GU608-16-AR

ANNUAL REPORT OF

NATURAL GAS UTILITIES

PEOPLES GAS SYSTEM

(EXACT NAME OF RESPONDENT)

702 N. Franklin Street

Tampa, Florida 33602

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2016

Officer or other person to whom correspondence should be addressed concerning this report:

Name Jeffrey S. Chronister	Title Controller	
Address P.O Box 2562	City Tampa	State FL 33601-2562
Telephone No. (813) 228-1609		PSC/AFD 020-G (12/03)

INSTRUCTIONS FOR FILING THE ANNUAL REPORT OF NATURAL GAS UTILITIES

GENERAL INSTRUCTIONS

I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.

II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.

III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.

IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.

V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.

VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.

VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.

VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

DEFINITIONS

I. Btu per cubic foot - The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec. ^{2}) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)

II. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent Peoples Gas System, a Division of Tampa Electric Company	02 Year of Report 2016
03 Previous Name and Date of Change (if name changed during year)	
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 702 N. Franklin Street Tampa, Florida 33602	
05 Name of Contact Person Jeffrey S. Chronister	06 Title of Contact Person Controller
07 Address of Contact Person (Street, City, State, Zip Code) P.O Box 2562 Tampa, Florida 33601-2562	
08 Telephone of Contact Person, Including Area Code (813) 228 - 1609	09 Date of Report (Mo., Day, Yr) Dec. 31, 2016

ATTESTATION

I certify that I am the responsible accounting officer of

Peoples Gas System ;

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2015 to December 31, 2015, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

I am aware that Section 837.06, Florida Statutes, provides:

> Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

______________________ **Signature**

______________________ **Date**

Jeffrey S. Chronister
Name

Controller
Title

ANNUAL REPORT OF NATURAL GAS UTILITIES

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[signature]	4/24/17
Signature	**Date**
Jeffrey S. Chronister	Controller
Name	**Title**

TABLE OF CONTENTS

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s).
2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

Peoples Gas System is a division of Tampa Electric Company, which is a wholly owned subsidiary of TECO Energy.

On July 1, 2016, TECO Energy and Emera completed the Merger contemplated by the Merger Agreement entered into on September 4, 2015. As a result of the Merger, the Merger Sub Company merged with and into TECO Energy with TECO Energy continuing as the surviving corporation and becoming a wholly owned indirect subsidiary of Emera. The acquisition method of accounting was not pushed down to TECO Energy or its subsidiaries, including TEC (PGS).

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.
4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

DEFINITIONS

1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
TECO Partners	Marketing Services	100%	

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

Title (a)	Name of Officer (b)	Salary for Year (c)
President Tampa Electric and Florida Operations	G. Gillette	$ 168,714
Senior Vice President Energy Delivery (partial year)	W. Whale	$ 20,709
Vice President Customer Care & Fuels Management (partial year)	B. Narzissenfeld	$ 54,703
Vice President State & Community Relations	C. Hinson	$ 36,390
President Peoples Gas System	T. Szelistowski	$ 300,349
Salary for the year shown represents the Peoples Gas System allocation of individual salaries.		

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.

2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
Peoples Gas System, as a division of Tampa Electric Company, has no Directors.			

Name of Respondent Peoples Gas System	For the Year Ended Dec. 31, 2016

SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not complied within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.
2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.
3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.
4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

	VOTING SECURITIES			
	Number of votes as of (date):			
Name (Title) and Address of Security Holder (a)	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities				
TOTAL number of security holders				
TOTAL votes of security holders listed below				
Peoples Gas System, as a division of Tampa Electric Company, has no outstanding shares of common stock. All outstanding shares of Tampa Electric Company common stock were held by its parent, TECO Energy, Inc. As disclosed on page 3, on July 1, 2016, TECO Energy and Emera completed the Merger contemplated by the Merger Agreement entered into on September 4, 2015. Therefore, TEC continues to be a wholly owned subsidiary of TECO Energy and became an indirect wholly owned subsidiary of Emera as of July 1, 2016. Pursuant to the Merger Agreement, upon the closing of the Merger, each issued and outstanding share of TECO Energy common stock was cancelled and converted automatically into the right to receive $27.55 in cash, without interest.				

IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.
1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.
2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.
3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.
4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

1 Please see the Merger with Emera Inc. section included in the Notes to the Financial Statements - page 11-V.
2 None
3 Per Order No. PSC-16-0201-PAA-GU, Clearwater Gas System and Peoples Gas System determined it desirable that Clearwater Gas provide natural gas service to additional Pasco County areas lying within a new subdivision, Asturia.
4 Please see the Commitments and Contingencies section of the included Notes to the Financial Statements - page 11-V and 11-W.
5 None

