may take the form of preferred stock, or common stock, or options or rights with respect to the foregoing, with such par values, terms and conditions, and conversion and relative rights and preferences, as may be permitted by the Company's Restated Articles of Incorporation or as the same may be amended to permit.**

**The long-term debt securities may take the form of first mortgage bonds, debentures, notes, convertible securities, installment contracts and/or other obligations underlying industrial development revenue bonds, or options or rights with respect to the foregoing, with maturities ranging from one to thirty years and issued in both domestic and international markets.**

**The issuance and/or sale of equity securities and long-term debt may be through either negotiated underwritten public offering, public offering at competitive bidding, direct public or private sale, sale through agents, or distributions to security holders of the Company or affiliated companies.**

**The short-term unsecured promissory notes may be sold to commercial banks, both directly and through their trust departments, and through the commercial paper market. A note sold directly to a commercial bank may bear an interest rate at the prime rate, or its equivalent, in effect at the time of issuance, subject to change either up or down as the prime rate changes, or may bear an interest rate to be negotiated at the time of issuance. Notes sold in the commercial paper market may bear an interest rate as determined by the market price at the date of issuance, including discount and broker-dealer commission. The short-term unsecured promissory notes sold directly to banks will mature not more than one year from the date of issuance, and those sold through the commercial paper market will mature not more than nine months from the date of issuance.**

**(b) The amount of all new equity and long-term debt securities will not exceed \$40 million during the period covered by this application. The maximum amount of short-term unsecured promissory notes outstanding at any one time will be \$40 million.**

**(c) The present estimate of the dividend rate and interest rate for the aforementioned securities, based upon current rates for comparable securities, is within the range of 7.0% to 8.0% for preferred stock, 7.5% to 8.5% for long-term debt and approximately 5% to 7% for short-term notes.**

**(d) The actual dividend and interest rates will be determined by market conditions at the time of issuance and/or sale of the securities.**

**(9) Purpose of Issue:** *The net proceeds to be received from the sale of additional securities will be added to the Company's general funds and will be used for working capital requirements and for other general business purposes, including the financing of the Company's construction program. The net proceeds received from the sale of these securities may also be used to repay short-term unsecured promissory notes or for the purchase of securities of the Company.*

**(a) Construction:** *Expenditures for the Company's fiscal 1996 construction budget are estimated to equal approximately \$26.0 million and include:*

- *Mains, services, metering and regulating equipment for connection of new residential, commercial and industrial customers - \$17.3 million.*
- *Replacement and/or relocation of facilities to improve or maintain operating efficiency and safety - \$3.7 million.*
- *Structures, automotive and construction equipment, improvements to property, etc. - \$5.0 million.*

**(b) Reimbursement of the Treasury:** *The net proceeds to be realized from the sale of additional securities will be added to the Company's general funds and will be used for working capital requirements and other general business purposes. Among these purposes could be the reimbursement of the treasury for expenditures by the Company subsequent to the date of this Application. At this juncture no expenditures have been made for which securities must be issued to reimburse the treasury.*

**(c) Refunding Obligations:** *Subject to market conditions, the Company may refund short-term debt with new short-term debt or long-term debt. At this juncture, the Company does not anticipate refunding its long-term obligations because it is not expected that such action would be economically feasible. However, in the event market circumstances change, the Company may refund such obligations where it is legally and economically feasible to do so.*

**(10) Facts Supporting Legality, Necessity or Appropriateness:** *It is the judgment of the Company that the proposed issuance of securities is necessary for the proper performance by the Company as a public utility as set out in Paragraphs (5) through (9) above. The Company is actively engaged in programs designed to expand its service to residential, commercial and essential industrial users for the general benefit of its customers and stockholders. Continuing construction, reconstruction, operational efficiency and the upgrading of distribution facilities are necessary to assure adequate service to our customers and to enhance operational safety of the system. Therefore, the Applicant submits that its proposed issuance of securities is for a lawful object within the corporate purposes of the Applicant; is necessary for the performance by the Applicant as a public utility; is compatible with the public interest; and is reasonable, necessary and appropriate.*

