

**PEOPLES ENERGY CORPORATION**

**CHARTER**

**OF THE COMPENSATION COMMITTEE**

**OF THE BOARD OF DIRECTORS**

**Effective: December 2, 2005**

**CHARTER OF THE  
COMPENSATION COMMITTEE OF THE  
BOARD OF DIRECTORS OF PEOPLES ENERGY CORPORATION**

**I. Purpose**

The Compensation Committee shall (i) assist the Board of Directors in the discharge of its responsibilities relating to the compensation of the executives of the Company and its subsidiaries and the long-term incentive compensation of other key employees; (ii) make recommendations to the Board regarding the compensation of non-management directors; and (iii) nominate individuals to become elected officers.

The Committee shall prepare the report on executive compensation for inclusion in the Company's annual proxy statement.

**II. Organization**

**A. Membership and Term**

The Compensation Committee shall comprise three or more directors. Each member of the Committee shall satisfy the independence requirements of the New York Stock Exchange.

Each member shall be chosen by the Board to serve for a term of one year or such other term as determined by the Board. The Board may choose one or more alternate members to serve in the event that any regular member is unable to act or complete his or her term for any reason. The Board shall have the power at any time to change the membership of the Committee.

**B. Chairperson of the Compensation Committee**

The Board shall choose the Chairperson of the Committee to serve for a term of one year or such other term as determined by the Board. The Chairperson can convene a meeting of the Committee at his/her discretion. In the absence of the Chairperson, the members of the Committee may choose another member to preside.

**C. Delegation of Authority**

The Compensation Committee may delegate any of its responsibilities and duties to a subcommittee comprised of one or more members of the Committee. Any exercise of such delegated authority must be reported to the full committee at its next scheduled meeting.

### **III. Responsibilities and Duties**

#### **A. Officers and Other Key Employees**

1. Review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of these goals and objectives, and set the Chief Executive Officer's compensation level based on this evaluation, subject to approval by the non-management directors.
2. Consider and make recommendations to the Board of Directors concerning the salary structure, officer gradings within such salary structure, and salaries for elected officers of this Company and its subsidiaries.
3. Administer the Company's short-term and long-term incentive compensation plans; issue guidelines, determine participants, establish award opportunities and performance measures, and review and grant awards under such plans with respect to officers and other key employees other than the Chief Executive Officer; and make recommendations to the non-management directors regarding awards under such plans to the Chief Executive Officer.
4. Consider, review and approve perquisites for elected officers of the Company and its subsidiaries.
5. Review recommendations of outside consultants regarding the Company's executive compensation program.
6. Establish stock ownership guidelines for elected and appointed officers and monitor compliance by officers with such guidelines.
7. Prepare the report on executive compensation for the Company's annual proxy statement, as required by the Securities and Exchange Commission.
8. Consider and make recommendations to the Board of Directors concerning retirement benefits and other remuneration matters with respect to elected officers.
9. Oversee the evaluation process of executive management and make recommendations to the Board as appropriate.
10. Consider and make recommendations to the Board of Directors regarding the selection and retention of elected officers of the Company.
11. Annually review succession plans for key officer positions of the company, including without limitation the positions of Chairman of the Board, Chief Executive Officer, President, and Chief Operating Officer.

**B. Directors**

1. Consider and make recommendations to the Board concerning the compensation, benefits and other forms of remuneration of non-management directors.

**C. Other Matters**

1. Consider and make recommendations to the Board regarding other compensation matters that require the approval of the Board, including matters related to incentive-compensation plans, equity-based compensation plans, and benefits under the pension plans.
2. Report regularly to the Board.
3. Annually evaluate the Committee's own performance in coordination with the annual performance evaluations conducted by other committees of the Board.
4. Annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
5. Sole authority to retain and terminate any compensation, legal or other consultant to the Committee to be used to assist the Committee in its work, and to approve the consultant's fees and other retention terms.

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