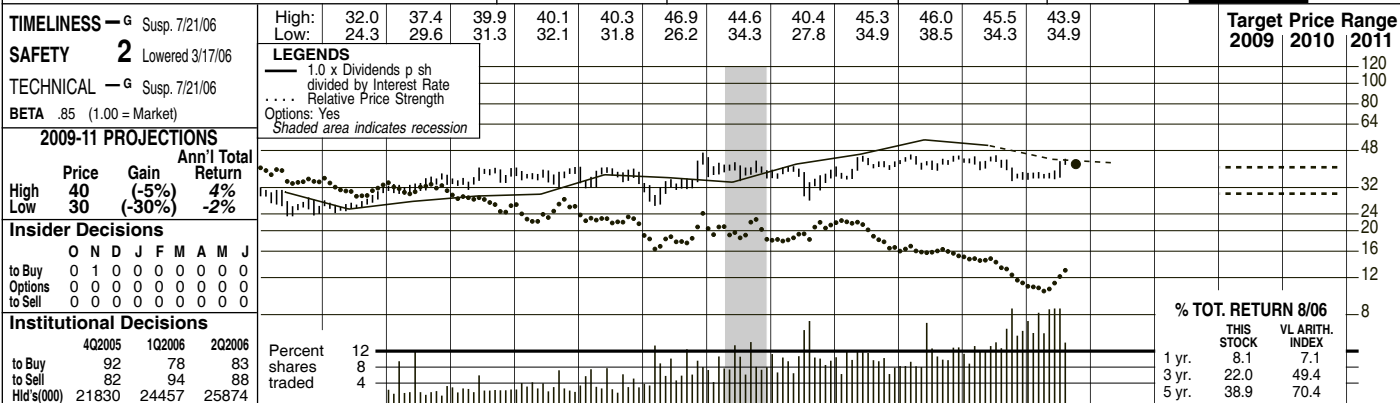


PEOPLES ENERGY NYSE-PGL

RECENT PRICE **41.41** P/E RATIO **31.9** (Trailing: 23.9; Median: 14.0) RELATIVE P/E RATIO **1.88** DIV'D YLD **5.3%** VALUE LINE



Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Value Line Pub., Inc.	09-11
Price	35.63	33.69	31.54	36.09	36.70	29.60	34.29	36.34	32.28	33.66	40.16	64.13	41.81	58.28	59.90	68.13	76.90	78.75	Revenues per sh ^A	83.35
Cash Flow	3.74	3.73	3.67	3.85	3.99	3.68	4.98	4.92	4.44	4.74	5.58	5.84	5.59	5.88	5.32	5.31	4.35	4.50	"Cash Flow" per sh	5.10
Earnings	2.07	2.05	2.06	2.11	2.13	1.78	2.96	2.81	2.25	2.39	2.71	3.16	2.80	2.88	2.18	2.26	1.25	1.50	Earnings per sh ^{A,B}	2.00
Dividends	1.65	1.71	1.76	1.78	1.80	1.80	1.82	1.87	1.91	1.95	2.00	2.04	2.07	2.12	2.16	2.18	2.18	2.18	Div'ds Decl'd per sh ^C	2.18
Capex	3.15	3.10	3.40	3.77	2.50	2.75	2.45	2.55	4.05	6.45	7.02	7.52	5.66	5.10	5.02	4.27	8.95	6.90	Cap'l Spending per sh	7.15
Book Value	16.61	16.95	17.72	18.02	18.39	18.38	19.49	20.43	21.03	21.66	22.02	22.76	22.74	23.11	23.06	20.97	19.60	18.40	Book Value per sh ^D	16.55
Common Shs	32.70	32.76	34.77	34.88	34.87	34.91	34.96	35.07	35.26	35.49	35.30	35.40	35.46	36.69	37.73	38.16	39.00	40.00	Common Shs Outst'g ^E	42.00
P/E Ratio	11.2	11.8	13.1	15.0	13.3	14.7	10.7	12.7	16.2	15.5	12.1	12.3	13.3	13.4	19.1	18.9			Avg Ann'l P/E Ratio	17.0
Relative P/E	.83	.75	.79	.89	.87	.98	.67	.73	.84	.88	.79	.63	.73	.76	1.01	1.01			Relative P/E Ratio	1.15
Div Yield	7.1%	7.0%	6.5%	5.6%	6.3%	6.9%	5.7%	5.2%	5.2%	5.3%	6.1%	5.2%	5.5%	5.5%	5.2%	5.1%			Avg Ann'l Div'd Yield	6.4%