***(11) Name and Address of Counsel: The name and address of counsel who will pass upon the legality of the proposed issue is Macfarlane Ferguson & McMullan, P. O. Box 1531, Tampa, Florida 33601.***

***(12) Other State or Federal Regulatory Body: A Registration Statement with respect to each public sale of securities hereunder which is subject to and not exempt from the registration requirements of the Securities Act of 1933, as amended, will be filed with the Securities and Exchange Commission, 450 Fifth St. N.W., Washington, D.C. 20549.***

***(13) Control or Ownership: The applicant utility is a wholly owned subsidiary of a holding company, Lykes Energy, Inc., which is exempt from the requirements of registration as a holding company under the Public Utility Holding Company Act of 1935.***

***(14) The following exhibits required by Rule 25-B.003, Florida Administrative Code, are either attached hereto or incorporated by reference herein and made a part hereof:***

***Exhibit "A": Restated Articles of Incorporation (See Exhibit A, Docket No. 810226-GU); Amendments to Article III of said Articles of Incorporation, effective as of September 30, 1986 and October 1, 1986, respectively (See Exhibit A, Docket No. 861337-GU); Amendment to Article XIII of said Articles of Incorporation, effective as of March 12, 1988 (See Exhibit A, Docket No. 891314-GU).***

***Exhibit "B": Financial Statements (Balance Sheet, etc.).***

***Exhibit "C": Projected financial information (Statement of Sources and Uses of Funds and Construction Budget).***

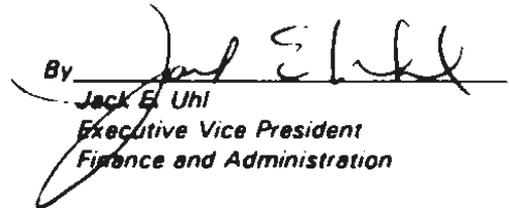
***Exhibit "D": Map of Service Area (See Peoples Gas System, Inc., Natural Gas Tariff, original volume No. 5, pages 3.101 through 3.211-2 inclusive).***

**PRAYER**

**WHEREFORE, the Applicant respectfully prays for authority to issue securities for the purposes set forth in paragraph (9) of this Application.**

Respectfully submitted this  
~~24~~<sup>25</sup> day of October, 1996  
Peoples Gas System, Inc.

By

  
Jack E. Uhl  
Executive Vice President  
Finance and Administration

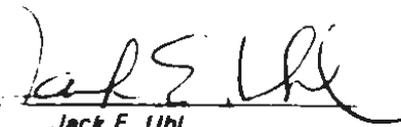


Ansley Watson, Jr.  
Macfarlane Ferguson & McMullen  
P. O. Box 1531  
Tampa, Florida 33601  
(813) 273-4321

STATE OF FLORIDA )  
 ) SS  
COUNTY OF HILLSBOROUGH )

*Jack E. Uhl, being duly sworn on oath deposes and says:*

*That he is Executive Vice President-Finance & Administration of Peoples Gas System, Inc., the Applicant for authorization of the issuance of securities; and as such officer, he is duly authorized to and did execute the foregoing Application; that he has read the same; and that to the best of his knowledge and belief, the matters and facts set forth therein are true.*

  
\_\_\_\_\_  
Jack E. Uhl

Sworn to and subscribed before me this 25<sup>th</sup> day of October, 1996.

