

PEOPLES ENERGY CORPORATION

CODE OF BUSINESS CONDUCT AND ETHICS

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I. INTRODUCTION

THIS CODE APPLIES TO DIRECTORS, OFFICERS AND EMPLOYEES OF PEOPLES ENERGY CORPORATION AND ITS AFFILIATES.

Peoples Energy Corporation and its affiliates (collectively, the “Company”) place great emphasis on and value highly their reputation for integrity. We intend our business practices to meet the highest standards of ethics. Even though customs and practices may vary in different business environments, honesty and integrity must always be maintained in all of our business activities. In furtherance of our goal of attaining the highest standard of ethics, this Code of Business Conduct and Ethics presents a set of ethical standards for all directors, officers and employees of the Company.

The Code is divided into numbered sections. Section II defines certain terms which are used throughout the Code. Section III provides general guidelines which are broadly applicable to situations in which an ethical question may be raised. Sections IV through XIV address different types of situations and provide more specific guidelines regarding how to respond. Section XV deals with how to report violations of the Code. Section XVI deals with discipline for violating the Code. Section XVII deals with how the Code may be waived.

As a summary of principles, this Code does not include all the rules and regulations that apply to every situation. It is important to understand that the Code is more than just a set of rules—it is also an important resource which establishes the responsibilities, policies and guiding principles that will help you make the right and proper choices in the performance of your duties for the Company. When you apply the rules and principles of this Code, remember that you are accountable for your own actions. Integrity is a personal responsibility. You are never authorized to achieve any business objective of the Company through violations of laws, rules or regulations or other unethical behavior.

Laws, rules and regulations change from time to time and you are encouraged to obtain the most current information when considering a specific action. The Code is available on the Company’s website at www.peoplesenergy.com. Any questions regarding this Code should be directed to the Ethics Officer.

II. DEFINITIONS

In this Code “you” means any director, officer or employee of the Company; “we or “our” refer to the Company. The following terms will have the indicated meanings:

- A. The term "affiliate" of a specified company means any business entity that is controlling, controlled by or under common control with such specified company. For the purposes of this definition, the term control shall mean owning, controlling or holding the power to vote more than 50% of the outstanding securities of a business entity.
- B. The term “Code” means this Code of Business Conduct and Ethics, as amended from time to time.

- C. The term "Company" means Peoples Energy Corporation and its affiliates.
- D. The term "confidential Company information" means information, the use or disclosure of which would be contrary to the best interests of the Company.
- E. The term "director" means any member of the Board of Directors of Peoples Energy Corporation.
- F. The term "family" means any person residing in the same household as the employee or any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the employee, and shall include adoptive relationships.
- G. The term "officer" means any appointed or elected officer of the Company.

Additional terms relating to specific sections of this Code are defined or explained in those sections.

III. GENERAL GUIDELINES

You are expected to conform to the highest standards of ethical behavior. The success of the Company, while highly important to our stockholders and to you, should never be achieved through unethical behavior. The following general guidelines are intended as basic ethical standards to govern the actions of all directors, officers and employees.

- A. You must comply with all local, state and federal laws, including insider trading laws. (See Section XII for a discussion of insider trading.)
- B. The highest standards of ethics must govern all of your activities with customers, stockholders, government officials, vendors, co-workers and the public in general. You should never take advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.
- C. Even the appearance of impropriety is to be avoided, whenever possible.
- D. Conflicts of interest between your outside activities and your responsibilities to the Company are prohibited. (See Section V for a discussion of conflicts of interest.)
- E. You are responsible for knowing what behavior is unethical or for seeking clarification when necessary.
- F. You should encourage an ethical attitude among all directors, officers and employees.

IV. PAYMENTS AND RECEIPTS

- A. Neither you or any member of your family with your knowledge, shall pay, give

or authorize the payment or giving of anything of value, such as monies, guarantees of payment, gifts, loans, entertainment, travel and/or favors to persons and/or organizations (political or civic, domestic or foreign) with the intent of causing the recipient to influence any transaction for the benefit of the Company

- B. Neither you or any member of your family with your knowledge shall seek or accept, directly or indirectly, monies, other payments or guarantees of payment, gifts (other than those of a token nature), loans, services, entertainment, travel or any other benefit, from any person or organization doing business with, seeking to do business with or seeking advantage from the Company.
- C. Transactions not allowed include, but are not limited to, amounts received, payments made or commitments entered into, whether in the form of commissions, payments or fees for goods or services received or otherwise, with the understanding or under circumstances that would indicate that:
 - 1. Such transactions will result, either directly or through a third party, in kickbacks or other improper transactions;
 - 2. Such transactions are to be paid, in whole or in part, as a bribe to an official or employee of an organization (public, private or governmental); or
 - 3. Such transactions are approved for a purpose other than that described in the documents supporting the transaction.
- D. The giving and receiving of gifts, including meals, services or entertainment can be important and respectable ways of building and maintaining legitimate business relationships. However, in order to maintain trust and integrity with our business parties, it is important to be prudent when accepting or giving gifts. You should never accept or give a gift that is intended to influence, or appears to influence, a business decision.

