

Corporate Governance Guidelines
of
Peoples Energy Corporation

October 11, 2005

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PEOPLES ENERGY CORPORATION CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of Peoples Energy Corporation (the “Company”) to assist the Board in the exercise of its responsibilities. The Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making at both the Board and management levels, with a view to enhancing stockholder value over the long term. These Guidelines are in addition to and are not intended to interpret Federal or state law or regulation, including the Illinois Business Corporation Act of 1983, or the certificate of incorporation or by-laws of the Company. The Guidelines are subject to modification from time to time by the Board.

A. THE BOARD OF DIRECTORS

1. *Size*

The Board has determined that a size of ten to fourteen members is appropriate for the Company. Under the Company’s by-laws, the number of members on the Board may be increased or decreased by resolution of the Board.

2. *Qualifications of Directors*

Candidates are selected for their character, leadership abilities, business judgement, occupational experience and perspective, and specific areas of expertise. At least a majority of Directors must meet the independence requirements of the New York Stock Exchange. The Board believes that it is appropriate that the CEO serve on the Board, and that it may also be appropriate for other members of the Company’s management to serve on the Board.

3. *Selection of Directors*

The Nominating-Governance Committee is responsible for identifying, evaluating, and recommending candidates for director positions. The Nominating-Governance Committee annually reviews the qualifications and performance of each incumbent Director in connection with nominations for reelection to the Board.

4. Expectations of Directors

Directors are expected to attend all or substantially all meetings of the Board and the committees on which they serve. Directors are expected to serve on one or two committees of the Board. Directors are also expected to spend the necessary time to discharge their responsibilities appropriately and to ensure that other commitments do not materially interfere with their responsibilities as members of the Board.

5. Term of Office and Tenure

Directors serve for one-year terms (or from appointment until the next annual meeting of shareholders). The Board will not nominate, to serve for another term, any non-management Director who has attained the age of 72, nor any Director who is or has been an officer of the Company after the person attains the age of 65 or retires as an officer. The person holding the office of CEO is required to retire from the Board at the same time that his or her service as CEO ends.

6. Significant Change in Occupation or Employment

A non-management Director who has experienced a significant change in his or her occupation or principal employment is required to promptly notify the Nominating-Governance Committee of the change. The Nominating-Governance Committee will determine whether to nominate such person to serve another term as a Director after the expiration of the Director's current term.

B. BOARD LEADERSHIP

1. Offices of Chairman of the Board and CEO

The Board believes that the Company is best served by having one person serve as Chairman of the Board and CEO. The person serving as Chairman of the Board and CEO acts as the link between the Board and the operating organization and provides critical leadership for the strategic objectives of the Company.

2. Lead Director

One of the Company's non-management Directors serves as the Lead Director. The Lead Director is chosen by nomination and vote of the non-management Directors. The Lead Director presides over regular meetings of non-management

directors and participates in the work of the Audit, Compensation, Nominating-Governance, Ad Hoc Legal and Oil and Natural Gas Committees as an *ex officio* member. The Lead Director serves temporarily as Chairman of the Board in the event the Chairman of the Board is unable to discharge his duties.

C. BOARD'S INTERACTION WITH INSTITUTIONAL INVESTORS, PRESS, CUSTOMERS AND OTHER AUDIENCES

The Board has designated management to speak for the Company. Directors should refer to management all inquiries from institutional investors, other shareholders, analysts, the media, governmental officials, or sellers of businesses or merger partners. This paragraph is not intended to discourage and does not prevent Directors from receiving complaints or concerns through the Global Compliance Services Inc. Alertline[®] call process.

D. BOARD COMPENSATION AND STOCK OWNERSHIP

1. Compensation

The Compensation Committee periodically reviews the form and amount of compensation for non-management Directors and makes recommendations to the Board as appropriate. The Compensation Committee is guided by three principles: Compensation should fairly pay Directors for their work; compensation should align Directors' interests with the long-term interests of shareholders; and the structure of Director compensation should be simple, transparent and easy for shareholders to understand. Directors who are employees of the Company are not compensated for their service as Directors.