  
\_\_\_\_\_  
Notary Public State of  
Florida at Large

My commission expires: 12/21/99



VENUS E AKINS  
My Commission CC820887  
Expires Dec. 21, 1999

PEOPLES GAS SYSTEM, INC.  
BALANCE SHEET  
ASSETS AND OTHER DEBITS

	<u>DECEMBER 31, 1995</u>	<u>AUGUST 31, 1996</u>
<b>UTILITY PLANT</b>		
101 Utility Plant in Service	\$379,724,682	\$394,134,634
105 Held for Future Use	228,955	228,955
107 Construction Work in Progress	7,566,235	7,336,490
108 Accumulated Provision for Depreciation of Utility Plant in Service	(144,153,183)	(153,315,156)
111-113 Accumulated Provision for Amortization of Other Utility Plant in Service	(1,034,182)	(1,129,843)
114 Utility Plant Acquisition Adjustments	1,572,748	1,572,748
115 Accumulated Provision for Amortization of Utility Plant Acquisition Adjustment	(172,110)	193,286
<b>TOTAL UTILITY PLANT</b>	<u>\$243,733,145</u>	<u>\$249,021,114</u>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
128 Other Special Funds	\$6,152,618	\$7,252,280
<b>TOTAL OTHER PROPERTY AND INVEST.</b>	<u>\$6,152,618</u>	<u>\$7,252,280</u>
<b>CURRENT AND ACCRUED ASSETS</b>		
131 Cash	\$3,566,242	\$3,629,431
132 Interest Special Deposits	0	0
134 Other Special Deposits	19,411	19,512
135 Working Funds	69,355	69,455
142 Customer Accounts Receivable	23,147,841	14,779,088
143 Other Accounts Receivable	191,624	268,347
144 Accumulated provision for Uncollectible Accounts	(116,926)	(107,000)
146 Accounts Receivable from Associated Co.	0	0
154 Plant Materials and Supplies	1,871,593	1,622,364
163 Stores Expense - Undistributed	120,638	74,132
165 Prepayments	1,284,416	131,471
173 Accrued Utility Revenue	8,470,396	6,117,015
<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<u>\$38,622,590</u>	<u>\$26,603,825</u>
<b>DEFERRED DEBITS</b>		
161 Unamortized Debt Discount and Expense	\$972,639	\$914,664
184 Clearing Accounts	(1,978)	(298)
186 Miscellaneous Deferred Debits	469,891	1,575,535
191 Unrecovered Gas Cost	2,123,644	(2,007,822)
<b>TOTAL DEFERRED DEBITS</b>	<u>\$3,584,396</u>	<u>\$482,479</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>\$292,072,749</u>	<u>\$283,359,698</u>

PEOPLES GAS SYSTEM, INC.  
BALANCE SHEET  
LIABILITIES AND OTHER CREDITS

	<u>DECEMBER 31, 1995</u>	<u>AUGUST 31, 1996</u>
<b>PROPRIETARY CAPITAL</b>		
201 Common Stock Issued	\$6,368,783	\$6,368,783
207-214 & 217 Additional Capital	19,786,949	19,786,949
216 Retained Earnings	<u>90,236,707</u>	<u>89,774,310</u>
<b>TOTAL PROPRIETARY CAPITAL</b>	<u>\$116,392,439</u>	<u>\$115,930,042</u>
 <b>LONG-TERM DEBT</b>		
221 First Mortgage Bonds	\$0	\$0
224 Long-Term Notes	<u>82,800,000</u>	<u>81,800,000</u>
<b>TOTAL LONG-TERM DEBT</b>	<u>\$82,800,000</u>	<u>\$81,800,000</u>
 <b>CURRENT AND ACCRUED LIABILITIES</b>		
231 Notes Payable	\$0	\$0
232 Accounts Payable	16,433,543	11,431,084
234 Accounts Payable to Associated Companies	9,034,815	4,854,441
235 Customer Deposits	24,097,677	23,914,135
236 Taxes Accrued	2,585,412	5,257,736
237 Interest Accrued	3,858,815	1,114,930
241 Tax Collections Payable	1,707,690	1,391,932
242 Miscellaneous Current & Accrued Liabilities	<u>6,938,093</u>	<u>8,503,872</u>
<b>TOTAL CURRENT &amp; ACCRUED LIABILITIES</b>	<u>\$64,655,845</u>	<u>\$56,268,130</u>
 <b>DEFERRED CREDITS</b>		
252 Customer Advances for Construction	\$1,315,709	\$1,328,614
253 Other Deferred Credits	793,250	1,173,250
254 Other Regulatory Liabilities	260,518	260,518
255 Accumulated Deferred Investment Tax Credits	10,568	10,568
256 Deferred Gain from Disposition of Property	<u>0</u>	<u>0</u>
<b>TOTAL DEFERRED CREDITS</b>	<u>\$2,380,045</u>	<u>\$2,772,950</u>
 <b>OPERATING REVENUES</b>		
263 Pension and Benefits Reserve	<u>\$4,780,724</u>	<u>\$4,444,880</u>
 <b>ACCUMULATED DEFERRED INCOME TAXES</b>		
282 Accumulated Deferred Income Taxes	<u>\$21,083,896</u>	<u>\$22,143,696</u>
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<u>\$292,072,749</u>	<u>\$283,359,698</u>