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	12	1,399,219,444	1,514,407,157
3	Construction Work in Progress (107)	12	32,173,445	27,484,715
4	TOTAL Utility Plant Total of lines 2 and 3)		1,431,392,889	1,541,891,872
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	668,596,875	691,618,215
6	Net Utility Plant (Total of line 4 less 5)		762,796,014	850,273,657
7	Utility Plant Adjustments (116)	11		
8	Gas Stored (117.1, 117.2, 117.3, 117.4)	-		
9	OTHER PROPERTY AND INVESTMENTS			
10	Nonutility Property (121)	-		
11	(Less) Accum. Prov. for Depr. and Amort. (122)	-		
12	Investments in Associated Companies (123)	-	1,550,191	1,676,408
13	Investment in Subsidiary Companies (123.1)	-		
14	Other Investments (124)	-		
15	Special Funds (125, 126, 128)	-		
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		1,550,191	1,676,408
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	4,118,325	2,842,485
19	Special Deposits (132-134)	-	25,000	25,000
20	Working Funds (135)	-	2,950	2,950
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	23,370,305	20,407,143
24	Other Accounts Receivable (143)	-	20,173,951	7,886,632
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	(849,690)	(113,419)
26	Notes Receivable from Associated Companies (145)	-	4,500,000	-
27	Accounts Receivable from Associated Companies (146)	-	1,457,299	503,313
28	Fuel Stock (151)	-		
29	Fuel Stock Expense Undistributed (152)	-		
30	Residuals (Electric) and Extracted Products (Gas) (153)	-		
31	Plant Material and Operating Supplies (154)	-	1,914,662	1,700,702
32	Merchandise (155)	-		
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-	158,626	376,420
36	Prepayments (165)	18	1,885,907	2,571,948
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	10,568,472	10,736,588
41	Miscellaneous Current and Accrued Assets (174)	-	-	1,989,240
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		67,325,807	48,929,002
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	1,240,554	1,143,428
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	88,101,087	68,195,766
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-		
50	Temporary Facilities (185)	-		
51	Miscellaneous Deferred Debits (186)	19	3,094,263	3,182,526
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20		
55	Accumulated Deferred Income Taxes (190)	24	38,423,222	47,861,884
56	Unrecovered Purchased Gas Costs (191)	-	4,817,531	(2,176,669)
57	TOTAL Deferred Debits (Total of lines 44 through 56)		135,676,657	118,206,935
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		967,348,669	1,019,086,002

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock (201, 202, 203, 205, 206, 207)	-		
3	Preferred Stock Issued (204)	-		
4	Other Paid-In Capital (208-214)	-	235,550,169	235,550,169
5	Retained Earnings (215, 216)	10	111,596,654	112,749,467
6	Other Comprehensive Income (219)		(1,088,525)	(826,510)
7	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	1,399,473	1,525,689
8	(Less) Reacquired Capital Stock (217)	-		
9	TOTAL Proprietary Capital (Total of lines 2 through 8)		347,457,771	348,998,815
10	LONG-TERM DEBT			
11	Bonds (221)	21		
12	(Less) Reacquired Bonds (222)	21		
13	Advances from Associated Companies (223)	21		
14	Other Long-Term Debt (224)	21	261,764,680	261,764,680
15	Unamortized Premium on Long-Term Debt (225)	21		
16	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21	(427,593)	(407,139)
17	TOTAL Long-Term Debt (Total of lines 11 through 16)		261,337,087	261,357,541
18	OTHER NONCURRENT LIABILITIES			
19	Obligations Under Capital Leases - Noncurrent (227)	-		
20	Accumulated Provision for Property Insurance (228.1)	-	378,542	333,019
21	Accumulated Provision for Injuries and Damages (228.2)	-	2,797,092	2,917,369
22	Accumulated Provision for Pensions and Benefits (228.3)	-	25,678,876	28,103,859
23	Accumulated Miscellaneous Operating Provisions (228.4)	-	116,639	47,680
24	Accumulated Provision for Rate Refunds (229)	-		
25	TOTAL Other Noncurrent Liabilities (Total of lines 19 through 24)		28,971,149	31,401,927
26	CURRENT AND ACCRUED LIABILITIES			
27	Notes Payable (231)	-	-	30,050,000
28	Accounts Payable (232)	-	23,441,337	30,523,948
29	Notes Payable to Associated Companies (233)	-		
30	Accounts Payable to Associated Companies (234)	-	8,403,205	8,167,329
31	Customer Deposits (235)	-	41,965,313	28,903,718
32	Taxes Accrued (236)	-	3,120,656	3,323,403
33	Interest Accrued (237)	-	1,626,905	1,610,349
34	Dividends Declared (238)	-		
35	Matured Long-Term Debt (239)	-		
36	Matured Interest (240)	-		
37	Tax Collections Payable (241)	-	673,853	650,854
38	Miscellaneous Current and Accrued Liabilities (242)	22	39,216,611	36,435,391
39	Obligations Under Capital Leases-Current (243)	-		
40	Derivative Liabilities (245)		6,345,955	-
41	TOTAL Current and Accrued Liabilities (Total of lines 27 through 40)		124,793,835	139,664,992
42	DEFERRED CREDITS			
43	Customer Advances for Construction (252)	-	11,625,386	12,639,678
44	Other Deferred Credits (253)	22	1,253,943	2,012,057
45	Other Regulatory Liabilities (254)	22	2,618,954	11,190,658
46	Accumulated Deferred Investment Tax Credits (255)	23		
47	Deferred Gains from Disposition of Utility Plant (256)	-		
48	Unamortized Gain on Reacquired Debt (257)	20		
49	Accumulated Deferred Income Taxes (281-283)	24	189,290,544	211,820,335
50	TOTAL Deferred Credits (Total of lines 43 through 49)		204,788,827	237,662,728
51	TOTAL Liabilities and Other Credits (Total of lines 9, 17, 25, 41 and 50)		967,348,669	1,019,086,003