V. CONFLICTS OF INTEREST

A conflict of interest occurs when your private interest interferes—or even appears to interfere—in any way with the interests of the Company. A conflict can arise when you take actions or have interests that may make it difficult to perform your duties for the Company objectively and effectively. A conflict can also arise when you, or a member of your family, receive improper personal benefits as a result of your position in the Company.

The Company expects complete honesty, loyalty, objectivity and unbiased judgment on your part in the performance of your job duties. These high standards cannot be met where you may obtain a personal gain or benefit, financial or otherwise, from a corporate transaction.

IF YOU HAVE ANY QUESTION ABOUT WHETHER A PERSONAL TRANSACTION OR RELATIONSHIP (SUCH AS OWNING OR OPERATING A BUSINESS) CREATES A CONFLICT OF INTEREST, YOU MUST DISCUSS THE MATTER WITH YOUR MANAGER AT YOUR EARLIEST OPPORTUNITY.

Transactions and relationships which give rise to a conflict of interest and which are not allowed include, but are not limited to, the following:

1. Investment or participation by you in non-Company activities if such investment or participation interferes with the Company's interest or welfare, your responsibilities or the effectiveness of your job performance.
2. Ownership of an interest, direct or indirect, or participation by you or any member of your family in a business entity that competes with the Company and over which you can exert influence or control.

For example, if you own or operate a business which provides services or goods similar to those of the Company, then you may be in competition with the Company and thus you may have a conflict of interest with the Company.

3. Service by you as an employee, officer or director of or consultant to any other organization, with or without remuneration, if such service interferes with your job responsibilities.
4. Service by you or a member of your family, with your knowledge, in any organization if such other organization is in direct competition with, or has an interest in conflict with, the Company.
5. The purchase, exchange or holding of an interest, by you or any individual over whom you are in a position to exert influence, in real estate, gas, oil, other mineral leases, royalties or overrides in direct competition with, or in anticipation of the sale or lease of such interest to, the Company.
6. Ownership of an interest or participation by you or any member of your family with your knowledge, in an entity that engages in gas brokerage or gas bill consultation involving the Company's customers.
7. Ownership of an interest or participation by you or any member of your family in any outside business entity that sells or is seeking to become a vendor of materials, supplies, equipment or services to the Company if you can influence relations, negotiations or dealings with that business entity.
8. Purchases by the Company of any materials, supplies, equipment or services from an entity in which you or any member of your family has a direct or indirect ownership interest or from any entity which financially affects you.

C. This Code is not intended to prohibit:

1. Ownership by you, or any member of your family, of shares or other securities that are widely held by numerous other investors and are publicly traded in recognized security markets, unless such ownership might tend to influence any decision you might make with respect to the Company.

2. Participation by you or any member of your family in any activity that might appear to represent a conflict of interest if a waiver is obtained for such activity in accordance with Section XVII of this Code.

VI. USE OR DISCLOSURE OF CONFIDENTIAL COMPANY INFORMATION

You have a duty to protect confidential Company information from improper or inadvertent disclosure. Such information should be disclosed within the Company only on a need-to-know basis, except when such disclosure is authorized or legally required. For example, the use of confidential Company information for personal gain, or the disclosure of such information to another person or entity for the gain of such person or entity. (See also Section XII for a discussion of insider trading.)

VII. RECORDING OF COMPANY DATA

- A. You shall not make or cause to be made any entry in the books or records of the Company that intentionally falsifies, obscures or disguises the true nature of the transaction underlying the entry.
- B. Failure to record or disclose funds or assets is not permitted.

VIII. USE OF COMPANY PROPERTY

- A. You have a duty to protect the Company's property and ensure its efficient use.
- B. You may not use Company property or your position at the Company for personal gain or for any other improper purpose.
- C. Company property must not be sold, loaned, disposed of or used for personal purposes, regardless of condition or value, except with proper authorization.
- D. You may not, for personal gain, take opportunities that rightfully belong to the Company: e.g., new business products, a new way to perform a task or new business opportunities.