2. Stock Ownership

The Board does not require a minimum level of stock ownership by a Director, but has a guideline that encourages all directors to accumulate a minimum ownership of shares or deferred shares. A copy of the Board's Stock Ownership Guidelines for Non-Management Directors is included as an appendix to these Guidelines.

E. BOARD MEETINGS

1. *Frequency and Attendance*

The Board meets a minimum of seven times a year. A special meeting of the Board may be called at any time by the Chairman of the Board, the Lead Director, or by any two Directors under a procedure set forth in the Company's by-laws. The Chairman of the Board, or in his absence the Lead Director, presides at all meetings of the Board. The CFO, the General Counsel and the Secretary are expected to attend all meetings of the Board, subject to the Board's decision to excuse one or more of these officers from all or portions of any meeting.

2. *Schedule and Agenda*

The Chairman of the Board, in consultation with the Lead Director and the General Counsel, prepares an annual schedule of meetings for the Board. The Chairman of the Board, in consultation with the Lead Director, the General Counsel, and the CFO, establishes a detailed agenda for each meeting. Other Directors may suggest the inclusion of any matter on a meeting agenda.

3. *Materials*

Insofar as practicable, materials relating to recommendations for action by the Board and information about the Company's business are made available to the Board for review before each meeting.

4. *Separate Sessions of Non-Management Directors*

Non-management Directors meet without management present either before or after most regular meetings of the Board. Any non-management Director may call for a session without management present if he or she deems it necessary or appropriate. In addition, the independent directors will meet in executive session at least once a year.

F. **BOARD ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS**

The Board encourages the Chairman of the Board to invite members of management to make presentations at Board meetings in order to provide insights into aspects of the Company's business and to provide such individuals with exposure to the Board for purposes of management development. Directors have access to members of management and to the information within the control of

management. The Board and its committees may seek legal or other expert advice from a source independent of management.

G. EVALUATION OF CEO PERFORMANCE AND MANAGEMENT SUCCESSION

The Compensation Committee annually evaluates the CEO's performance and, based on the evaluation, sets the CEO's compensation level, subject to approval by the non-management Directors. The Compensation Committee annually reviews succession plans for the CEO and other key officer positions.

H. BOARD'S OVERSIGHT OF BUSINESS STRATEGY, GOALS AND OBJECTIVES

The Board reviews annually the Company's business strategy and its corporate goals and objectives and monitors the Company's performance against the strategy, goals and objectives on an ongoing basis.

I. COMMITTEES OF THE BOARD

1. Committee Structure

The Board has three principal committees—Audit, Compensation, and Nominating-Governance, an Executive Committee and two special committees, the Ad Hoc Legal Committee and the Oil And Natural Gas Committee. The purposes and responsibilities of the Audit, Compensation, Nominating-Governance, Executive, Ad Hoc Legal and Oil And Natural Gas Committees are described in charters approved by the Board. The charters are included in these Guidelines as appendices. The Executive Committee has, in the recess of the Board, all powers of the Board except those powers which, under the laws of the State of Illinois, may not be exercised by the Executive Committee.

2. Chairs

The Board selects the chairs of the Audit, Compensation, Nominating-Governance, Ad Hoc Legal and Oil And Natural Gas Committees. The CEO chairs the Executive Committee. In addition, the Board may select the chair of any special committee.

3. *Membership of Principal Committees*

Each member of the Compensation and Nominating-Governance Committees must satisfy the independence requirements of the New York Stock Exchange. Membership of the Audit Committee must meet the independence, accounting, financial literacy and financial expertise requirements of applicable law, the New York Stock Exchange and other relevant listing authority. Members of these committees serve for a term of one year, all terms being subject to adjustment by the Board. The Nominating-Governance Committee annually reviews assignments to the principal committees and makes recommendations to the Board regarding such assignments for the ensuing calendar year.