PEOPLES GAS SYSTEM, INC.  
SUMMARY OF UTILITY PLANT AND STATEMENT OF RESERVES

	<u>DECEMBER 31, 1995</u>	<u>AUGUST 31, 1996</u>
<b>UTILITY PLANT</b>		
101 Utility Plant in Service	\$379,724,882	\$394,134,834
105 Held for Future Use	228,955	228,955
107 Construction Work in Progress	7,568,235	7,336,490
114 Utility Plant Acquisition Adjustments	<u>1,572,748</u>	<u>1,572,748</u>
<b>TOTAL UTILITY PLANT</b>	<u><b>\$389,092,820</b></u>	<u><b>\$403,272,827</b></u>
 <b>RESERVES</b>		
108 Accumulated Provision for Depreciation of Utility Plant in Service	\$144,153,183	\$153,315,156
111-113 Accumulated Provision for Amortization of Other Utility Plant in Service	1,034,182	1,129,843
115 Accumulated Provision for Amortization of Utility Plant Acquisition Adjustment	<u>172,110</u>	<u>(193,286)</u>
<b>TOTAL RESERVES</b>	<u><b>\$145,359,475</b></u>	<u><b>\$154,251,713</b></u>

PEOPLES GAS SYSTEM, INC.  
INCOME STATEMENT

	FOR THE CALENDAR YEAR ENDED DECEMBER 31, 1995	FOR THE TWELVE MONTHS ENDED AUGUST 31, 1996
<b>UTILITY OPERATING INCOME</b>		
400 Operating Revenues	<u>\$209,138,384</u>	<u>\$249,301,060</u>
<b>OPERATING EXPENSES</b>		
401 Operating Expenses	\$150,441,925	\$178,615,755
402 Maintenance Expense	4,792,197	4,984,345
403 Depreciation Expense	16,084,306	16,734,232
404.3 Amortization of Limited Term Utility Plant	82,411	82,741
406 Amortization of Utility Plant Acquisition Adj.	76,726	76,726
407.1 Amortization of Environmental Expense	0	0
408 Taxes Other Than Income	7,182,968	17,622,137
409.1 Income Taxes	6,612,000	7,102,000
410.1 Deferred Income Taxes	1,509,000	1,106,000
411.3 Investment Tax Credit Adjustments	(7,000)	(7,000)
411.4 Gain on Sale of Property	0	0
Total Utility Operating Expense	<u>\$186,754,533</u>	<u>\$226,316,936</u>
<b>NET UTILITY OPERATING INCOME</b>	<u>\$22,383,851</u>	<u>\$22,984,124</u>
<b>OTHER INCOME AND DEDUCTIONS</b>		
419 Interest and Dividend Income	\$51,329	\$230,872
420 Investment Tax Credit	0	0
421 Misc. Non-operating Income	504,522	844,099
426 Misc. Income Deductions	435,259	387,895
409.2 Income Taxes on Other Income	46,000	265,000
Net Other Income and Deductions	<u>\$74,592</u>	<u>\$422,076</u>
<b>TOTAL INCOME</b>	<u>\$22,458,443</u>	<u>\$23,406,200</u>
<b>INTEREST CHARGES</b>		
427 Interest on Long-term Debt	\$7,289,482	\$7,213,995
428 Amortization of Debt Discount & Expense	91,992	89,261
431 Other Interest Charges	2,085,955	2,625,728
Total Interest Charges	<u>\$9,467,429</u>	<u>\$9,927,984</u>
<b>NET INCOME</b>	<u>\$12,991,014</u>	<u>\$13,478,216</u>