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

STATEMENT OF INCOME

1. Use page 11 for important notes regarding the statement of income or any account thereof.
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

Line No.	Account (a)	Ref. Page No. (b)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	421,986,967	394,608,113
3	Operating Expenses			
4	Operation Expenses (401)	27-29	252,408,647	223,655,392
5	Maintenance Expenses (402)	27-29	10,603,598	10,261,108
6	Depreciation Expense (403)	15-16	41,388,825	54,137,912
7	Amortization & Depletion of Utility Plant (404-405)	-	1,843,270	1,765,463
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	149,146	149,146
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-		
10	Amortization of Conversion Expenses (407.2)	-		
11	Regulatory Debits (407.3)	-	18,676,240	4,547,540
12	(Less) Regulatory Credits (407.4)	-	(4,628,424)	(1,706,704)
13	Taxes Other Than Income Taxes (408.1)	23	36,312,795	35,344,618
14	Income Taxes - Federal (409.1)	-	6,030,024	2,146,056
15	- Other (409.1)	-	1,063,116	762,890
16	Provision for Deferred Income Taxes (410.1)	24	12,926,590	16,933,944
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24		
18	Investment Tax Credit Adjustment - Net (411.4)	23		
19	(Less) Gains from Disposition of Utility Plant (411.6)	-		
20	Losses from Disposition of Utility Plant (411.7)	-		
21	Other Operating Income (412-414)	-	630,976	
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		376,142,851	347,997,365
23	Net Utility Operating Income (Total of line 2 less 22)			
24	(Carry forward to page 9, line 25)		45,844,116	46,610,748

Name of Respondent

Peoples Gas System

For the Year Ended

Dec. 31, 2016

STATEMENT OF INCOME (Continued)

Line No.	Account (a)	Ref. Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 8)		45,844,116	46,610,748
26	**Other Income and Deductions**			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	13,169	10,322
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-	(50,700)	(54,597)
31	Revenues From Nonutility Operations (417)	-		
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-		
34	Equity in Earnings of Subsidiary Companies (418.1)	10	3,189,905	2,881,866
35	Interest and Dividend Income (419)	-	460,269	296,463
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-	959,782	692,482
38	Gain on Disposition of Property (421.1)	-	1,070,293	
39	TOTAL Other Income (Total of lines 29 through 38)		5,642,718	3,826,536
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)	-		
42	Miscellaneous Amortization (425)	33		
43	Miscellaneous Income Deductions (426.1-426.5)	33	1,589,551	478,214
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		1,589,551	478,214
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-	262,287	154,280
48	Income Taxes - Other (409.2)	-	43,615	25,655
49	Provision for Deferred Income Taxes (410.2)	24	(7)	
50	(Less) Provision for Deferred Income Taxes - Credit (411.2)	24		
51	Investment Tax Credit Adjustment - Net (411.5)	-		
52	(Less) Investment Tax Credits (420)	-		
53	TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)		305,895	179,935
54	Net Other Income and Deductions (Total of lines 39,44,53)		3,747,272	3,168,387
55	**Interest Charges**			
56	Interest on Long-Term Debt (427)	-	13,230,043	12,922,959
57	Amortization of Debt Discount and Expense (428)	21	544,140	545,407
58	Amortization of Loss on Reacquired Debt (428.1)	-		
59	(Less) Amortization of Premium on Debt - Credit (429)	21		
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-		
61	Interest on Debt to Associated Companies (430)	33		
62	Other Interest Expense (431)	33	956,600	1,045,499
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		14,730,783	14,513,865
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		34,860,605	35,265,270
66	**Extraordinary Items**			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	-		
71	Extraordinary Items After Taxes (Total of line 69 less line 70)			
72	Net Income (Total of lines 65 and 71)		34,860,605	35,265,270

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

STATEMENT OF RETAINED EARNINGS

1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
5. Show dividends for each class and series of capital stock.
6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)		
1	Balance - Beginning of Year		111,907,602
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit:		
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		31,670,700
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		33,581,575
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		3,189,904
15	FAS 133 Other Comprehensive Income		262,015
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		113,448,646
	APPROPRIATED RETAINED EARNINGS (Account 215)		
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		113,448,646

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

DEFINITIONS

Acronyms and defined terms used in this and other filings with the U.S. Securities and Exchange Commission include the following:

Term	Meaning
ABS	asset-backed security
ADR	American depository receipts
AFUDC	allowance for funds used during construction
AFUDC-debt	debt component of allowance for funds used during construction
AFUDC-equity	equity component of allowance for funds used during construction
AMT	alternative minimum tax
AOCI	accumulated other comprehensive income
APBO	accumulated postretirement benefit obligation
ARO	asset retirement obligation
BACT	Best Available Control Technology
CAIR	Clean Air Interstate Rule
CCRs	coal combustion residuals
CMO	collateralized mortgage obligation
CNG	compressed natural gas
CPI	consumer price index
CSAPR	Cross State Air Pollution Rule
CO_2	carbon dioxide
CT	combustion turbine
ECRC	environmental cost recovery clause
EEI	Edison Electric Institute
EGWP	Employee Group Waiver Plan
Emera	Emera Inc., a geographically diverse energy and services company headquartered in Nova Scotia, Canada
EPA	U.S. Environmental Protection Agency
ERISA	Employee Retirement Income Security Act
EROA	expected return on plan assets
EUSHI	Emera US Holdings Inc., a wholly owned subsidiary of Emera, which is the sole shareholder of TECO Energy's common stock
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
GHG	greenhouse gas(es)
HAFTA	Highway and Transportation Funding Act
HCIDA	Hillsborough County Industrial Development Authority
IGCC	integrated gasification combined-cycle
IOU	investor owned utility
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association
ITCs	investment tax credits
KW	kilowatt(s)
MAP-21	Moving Ahead for Progress in the 21st Century Act
MBS	mortgage-backed securities
MD&A	the section of this report entitled Management's Discussion and Analysis of Financial Condition and Results of Operations
Merger	Merger of Merger Sub Company with and into TECO Energy, with TECO Energy as the surviving corporation
MGP	manufactured gas plant
Merger Agreement	Agreement and Plan of Merger dated September 4, 2015, by and among TECO Energy, Emera and Merger Sub Company
Merger Sub Company	Emera US Inc., a Florida corporation
MMA	The Medicare Prescription Drug, Improvement and Modernization Act of 2003
MMBTU	one million British Thermal Units
MRV	market-related value
MW	megawatt(s)

Term	Meaning
MWH	megawatt-hour(s)
NAESB	North American Energy Standards Board
NAV	net asset value
Note	Note to consolidated financial statements
NO_x	nitrogen oxide
NPNS	normal purchase normal sale
NYMEX	New York Mercantile Exchange
O&M expenses	operations and maintenance expenses
OCI	other comprehensive income
OPC	Office of Public Counsel
OPEB	other postretirement benefits
OTC	over-the-counter
PBGC	Pension Benefit Guarantee Corporation
PBO	postretirement benefit obligation
PGA	purchased gas adjustment
PGS	Peoples Gas System, the gas division of Tampa Electric Company
PPA	power purchase agreement
PPSA	Power Plant Siting Act
PRP	potentially responsible party
R&D	research and development
REIT	real estate investment trust
RFP	request for proposal
ROE	return on common equity
Regulatory ROE	return on common equity as determined for regulatory purposes
ROW	rights-of-way
S&P	Standard and Poor's
SCR	selective catalytic reduction
SEC	U.S. Securities and Exchange Commission
SO_2	sulfur dioxide
SERP	Supplemental Executive Retirement Plan
STIF	short-term investment fund
Tampa Electric	Tampa Electric, the electric division of Tampa Electric Company
TEC	Tampa Electric Company
TECO Energy	TECO Energy, Inc., the direct parent company of Tampa Electric Company
TSI	TECO Services, Inc.
U.S. GAAP	generally accepted accounting principles in the United States
VIE	variable interest entity
WRERA	The Worker, Retiree and Employer Recovery Act of 2008

The accompanying financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published in accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). These requirements differ from GAAP related to (1) the presentation of long-term debt, (2) the presentation of deferred income taxes, (3) the presentation of certain income tax related regulatory assets and liabilities, (4) the presentation of transactions as operating or non-operating, (5) the presentation of accruals associated with cost of removal included within accumulated depreciation reserve, (6) the presentation of storm costs including storm and property insurance reserve and corresponding regulatory liability, (7) the presentation of derivatives, (8) the presentation of plant leased to others under capital leases, and (9) the presentation of current portions of regulatory assets and liabilities.

Tampa Electric Company's (TEC) Notes to the Financial Statements have been combined with People's Gas Systems (PGS) and are prepared in conformity with generally accepted accounting principles. Accordingly, certain footnotes are not reflective of PGS's Financial Statements contained herein.

TAMPA ELECTRIC COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Description of Business

TEC has two operating segments. Its Tampa Electric division provides retail electric services in West Central Florida, and PGS, the natural gas division of TEC, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. TEC's significant accounting policies are as follows:

Principles of Consolidation and Basis of Presentation

TEC maintains its accounts in accordance with recognized policies prescribed or permitted by the FPSC and the FERC. These policies conform with U.S. GAAP in all material respects. The use of estimates is inherent in the preparation of financial statements in accordance with U.S. GAAP. Actual results could differ from these estimates.

TEC is a wholly-owned subsidiary of TECO Energy, Inc. and contains electric and natural gas divisions. Intercompany balances and transactions within the divisions have been eliminated in consolidation.

On July 1, 2016, TECO Energy and Emera completed the Merger contemplated by the Merger Agreement entered into on September 4, 2015. As a result of the Merger, the Merger Sub Company merged with and into TECO Energy with TECO Energy continuing as the surviving corporation and becoming a wholly owned indirect subsidiary of Emera. The acquisition method of accounting was not pushed down to TECO Energy or its subsidiaries, including TEC. See **Note 8** for further information.

Cash Equivalents

Cash equivalents are highly liquid, high-quality investments purchased with an original maturity of three months or less. The carrying amount of cash equivalents approximated fair market value because of the short maturity of these instruments.

Property, Plant and Equipment

Property, plant and equipment is stated at original cost, which includes labor, material, applicable taxes, overhead and AFUDC. Concurrent with a planned major maintenance outage or with new construction, the cost of adding or replacing retirement units-of-property is capitalized in conformity with the regulations of FERC and FPSC. The cost of maintenance, repairs and replacement of minor items of property is expensed as incurred.