4. *Meetings of Principal Committees*

Each of the principal committees typically meets at least four times per year. Only Directors who are members of a committee are entitled to vote on proposed actions by the committee. Directors who are not members of a committee may, upon request, receive agenda materials, attend any the committee's meetings and participate in discussion.

J. SELF-EVALUATION BY THE BOARD AND ITS COMMITTEES

The Nominating-Governance Committee oversees an annual self-evaluation of performance by the Board and by each of its principal Committees.

K. DIRECTOR ORIENTATION AND CONTINUING EDUCATION

Each new Director participates in an orientation program. The orientation program addresses the Company's strategic plans, significant risk exposures, compliance programs and the Company's Code of Business Conduct and Ethics, these Guidelines and may include interviews with the Company's executive management, internal auditors or independent auditors as well as one or more visits to the Company's headquarters or other operating sites or facilities. The Board encourages Directors to participate in continuing education programs at the Company's expense.

L. REVIEW OF CORPORATE GOVERNANCE GUIDELINES

The Nominating-Governance Committee annually reviews these Guidelines and recommends to the Board such revisions as the Committee deems appropriate.

APPENDIX A

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

Effective: December 2, 2005

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

I. Purpose

The Audit Committee shall assist the Board in its oversight of (1) the quality and integrity of the Company's financial statements, accounting, internal controls, and auditing; (2) the Company's compliance with legal and regulatory requirements; (3) the qualifications and independence of the independent auditor responsible for the annual financial audit ("Independent Auditor") and other independent public accountants; (4) the performance of the Company's internal audit function, the Independent Auditor and other independent public accountants; (5) the Company's Code of Business Conduct and Ethics; and (6) such other matters as the Chairman of the Audit Committee deems appropriate.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

II. Organization

A. Membership and Term

The Audit Committee shall comprise three or more directors. Each member of the Committee shall meet the independence and financial literacy requirements of the Sarbanes-Oxley Act of 2002, the New York Stock Exchange and other relevant listing authority. At least one member shall have accounting or related financial management expertise, as defined by the New York Stock Exchange. At least one member shall be an Audit Committee financial expert, as defined by the Securities and Exchange Commission.

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.

If any member serves on the audit committee of more than three public companies, the Board must determine that such simultaneous service will not impair the ability of the member to serve on this Committee.

B. Chairperson of the Audit 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 Audit Committee may delegate to one or more of its members the authority to grant pre-approvals of audit services and permitted non-audit services to be performed by the Independent Auditor. Any exercise of such delegated authority must be reported to the full Committee at its next scheduled meeting.

D. Meetings

The Committee shall meet as often as it determines necessary but at least quarterly.

III. Responsibilities

The Audit Committee shall have the following responsibilities:

A. General

1. Meet periodically with management, with the Independent Auditor and with the internal auditors in separate sessions.
2. Review important areas of risk for the focus of audits by the Independent Auditor, other independent public accountants or the internal auditors.
3. Have responsibility for the review of any material deviation from or failure to comply with any Company policy or procedure that comes to the attention of the Committee.
4. Concerning the relationship between the Independent Auditor and the internal auditors, (a) understand their division of responsibilities; (b) review the allocation of their work loads; and (c) facilitate full cooperation between them.
5. Review procedures for (a) the receipt, retention and treatment of complaints, questions and other information received by the Company regarding accounting, internal controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable matters related to accounting, auditing or internal control over financial reporting.
6. Review and recommend to the Board for approval the Company's Code of Business Conduct and Ethics for directors, officers and employees of the

Company; periodically review such code and recommend any proposed changes to the Board for approval.