**PEOPLES GAS SYSTEM, INC.  
STATEMENT OF RETAINED EARNINGS**

	FOR THE CALENDAR YEAR ENDED <u>DECEMBER 31, 1995</u>	FOR THE TWELVE MONTHS ENDED <u>AUGUST 31, 1996</u>
216 Unappropriated Retained Earnings Balance Beginning of Year	\$87,245,693	\$86,296,094
Balance Transferred from Income	12,991,014	13,478,216
Dividends Declared - Common Stock	10,000,000	10,000,000
Adjustments to Retained Earnings	<u>0</u>	<u>0</u>
216 Balance End of Year	<u>\$90,236,707</u>	<u>\$89,774,310</u>

**PEOPLES GAS SYSTEM, INC.  
CONTINGENT LIABILITIES  
AUGUST 31, 1996**

Various legal actions, proceedings, and claims are pending or may be instituted against the Company, including those arising out of alleged violations of environmental laws and regulations. Some of the foregoing involve or may involve compensatory, punitive, or other damages in substantial amounts.

Litigation is subject to many uncertainties, and it is reasonably possible that some of the legal actions, proceedings, or claims referred to above could be decided unfavorably to the Company. Although the amount of liability at August 31, 1996 with respect to these matters could not be ascertained, the Company believes that any resulting liability should not materially affect the Company's financial position.

**PEOPLES GAS SYSTEM, INC.**

EXHIBIT C-1

**STATEMENT OF SOURCES AND USES OF FUNDS**

**FOR 1997 (PROJECTED)**

**\$(000)**

**SOURCE OF FUNDS**

<i>Operations:</i>	<i>Depreciation and Amortization</i>	<i>\$18,925</i>
	<i>Deferred Income Taxes</i>	<i>957</i>
	<i>Changes in Other Balance Sheet Accounts</i>	<i><u>(1,646)</u></i>
	<i>Funds Provided Internally</i>	<i>\$18,236</i>
<i>Financing:</i>	<i>Short/Long-Term Debt</i>	<i><u>18,450</u></i>
	<i>Total Funds Available</i>	<i><u>\$36,686</u></i>

**APPLICATION OF FUNDS:**

<i>Scheduled Debt Retirement</i>	<i>\$ 2,700</i>
<i>Construction</i>	<i>25,986</i>
<i>Projected Dividends</i>	<i><u>8,000</u></i>
<i>Total Funds Applied</i>	<i><u>\$36,686</u></i>

EXHIBIT C-2

**PEOPLES GAS SYSTEM, INC.**

**1997 CONSTRUCTION BUDGET**

**\$(000)**

<i>Mains, Services, Metering and Regulating Equipment</i>	<i>\$17,286</i>
<i>Replacement and/or Relocation of Facilities</i>	<i>3,751</i>
<i>Structures, Automotive and Construction Equipment,</i>	
<i>Improvements to Property</i>	<i><u>4,949</u></i>
<i>Total Estimated Expenditures</i>	<i><u>\$25,986</u></i>