In general, when regulated depreciable property is retired or disposed, its original cost less salvage is charged to accumulated depreciation. For other property dispositions, the cost and accumulated depreciation are removed from the balance sheet and a gain or loss is recognized.

Property, plant and equipment consisted of the following assets:

(millions)	*Estimated Useful Lives*	*December 31, 2016*	*December 31, 2015*
Electric generation	15-56 years	$ 4,101.8	$ 4,046.5
Electric transmission	28-77 years	836.8	711.2
Electric distribution	14-56 years	2,331.4	2,221.3
Gas transmission and distribution	16-77 years	1,429.1	1,326.1
General plant and other	3-43 years	438.8	373.5
Total cost		9,137.9	8,678.6
Less accumulated depreciation		(2,826.1)	(2,676.8)
Construction work in progress		891.5	771.1
Total property, plant and equipment, net		$ 7,203.3	$ 6,772.9

Depreciation

The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 3.5%, 3.7% and 3.7% for 2016, 2015 and 2014, respectively. Construction work in progress is not depreciated until the asset is completed or placed in service. Total depreciation expense for the years ended December 31, 2016, 2015 and 2014 was $303.6 million, $306.0 million and $295.8 million, respectively. See **Note 3** for information regarding an agreement approved by the FPSC that, among other things, reduced PGS's annual depreciation expense by $16.1 million in 2016.

Tampa Electric and PGS compute depreciation and amortization using the following methods:

- the group remaining life method, approved by the FPSC, is applied to the average investment, adjusted for anticipated costs of removal less salvage, in functional classes of depreciable property;
- the amortizable life method, approved by the FPSC, is applied to the net book value to date over the remaining life of those assets not classified as depreciable property above.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant which represents the cost of borrowed funds and a reasonable return on other funds used for construction. The FPSC-approved rate used to calculate AFUDC is revised periodically to reflect significant changes in Tampa Electric's cost of capital. In 2016, 2015 and 2014, the rate was 6.46%. Total AFUDC for the years ended December 31, 2016, 2015 and 2014 was $35.6 million, $25.5 million and $15.6 million, respectively. The increase is a result of the construction of the Polk Power Station conversion project.

Inventory

TEC values materials, supplies and fossil fuel inventory (natural gas, coal and oil) using a weighted-average cost method. These materials, supplies and fuel inventories are carried at the lower of weighted-average cost or market, unless evidence indicates that the weighted-average cost will be recovered with a normal profit upon sale in the ordinary course of business.

Regulatory Assets and Liabilities

Tampa Electric and PGS are subject to accounting guidance for the effects of certain types of regulation (see **Note 3**). TEC's retail and wholesale businesses are regulated by the FPSC and FERC, respectively. Prices allowed by both agencies are generally based on recovery of prudent costs incurred plus a reasonable return on invested capital.

Deferred Income Taxes

TEC uses the asset and liability method in the measurement of deferred income taxes. Under the asset and liability method, the temporary differences between the financial statement and tax bases of assets and liabilities are reported as deferred taxes measured at current tax rates. Tampa Electric and PGS are regulated, and their books and records reflect approved regulatory treatment, including certain adjustments to accumulated deferred income taxes and the establishment of a corresponding regulatory tax liability reflecting the amount payable to customers through future rates.

Investment Tax Credits

ITCs have been recorded as deferred credits and are being amortized as reductions to income tax expense over the service lives of the related property.

Revenue Recognition

TEC recognizes revenues consistent with accounting standards for revenue recognition. Except as discussed below, TEC recognizes revenues on a gross basis when earned for the physical delivery of products or services and the risks and rewards of ownership have transferred to the buyer.

Tampa Electric's and PGS's retail businesses and the prices charged to customers are regulated by the FPSC. Tampa Electric's wholesale business is regulated by the FERC. See **Note 3** for a discussion of significant regulatory matters and the applicability of the accounting guidance for certain types of regulation to TEC.

The regulated utilities accrue base revenues for services rendered but unbilled to provide for matching of revenues and expenses (see **Note 3**). As of December 31, 2016 and 2015, unbilled revenues of $53.6 million and $53.7 million, respectively, are included in the "Receivables" line item on TEC's Consolidated Balance Sheets.

Revenues and Cost Recovery

Revenues include amounts resulting from cost-recovery clauses which provide for monthly billing charges to reflect increases or decreases in fuel, purchased power, conservation and environmental costs for Tampa Electric and purchased gas, interstate pipeline capacity and conservation costs for PGS. These adjustment factors are based on costs incurred and projected for a specific recovery period. Any over- or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as regulatory liabilities, and under-recoveries of costs are recorded as regulatory assets.

Certain other costs incurred by the regulated utilities are allowed to be recovered from customers through prices approved in the regulatory process. These costs are recognized as the associated revenues are billed.

Tampa Electric purchases power on a regular basis primarily to meet the needs of its retail customers. Tampa Electric purchased power from non-TECO Energy affiliates at a cost of $104.1 million, $78.9 million and $71.4 million, for the years ended December 31, 2016, 2015 and 2014, respectively. The prudently incurred purchased power costs at Tampa Electric have historically been recovered through an FPSC-approved cost-recovery clause.