7. Sole authority to retain and terminate outside legal, accounting or other advisors to the Committee, as appropriate, and to approve the advisor's fees and other retention terms.
8. The Committee shall receive appropriate funding, as determined by the Committee, from the Company for the payment of the Independent Auditor, any outside advisors retained by the Committee and ordinary administrative expenses of the Committee that are necessary or appropriate to carry out the Committee's duties.
9. Provide oversight of the Company's funding policy for its noncontributory defined benefit pension plans.
10. Annually evaluate the Committee's own performance in coordination with the annual performance evaluations conducted by other committees of the Board.
11. Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

B. Independent Auditor and Independent Public Accountants

1. Sole authority to retain, compensate, evaluate and replace the Independent Auditor and pre-approve all audit engagement fees and terms and all permitted non-audit engagements. The Committee shall consult with management but shall not delegate these responsibilities, except that pre-approvals of audit services and non-audit services may be delegated to one or more members of the Committee in accordance with Section II.C of this charter. The Committee shall be directly responsible for the oversight of the work of the Independent Auditor and for the resolution of disagreements between management and the Independent Auditor.
2. Evaluate the qualifications, performance and independence of the Independent Auditor, including a review and evaluation of the lead audit partner, taking into account the opinions of management and the Company's internal auditors.
3. At least annually, receive periodic reports from the Independent Auditor regarding the Independent Auditor's independence consistent with Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as may be modified or supplemented, discuss such reports with the Independent Auditor, and if so determined by the Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the Independent Auditor.

4. At least annually, obtain and review a report from the Independent Auditor describing (a) the firm's internal quality control procedures, (b) any material issues raised by the most recent quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the Independent Auditor and the Company.
5. Ensure that the lead audit partner of the Independent Auditor and the concurring review audit partner are rotated as required by law.
6. Review with the Independent Auditor any audit problems or difficulties the Independent Auditor encountered in the course of the audit work, including any restrictions on the scope of the Independent Auditor's activities or on access to requested information and any significant disagreements with management, and management's response, and other matters required to be discussed by generally accepted auditing standards.
7. Review policies for the Company's hiring of employees or former employees of the Independent Auditor.
8. Retain and terminate the independent public accountants who will perform annual audits of Company-sponsored benefit plans and trusts that are required to be audited under the Employee Retirement Income Security Act of 1974, as amended, and to approve such firm's fees and other retention terms and review the reports of such audits.
9. Review financial statements and reports of independent public accountants for non-consolidated joint ventures of the Company.

C. Internal Auditor

1. Ensure that the internal audit function is structured in a manner that achieves organizational independence and permits full and unrestricted access to senior management, this Committee and the Board.
2. Ensure full and unrestricted access by internal auditors to records, personnel, and property relevant to the performance of internal audits.
3. Review and approve the charter of the internal audit function.
4. Review and concur in the appointment, termination or other change of the internal audit director and provide input to management in the performance assessment and salary and bonus of the internal audit director.
5. Review and approve the internal audit function's annual audit plan, budget and staffing.

6. Assess the work performed by the internal auditors.
7. Review various auditing matters of importance, including matters relating to the Company's Code of Business Conduct and Ethics.
8. Annually review the business related expenses of all elected officers and certain appointed officers. The Chairperson of the Committee shall annually review and approve the business related expenses of the Chairman of the Board.

D. Independent Auditor and Company Management

1. Review and discuss with management and the Independent Auditor the Company's annual and quarterly financial statements, including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations.
2. Discuss the impact on the financial statements of new pronouncements and prospective changes in the accounting profession.
3. Review major changes to the Company's auditing and accounting principles and practices as suggested by the Independent Auditor, internal auditors or management.

E. Company Management

1. Review disclosures made by the Chief Executive Officer and the Chief Financial Officer in connection with their certification obligations under the Sarbanes-Oxley Act of 2002 and related regulations, the Company's disclosure controls and procedures and its internal control over financial reporting.
2. Discuss earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies.
3. Discuss with management the Company's guidelines and policies relating to risk assessment and risk management, its major financial risk exposures and the steps management has taken to monitor and control such exposures.
4. Review with management any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
5. Review Company management's response to problems or questions raised by the internal auditing department or the Independent Auditor regarding allegations of illegal acts and monitor that Company management takes timely

and appropriate remedial actions if advised of illegal acts that could have a material effect on the Company's financial statements.

6. As it deems necessary, review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies, and any material reports or inquiries received from regulators or governmental agencies.