IX. COMPANY NAME OR POSITION

You may not use the Company name or your position at the Company in order to influence outside entities for personal gain.

X. GUIDELINES REGARDING OFF-DUTY CONDUCT

As a general principle, the Company recognizes that what you do on your own time is your own business, and that the Company should not intrude in your private life by attempting to regulate your off-duty conduct. However, certain types of criminal conduct by you are extremely adverse to the Company's reputation for honesty and integrity, and/or to the trust

which must exist among the Company, its directors, officers and employees and its customers. Such conduct may constitute grounds for the termination of employment, even though the conduct occurs during off-duty hours.

The following paragraphs discuss the types of criminal conduct described above and provide an explanation as to why this is adverse to the Company's interests:

- A. Felonies involving assaults or batteries against another person, especially when a firearm or other dangerous weapon is used. Company personnel who engage in criminally violent behavior provoke fear in and constitute an undue risk to other Company personnel and the general public.
- B. Felonies involving sexually aggressive conduct toward another person, such as sexual assault and sexual molestation of a child. Criminal sexual behavior creates fears in Company personnel and the general public and presents undue risks to other Company personnel and the general public.
- C. Acts involving the dishonest taking of property, such as theft, embezzlement, fraud and robbery. The property of the Company, its employees and its customers cannot be exposed to any Company personnel who have acted dishonestly toward the property of others.
- D. Felonies involving the possession of illegal drugs or the sale of illegal drugs. The Company cannot take the risk that persons involved in drug trafficking may attempt to inject this activity into the work place.

Cases in which you are charged with or convicted of criminal conduct will be reviewed by the Company on a case-by-case basis to determine the applicability of these Guidelines. If you are charged with criminal conduct, you must promptly notify the Company and provide a copy of the charges unless it is clear that the criminal conduct is not among the types of criminal conduct covered by these Guidelines. Failure to give prompt notice when required will be grounds for the termination of employment.

If you are charged with criminal conduct, you may be placed on personal leave of absence, with or without pay, or may be transferred to a different position, pending the outcome of the criminal proceedings, all at the discretion of the Company. A final determination regarding your status will be made following the conclusion of the legal proceedings (not including any appeal). The Company is not bound by the outcome of the legal proceedings and reserves the right to base its determination on the substance of the conduct in which you are engaged, notwithstanding a dismissal of the charges (e.g., for technical reasons) or a plea bargain.

XI GUIDELINES REGARDING FRAUDULENT ACTIVITY

Fraud is the knowing misrepresentation of facts with the intent of obtaining an unfair

advantage or of inducing another to act or refrain from acting in reliance upon such misrepresentation.

Fraud can be very costly to employees, customers and the Company. Among other things, fraud can result in injury to the Company's business reputation, loss of assets, increased costs of doing business and poor employee morale. All directors, officers and employees should set a good example to persuade others to resist fraud. The following procedures and examples are intended to assist you if you suspect or detect fraudulent activity. However, this Section is not intended to be a complete compilation of all situations involving fraudulent behavior.

A. EMPLOYEE'S RESPONSIBILITY WHEN DEALING WITH SUSPECTED FRAUD

1. When you suspect fraudulent behavior, the employee should promptly contact either of the following: the Safety and Security Department (312-240-4635), the Internal Audit Department (312-240-7187) or any of the other areas listed in Section XV, Paragraphs A and B of this Code. The organizational level at which the fraud is suspected should be considered in determining whom to contact.
2. You should not conduct your own investigation of the suspected fraudulent behavior.
3. You should not withhold or conceal information, or give misleading information to those authorized to conduct an investigation in regard to suspected fraudulent activities.
4. Due to the sensitive nature of an investigation of fraudulent behavior, all information concerning such an investigation should be disclosed only to those authorized to conduct the investigation.

B. EXAMPLES OF FRAUD

1. Misappropriation of Company funds.
2. Intentional deliveries of materials by suppliers in quantities other than that invoiced.
3. Improper alteration or intentional misstatement of Company reports or other documents.
4. Falsification of information on applications or claims under any of the Company's benefit plans.
5. Improper alteration of account balances of a customer or vendor.

XII. INSIDER TRADING

All directors, officers and employees are expected to comply fully with federal and state securities laws with respect to the disclosure of material non-public information and with respect

to insider trading in securities of the Company or other entities. Federal and state securities laws prohibit insider trading. Insider trading may occur when you:

- Know material non-public information about the Company or any other entity, and
- Trade securities of the Company or other entity, such as stocks or bonds, while in possession of material non-public information or tell others about such information before it is made public.