Receivables and Allowance for Uncollectible Accounts

Receivables consist of services billed to residential, commercial, industrial and other customers. An allowance for uncollectible accounts is established based on TEC's collection experience. Circumstances that could affect Tampa Electric's and PGS's estimates of uncollectible receivables include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible.

Accounting for Franchise Fees and Gross Receipts Taxes

TEC is allowed to recover certain costs on a dollar-for-dollar basis incurred from customers through rates approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. Franchise fees and gross receipt taxes payable are included as an expense on the Consolidated Statements of Income in "Taxes, other than income". These amounts totaled $116.9 million, $116.9 million and $113.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Deferred Credits and Other Liabilities

Other deferred credits primarily include the accrued postretirement and pension liabilities (see **Note 5**), MGP environmental remediation liability (see **Note 9**), asset retirement obligations (see **Note 16**), and medical and general liability claims incurred but not reported.

TECO Energy and its subsidiaries, including TEC, have a self-insurance program supplemented by excess insurance coverage for the cost of claims whose ultimate value exceeds the company's retention amounts. TEC estimates its liabilities for auto, general and workers' compensation using discount rates mandated by statute or otherwise deemed appropriate for the circumstances. Discount rates used in estimating these other self-insurance liabilities at December 31, 2016 and 2015 ranged from 2.69% to 4.00% and 2.92% to 4.00%, respectively.

Cash Flows Related to Derivatives and Hedging Activities

TEC classifies cash inflows and outflows related to derivative and hedging instruments in the appropriate cash flow sections associated with the item being hedged. For natural gas, the cash inflows and outflows are included in the operating section of the Consolidated Statements of Cash Flows. For interest rate swaps that settle coincident with the debt issuance, the cash inflows and outflows are treated as premiums or discounts and included in the financing section of the Consolidated Statements of Cash Flows.

Reclassifications

Certain reclassifications were made to prior year amounts to conform to current period presentation. None of the reclassifications affected TEC's net income in any period. See **Note 2** for information regarding the reclassifications.

2. New Accounting Pronouncements

Change in Accounting Policy

The new U.S. GAAP accounting policies that are applicable to and were adopted by TEC are described as follows:

Interest – Imputation of Interest

In April 2015, the FASB issued Accounting Standard Update (ASU) 2015-03, *Interest – Imputation of Interest*, which simplifies the presentation of debt issuance costs. The amendments require debt issuance costs be presented on the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected. TEC adopted this standard in the first quarter of 2016, and December 31, 2015 balances have been retrospectively restated. This change resulted in $18.1 million of debt issuance costs as of December 31, 2015, previously presented as "Deferred charges and other assets", being reclassified as a deduction from the carrying amount of the related "Long-term debt, less amount due within one year" line item on its Consolidated Balance Sheet. In accordance with ASU 2015-15 *Interest: Imputation of Interest*, TEC continues to present debt issuance costs related to its letter of credit arrangements and related instruments in "Prepayments and other current assets" on its Consolidated Balance Sheets.

Derivatives and Hedging - Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships

In March 2016, the FASB issued ASU 2016-05, *Derivatives and Hedging Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships.* The standard clarifies that a change in the counterparty to a derivative contract, in and of itself, does not require the dedesignation of a hedging relationship provided that all other hedge accounting criteria continue to be met. TEC early adopted in 2016 as permitted.

Future Accounting Pronouncements

TEC considers the applicability and impact of all ASUs issued by FASB. The following updates have been issued by FASB but have not yet been adopted by TEC. Any ASUs not included below were assessed and determined to be either not applicable to TEC or to have minimal impact on the consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which creates a new principle-based revenue recognition framework, which has been codified as ASC Topic 606. The FASB issued amendments to ASC Topic 606 during 2016 to clarify certain implementation guidance and to reflect narrow scope improvements and practical expedients. The core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to. The guidance will require additional disclosures regarding the nature, amount, timing and uncertainty of revenue and related cash flows arising from contracts with customers. This guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017 and will allow for either full retrospective adoption or modified retrospective adoption. TEC will adopt this guidance effective January 1, 2018. TEC has implemented a project plan and is in the process of evaluating the impact of adoption of this standard on its consolidated financial statements and disclosures. This includes evaluating the available adoption methods, accounting for contributions in aid of construction and contract acquisition costs, and disclosure requirements. TEC is also monitoring the assessment of ASC Topic 606 by the AICPA Power and Utilities Revenue Recognition Task Force. While TEC does not currently expect the impact to be significant, the ultimate impact of the adoption of ASC Topic 606, and the method of adoption, has not yet been finalized.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities.* The standard provides guidance for the recognition, measurement, presentation and disclosure of financial assets and liabilities. TEC does not have equity investments or available-for-sale debt securities and it does not record financial liabilities under the fair value option. However, it is currently evaluating the impact of the adoption of this guidance on its financial statement disclosures. This guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases.* The standard, codified as ASC Topic 842, increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet for leases with terms of more than 12 months. Under the existing guidance, operating leases are not recorded as lease assets and lease liabilities on the balance sheet. The effect of leases on the Consolidated Statements of Income and the Consolidated Statements of Cash Flows is largely unchanged. The guidance will require additional disclosures regarding key information about leasing arrangements. This guidance is effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2018. Early adoption is permitted, and is required to be applied using a modified retrospective approach. TEC is currently evaluating the impact of adoption of this standard on its consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments.* The standard provides guidance regarding the measurement of credit losses for financial assets and certain other instruments that are not accounted for at fair value through net income, including trade and other receivables, debt securities, net investment in leases, and off-balance sheet credit exposures. The new guidance requires companies to replace the current incurred loss impairment methodology with a methodology that measures all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance expands the disclosure requirements regarding credit losses, including the credit loss methodology and credit quality indicators. This guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2019. Early adoption is permitted for annual reporting periods, including interim periods after December 15, 2018, and will be applied using a modified retrospective approach. TEC is currently evaluating the impact of adoption of this standard on its consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows.* The standard provides guidance regarding the classification of certain cash receipts and cash payments on the statement of cash flows, where specific guidance is provided for issues not previously addressed. This guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017, with early adoption permitted, and is required to be applied on a retrospective approach. TEC is currently evaluating the impact of adoption of this standard on its consolidated statement of cash flows.