F. SEC and Listing Authority Reporting Matters

1. Make recommendations to the Board regarding the audited financial statements to be included in the Company's annual report on Form 10-K for the prior fiscal year for filing with the Securities and Exchange Commission.
2. Prepare and approve the report of the Audit Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
3. Prepare any annual reports or the like required by the New York Stock Exchange or other relevant listing authority regarding the application of such listing authority's or authorities' standards regarding the Audit Committee.
4. Review any reports of the Independent Auditor mandated by Section 10A of the Securities Exchange Act of 1934, as amended, and obtain from the Independent Auditor any information with respect to illegal acts in accordance with Section 10A; notify the Securities and Exchange Commission of the Independent Auditor's conclusion within one business day after receipt of the report, and furnish the Independent Auditor with a copy of such notice.

G. Communication and Reporting to the Board

1. Report regularly to the Board.
2. Provide for a line of communication between the Board and both the Independent Auditor and the internal auditors.
3. Report to the Board on the results of the benefit plan and trust audits.

Effective: December 2, 2005

APPENDIX B

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

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.

Effective: December 2, 2005

APPENDIX C

**CHARTER OF THE NOMINATING-GOVERNANCE COMMITTEE
OF THE BOARD OF DIRECTORS
OF PEOPLES ENERGY CORPORATION**

Effective: February 27, 2004

**CHARTER OF THE
NOMINATING-GOVERNANCE COMMITTEE OF THE
BOARD OF DIRECTORS OF PEOPLES ENERGY CORPORATION**

I. Purpose

The Nominating-Governance Committee shall (1) develop criteria for selecting directors; (2) identify individuals qualified to become members of the Board of Directors and recommend director nominees for the next annual meeting of shareholders; (3) oversee the evaluation of the Board and executive management; (4) develop and recommend to the Board corporate governance guidelines applicable to the Company; and (5) advise the Board and management regarding public policy matters.

II. Organization

A. Membership and Term

The Nominating-Governance 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 Nominating-Governance 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.

D. Delegation of Authority

The Nominating-Governance 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. Nominating and Corporate Governance

1. Consider and make recommendations to the Board regarding criteria for selecting directors.
2. Consider and make recommendations to the Board of Directors regarding the size and composition of the Board.
3. Identify, evaluate and recommend individuals to stand as nominees for election as members of the Board at the annual meeting of shareholders and to fill vacancies on the Board created between meetings of shareholders by retirement, death, inability to serve, resignation, an increase in the number of members of the Board, or other reason.
4. Oversee the evaluation process of the Board and its committees and make recommendations to the Board as appropriate.
5. Develop and recommend to the Board corporate governance guidelines applicable to the Company; periodically review the adequacy of the corporate governance guidelines and recommend any proposed changes to the Board.

B. Public Policy

- 1) Review and prepare reports as necessary to the Board concerning major current public policy issues affecting the Company or the industry.
- 2) Consider and make recommendations to the Board regarding the Company's contributions program and budget; review and monitor corporate policy with respect to charitable and philanthropic giving.
- 3) Advise the Board and management on relevant issues dealing with such matters as customer, community and governmental relations, and opportunities for minorities and women in employment and in purchasing and contract bidding.

C. Other Matters

1. Establish stock ownership guidelines for non-management directors and monitor compliance by non-management directors with such guidelines.
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 search, legal or other consultant to the Committee to be used to assist the Committee, as needed, and to approve the consultant's fees and other retention terms.

Effective: February 27, 2004

APPENDIX D

**CHARTER OF THE EXECUTIVE COMMITTEE
OF THE BOARD OF DIRECTORS**

Effective: February 25, 2005

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

I. Purpose

The Executive Committee (“Committee”) shall perform such duties and oversee such matters as may be delegated to it by the Board of Directors of Peoples Energy Corporation (“Company”).

II. Powers

The Executive Committee shall, in the recess of the Board of Directors (“Board”), have all the powers of the Board that are delegated by it to the Committee, except those powers assigned by the Company’s By-Laws, by resolution of the Board or by committee charter approved by the Board to another standing committee and except to the extent limited in any respect by law or the Articles of Incorporation or By-Laws of the Company. No action or approval of the Executive Committee shall be effective unless approved or ratified by the Board.