“Material non-public information” is information that reasonably can be expected to affect the market value of an entity’s securities or to influence investor decisions respecting securities transactions. Such information may include, but is not limited to, financial and key business data; merger, acquisition, or divestiture discussions; award or cancellation of a major contract; changes in key management; sharp changes in earning patterns or forecasts of unanticipated financial results; significant litigation; and acquisition or loss of a substantial customer or supplier.

An “insider” includes directors and officers of an entity and anyone (such as an employee) who possesses material information about the entity’s affairs that has not been disclosed to the general public.

In addition, you must not give material non-public information to anyone not authorized to have that information, including other Company employees or family members or friends. If this information is subsequently used by the person to trade on securities, it is a violation of insider trading laws.

You are expected to be very careful when trading securities of the Company (including the Company securities in your retirement accounts) to make sure that the trades are not made while you are in possession of material non-public information. If you have questions about compliance with securities laws and regulations, you should contact the Ethics Officer. Here are the basic rules to remember:

- Don’t trade on information not available to the public.
- Don’t pass information along to others that give them an advantage in the financial marketplace.

Directors and officers must also comply with any other insider trading policies of the Company in addition to the provisions of this section.

XIII. CHIEF EXECUTIVE OFFICER AND SENIOR FINANCIAL OFFICERS

The Company believes that its chief executive officer and senior financial officers hold an important and elevated role in corporate governance insofar as they are uniquely positioned to ensure that all stakeholders’ interests are appropriately balanced, protected and preserved. This Section of the Code provides principles which the Company’s chief executive officer and senior

financial officers are expected to comply with and advocate in addition to the provisions stated elsewhere in this Code and any other applicable Company policies, procedures or guidelines. The term “senior financial officer” means the Company’s chief financial officer, its principal accounting officer or controller and persons performing similar functions for the Company.

The Company’s chief executive officer and senior financial officers will:

- Act at all times in an honest and ethical manner, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
- Provide full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company.
- Comply with applicable governmental laws, rules and regulations.
- Promptly report any violations of this Code in accordance with Section XV.
- Proactively promote and be an example of ethical behavior.
- Be responsible in their use and control of all assets and resources entrusted to them.

XIV. COMPLIANCE WITH REQUESTS FOR INFORMATION

- A. In order that proper assurance may be given to the Board of Directors of Peoples Energy Corporation, its stockholders, its independent auditors and others who have a right to be concerned with the subject matter of this Code, the officers of the Company may require you, as they deem appropriate, to provide either directly or through the independent auditors, information necessary to determine adherence to this Code.
- B. If you fail to respond to requests for information by the Company or its independent auditors, the submission of inaccurate responses, concealment of requested information or failure to terminate any activity that the Company believes interferes with your performance of your work obligations or is contrary to or conflicts with the Company's interest, can result in your dismissal from the Company.

XV. REPORTING OF VIOLATIONS

- A. You should promptly report any known or suspected violation of this Code to any of the following: the Safety and Security Department, Internal Audit Department, Ethics Officer.

You may also report a known or suspected violation of this Code anonymously by

calling the Company's hotline at 1-800-PEC-0399. This hotline is operated by an independent third party that the Company has retained.

- B. If a known or suspected violation of this Code is identified with a director or an officer of the Company, the matter shall be reported to the Lead Director or the Audit Committee of the Board of Directors.
- C. If you report a known or suspected violation of this Code and request confidentiality, the Company will honor such request, except where disclosure of your identity is required by law, rule or regulation or court order or where necessary in order for the Company to take appropriate disciplinary action in connection with the suspected violation.
- D. IN NO EVENT WILL THE COMPANY OR ANY COMPANY PERSONNEL TAKE OR THREATEN ANY ACTION AGAINST YOU AS A REPRISAL OR RETALIATION FOR MAKING A COMPLAINT OR DISCLOSING OR REPORTING INFORMATION IN GOOD FAITH. ANY PERSON WHO RETALIATES AGAINST YOU FOR MAKING A COMPLAINT OR DISCLOSING OR REPORTING INFORMATION IN GOOD FAITH WILL BE SUBJECT TO DISCIPLINARY ACTION UP TO AND INCLUDING TERMINATION OF EMPLOYMENT.

XVI. CONSEQUENCES OF VIOLATIONS

You are accountable and subject to disciplinary action, up to and including dismissal, for behavior in violation of this Code. (See also Section X for an additional discussion of consequences of violations of that Section of this Code.)

XVII. WAIVERS OF THE CODE

A waiver of any part of this Code must be approved by the Audit Committee.