Restricted Cash on the Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash on the Statement of Cash Flows.* The standard will require TEC to show the changes in total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. Transfers between cash and cash equivalents and restricted cash and restricted cash equivalents will no longer be presented in the statement of cash flows. This guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017, with early adoption permitted, and is required to be applied on a retrospective approach. To date, TEC does not have any restricted cash or restricted cash equivalents.

Clarifying the Definition of a Business

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business.* The standard provides guidance to assist entities with evaluating when a set of transferred assets and activities is a business. This guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017, with early adoption permitted, and is required to be applied prospectively.

3. Regulatory

Tampa Electric's retail business and PGS are regulated separately by the FPSC. Tampa Electric is also subject to regulation by the FERC. The FPSC has jurisdiction over rates, service, issuance of securities, safety, accounting and depreciation practices and other matters. In general, the FPSC sets rates based on a cost of service methodology which allows utilities to collect total revenues (revenue requirements) equal to their cost of providing service, plus a reasonable return on invested capital.

Base Rates-Tampa Electric

Tampa Electric's results for the past three years reflect the results of a Stipulation and Settlement Agreement entered into on September 6, 2013, between Tampa Electric and the intervenors in its Tampa Electric division base rate proceeding, which resolved all matters in Tampa Electric's 2013 base rate proceeding. On September 11, 2013, the FPSC unanimously voted to approve the stipulation and settlement agreement.

This agreement provided for the following revenue increases: $57.5 million effective November 1, 2013, an additional $7.5 million effective November 1, 2014, an additional $5.0 million effective November 1, 2015, and an additional $110.0 million effective the date that the expansion of Tampa Electric's Polk Power Station went into service, which was January 16, 2017. The agreement also provides that Tampa Electric's allowed regulatory ROE would be a mid-point of 10.25% with a range of plus or minus 1%, with a potential increase to 10.50% if U.S. Treasury bond yields exceed a specified threshold. The agreement provides that Tampa Electric cannot file for additional base rate increases to be effective sooner than January 1, 2018, unless its earned ROE were to fall below 9.25% (or 9.5% if the allowed ROE were increased as described above) before that time. If its earned ROE were to rise above 11.25% (or 11.5% if the allowed ROE were increased as described above) any party to the agreement other than Tampa Electric could seek a review of its base rates. Under the agreement, the allowed equity in the capital structure is 54% from investor sources of capital and Tampa Electric began using a 15-year amortization period for all computer software beginning on January 1, 2013.

Tampa Electric is also subject to regulation by the FERC in various respects, including wholesale power sales, certain wholesale power purchases, transmission and ancillary services and accounting practices.

Storm Damage Cost Recovery-Tampa Electric

Tampa Electric's storm reserve was $56.1 million at both December 31, 2016 and 2015. Prior to the above-mentioned stipulation and settlement agreement, Tampa Electric was accruing $8.0 million annually to an FPSC-approved self-insured storm damage reserve. Effective November 1, 2013, Tampa Electric ceased accruing for this storm damage reserve as a result of the 2013 rate case settlement. However, in the event of a named storm that results in damage to its system, Tampa Electric can petition the FPSC to seek recovery of those costs over a 12-month period or longer as determined by the FPSC, as well as replenish its reserve to $56.1 million, the level of the reserve as of October 31, 2013. As a result of several named storms including Tropical Storm Colin, Hurricane Hermine and Hurricane Matthew, Tampa Electric has incurred $8.6 million of storm costs in 2016. On January 31, 2017, Tampa Electric petitioned the FPSC to seek full recovery of those costs as a surcharge to customers during the five-month period ended December 31, 2017.

Base Rates-PGS

PGS's base rates were established in May 2009 and reflect an ROE of 10.75%, which is the middle of a range between 9.75% to 11.75%. The allowed equity in capital structure is 54.7% from all investor sources of capital.

On June 28, 2016, PGS filed its depreciation study with the FPSC seeking approval for new depreciation rates. After communications with the FPSC staff, on December 15, 2016, PGS and OPC filed a settlement with the FPSC agreeing to new depreciation rates that reduce annual depreciation expense by $16.1 million in 2016, accelerate the amortization of the regulatory asset associated with environmental remediation costs as described below, include obsolete plastic pipe replacements through the existing cast iron and bare steel replacement rider, and decrease the bottom of the ROE range from 9.75% to 9.25%. The new bottom of the range will remain until the earlier of new base rates established in PGS's next general base rate proceeding or December 31, 2020. The top of the range will continue to be 11.75%, and the ROE of 10.75% will continue to be used for the calculation of return on investment for clauses and riders. On February 7, 2017, the FPSC approved the settlement agreement. No change in customer rates resulted from this agreement.