III. Organization

A. Membership and Term

The Executive Committee shall be comprised of the Chairman, CEO and President of the Company, the Lead Director and such other Director as the Board may appoint. Each member shall serve for a term of one year. The Board shall have the power at any time to change the membership of the Committee.

B. Meetings

The Executive Committee shall meet as often as it deems necessary.

C. Chair and Vice Chair of the Executive Committee

The Chair of the Executive Committee shall be the Chairman, CEO and President of the Company and the Vice Chair shall be the Lead Director. In the absence of the Chair, the Vice Chair of the Committee shall preside.

D. Communication and Reporting to the Board of Directors

The Executive Committee shall report any actions taken to the full Board.

Effective: February 25, 2005

**CHARTER OF THE OIL AND NATURAL GAS COMMITTEE
OF THE BOARD OF DIRECTORS
OF PEOPLES ENERGY CORPORATION**

Effective: July 1, 2004

**CHARTER OF THE OIL AND NATURAL GAS COMMITTEE
OF THE BOARD OF DIRECTORS
OF PEOPLES ENERGY CORPORATION**

I. Purpose

The Oil And Natural Gas Committee shall assist the Board in its oversight of the Company's oil and gas production business segment and other matters that may be delegated by the Board to the Committee.

II. Organization

A. Membership and Term

The Oil And Natural Gas Committee shall comprise two or more directors. Each member shall be chosen by the Board to serve for a term of three years 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. Meetings

The Oil And Natural Gas Committee shall meet quarterly or as often as it determines necessary.

III. Responsibilities

The Oil And Natural Gas Committee shall attend quarterly and other meetings, as necessary, with the senior executives of the Company's oil and gas production business segment to inform themselves on operational, financial and strategic matters and from time to time report to the Board of Directors.

Effective: July 1, 2004

**CHARTER OF THE AD HOC LEGAL COMMITTEE
OF THE BOARD OF DIRECTORS
OF PEOPLES ENERGY CORPORATION**

Effective: June 2, 2005

**CHARTER OF THE AD HOC LEGAL COMMITTEE
OF THE BOARD OF DIRECTORS
OF PEOPLES ENERGY CORPORATION**

I. Purpose

The Ad Hoc Legal Committee (“Committee”) shall assist the Board in its oversight of the Company’s legal representation and legal strategy and perform such duties as may be delegated to it by the Board of Directors of Peoples Energy Corporation.

II. Organization

A. Membership and Term

The Ad Hoc Legal Committee shall be comprised of such Directors as the Board may appoint. Each member shall serve for a term of one year. The Board shall have the power at any time to change the membership of the Committee.

B. Meetings

The Ad Hoc Legal Committee shall meet as often as its members deem necessary.

C. Other Matters

1. The Ad Hoc Legal Committee shall report to the Board of Directors as soon as practicable after any Committee meeting.

2. The Ad Hoc Legal Committee shall have the sole authority to retain and terminate any legal or other consultant to the Committee to be used to assist the Committee in its work, and to approve the legal or other consultants’ fees and other retention terms.

Effective: June 2, 2005

APPENDIX G

Peoples Energy Corporation Stock Ownership Guideline For Non-Management Directors

It is important that the interests of non-management directors be aligned with the long-term interests of shareholders. Accordingly, each director is encouraged to own beneficially 5,000 shares of the Company's common stock and to accumulate the stated level of ownership within three years from the later of April 1, 2003 or the date of his or her initial election as director.

For purposes of this guideline, shares owned beneficially shall include shares held in joint tenancy, shares held in the Direct Purchase and Investment Plan, deferred shares under the Directors Stock and Option Plan, and share equivalents under the Directors Deferred Compensation Plan, but shall not include unexercised stock options granted under the Directors Stock and Option Plan.

The Nominating-Governance Committee shall be apprised annually of the number of shares owned beneficially by each director.

Adopted 4/01/03