Category	2004	2005	6/30/06	2004	2005	6/30/06
CAPITAL STRUCTURE as of 6/30/06						
Total Debt \$1065.0 mill. Due in 5 Yrs \$546.4 mill.	1198.7	1274.4	1138.1	1194.4	1417.5	2270.2
LT Debt \$893.6 mill. LT Interest \$60.0 mill.	103.4	98.4	79.4	84.8	96.1	111.7
(Total interest coverage: 1.8x)	37.6%	36.4%	36.2%	35.9%	34.1%	35.4%
Pension Assets-9/05 \$520.4 mill. Oblig. \$641.7 mill.	8.6%	7.7%	7.0%	7.1%	6.8%	4.9%
	43.6%	42.4%	41.1%	40.4%	35.1%	44.4%
	56.4%	57.6%	58.9%	59.6%	64.9%	55.6%
Pfd Stock None	1208.3	1243.5	1258.0	1290.5	1196.7	1449.8
	1381.1	1402.2	1446.7	1519.8	1645.3	1753.9
	10.3%	9.5%	7.8%	8.0%	9.5%	9.3%
	15.2%	13.7%	10.7%	11.0%	12.4%	13.9%
	15.2%	13.7%	10.7%	11.0%	12.4%	13.9%
	5.9%	4.7%	1.7%	2.1%	3.4%	5.0%
	61%	66%	84%	81%	73%	64%

Business: Peoples Energy Corporation distributes natural gas via its utility subsidiaries, Peoples Gas Light & Coke Co. (approx. 814,000 customers at 9/30/05) and North Shore Gas Co. (155,000), in Chicago and northeastern Illinois. Fiscal 2005 gas distribution revenues: \$1.7 billion: residential, 77%; commercial, 13%; industrial, 2%; other, 8%. Main supplier is Natural Gas Pipeline Co. of America. Purchased gas costs and revenue taxes accounted for 77% of gas revenues in fiscal '05. Depreciation rate: 3.5%. Est'd plant age: 11 years. Has 2,182 employees. Officers and Directors own 1.5% of common (1/06 Proxy). Chrmn. and CEO: Thomas Patrick, Inc.: IL. Address: 130 E. Randolph Dr., Chicago, IL 60601. Telephone: 312-240-4000. Internet: www.peoplesenergy.com.

Shares of Peoples Energy have increased by almost 12% since our last report, following the July announcement of a definitive merger agreement with WPS Resources. The deal was unanimously approved by the boards of directors of both companies. Each common share of Peoples Energy would be converted into .825 shares of WPS Resources stock. Using the recent closing price of WPS Resources, this would result in an approximate value of \$41.32 per share for Peoples Energy stock. The acquisition, which will most likely occur in the first calendar quarter of 2007, is conditional upon shareholder and regulatory approvals. Upon completion, PGL shareholders would own about 42.4% of the new company.

The combined company will have about \$9.2 billion in assets. It will operate natural gas and electric utilities in Wisconsin, Illinois, Michigan and Minnesota. The new company will likely pay a quarterly dividend of approximately \$0.66 per share, the same payout Peoples Energy shareholders currently receive (factoring in the exchange ratio). WPS Resources CEO Larry Weyers will take the helm of the combined company. The board of directors will comprise nine members selected by WPS Resources and seven members selected by Peoples Energy.

Meanwhile, Peoples reported subpar results for the three-month period ended June 30th. Revenues declined by 12%, compared to the prior year. Warmer weather resulted in lower deliveries for the Gas distribution segment. Higher maintenance costs and depreciation expense also hindered the bottom line. The share loss was \$0.32 for the second quarter. In addition, the company has lowered its share-net guidance for fiscal year 2006. We now expect share earnings of \$1.25 for this period, a decline of roughly 45% from the prior year.

With a dividend yield of 5.3%, this stock may appeal to income-oriented accounts. The current quotation of PGL already reflects the price WPS Resources will likely pay for the company. Moreover, should the deal fall through, Peoples Energy shares could decline significantly. On PGL's own, appreciation potential to late decade is subpar.

Michael F. Napoli September 15, 2006

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(A) Fiscal year ends Sept. 30th.
 (B) Diluted earnings per share. Excludes non-recurring gains/(losses): '05, (\$0.21). Next earnings report due late October.

(C) Dividends historically paid mid-January, April, July, October.
 (D) Includes deferred charges. At 6/30/06: \$46.1 mill., \$1.19/sh.

(E) In millions. (F) Earnings don't sum due to change in shares outstanding.
 (G) Suspended due to pending acquisition by WPS Resources.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	80