As part of the settlement, PGS and OPC agreed that at least $32 million of PGS's regulatory asset associated with the environmental liability for current and future remediation costs related to former MGP sites, to the extent expenses are reasonably and prudently incurred, will be amortized over the period 2016 through 2020. At least $21 million will be amortized over a two-year recovery period beginning in 2016. In 2016, PGS recorded $16 million of this amortization expense. This additional amortization expense in 2016 was offset by the decrease in depreciation expense as discussed above with no impact to 2016 earnings.

Regulatory Assets and Liabilities

Tampa Electric and PGS apply the accounting standards for regulated operations. Areas of applicability include: revenue recognition resulting from cost-recovery clauses that provide for monthly billing charges to reflect increases or decreases in fuel, purchased power, conservation and environmental costs; the deferral of costs as regulatory assets to the period in which the regulatory agency recognizes them, when cost recovery is ordered over a period longer than a fiscal year; and the advance recovery of expenditures for approved costs such as future storm damage or the future removal of property. All regulatory assets are recovered through the regulatory process.

Details of the regulatory assets and liabilities as of December 31, 2016 and 2015 are presented in the following table:

Regulatory Assets and Liabilities

(millions)	*December 31, 2016*	*December 31, 2015*
Regulatory assets:		
Regulatory tax asset [1]	$ 85.6	$ 74.6
Cost-recovery clauses - deferred balances [2]	8.4	5.2
Cost-recovery clauses - offsets to derivative liabilities [2]	0.0	26.2
Environmental remediation [3]	36.9	54.0
Postretirement benefits [4]	272.0	238.3
Deferred bond refinancing costs [5]	5.7	6.5
Competitive rate adjustment [2]	2.7	2.6
Other	9.4	10.7
Total regulatory assets	420.7	418.1
Less: Current portion	28.1	44.3
Long-term regulatory assets	$ 392.6	$ 373.8
Regulatory liabilities:		
Regulatory tax liability	$ 6.2	$ 5.7
Cost-recovery clauses [2]	111.8	54.2
Transmission and delivery storm reserve	56.1	56.1
Accumulated reserve—cost of removal [6]	546.4	570.0
Other	24.3	0.7
Total regulatory liabilities	744.8	686.7
Less: Current portion	154.2	83.2
Long-term regulatory liabilities	$ 590.6	$ 603.5

(1) The regulatory tax asset is primarily associated with the depreciation and recovery of AFUDC-equity. This asset does not earn a return but rather is included in capital structure, which is used in the calculation of the weighted cost of capital used to determine revenue requirements. It will be recovered over the expected life of the related assets.

(2) These assets and liabilities are related to FPSC clauses and riders. They are recovered or refunded through cost-recovery mechanisms approved by the FPSC on a dollar-for-dollar basis in the next year. In the case of the regulatory asset related to derivative liabilities, recovery occurs in the year following the settlement of the derivative position.

(3) This asset is related to costs associated with environmental remediation primarily at MGP sites. The balance is included in rate base, partially offsetting the related liability, and earns a rate of return as permitted by the FPSC. The timing of recovery is based on a settlement agreement approved by the FPSC.

(4) This asset is related to the deferred costs of postretirement benefits and it is amortized over the remaining service life of plan participants. Deferred costs of postretirement benefits that are included in expense are recognized as cost of service for rate-making purposes as permitted by the FPSC.

(5) This asset represents the past costs associated with refinancing debt. It does not earn a return but rather is included in capital structure, which is used in the calculation of the weighted cost of capital used to determine revenue requirements. It will be amortized over the term of the related debt instruments.

(6) This item represents the non-ARO cost of removal in the accumulated reserve for depreciation. AROs are costs for legally required removal of property, plant and equipment. Non-ARO cost of removal represent estimated funds received from customers through depreciation rates to cover future non-legally required cost of removal of property, plant and equipment, net of salvage value upon retirement, which reduces rate base for ratemaking purposes. This liability is reduced as costs of removal are incurred.

4. Income Taxes

Income Tax Expense

Effective July 1, 2016 and due to the Merger with Emera, TEC is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. Prior to the Merger, TEC was included in the filing of a consolidated federal income tax return with TECO Energy and its subsidiaries. TEC's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with respective tax sharing agreements of TECO Energy and EUSHI. To the extent that TEC's cash tax positions are settled differently than the amount reported as realized under the tax sharing agreement, the difference is accounted for as either a capital contribution or a distribution.

In 2016, 2015 and 2014, TEC recorded net tax provisions of $152.2 million, $165.5 million and $155.9 million, respectively.

Income tax expense consists of the following components:

Income Tax Expense (Benefit)

(millions) *For the year ended December 31,*	*2016*		*2015*		*2014*	
Current income taxes						
Federal	$	52.7	$	38.2	$	54.8
State		11.8		8.4		8.9
Deferred income taxes						
Federal		75.7		102.9		79.0
State		11.0		14.5		13.5
Investment tax credits, net of amortization		1.0		1.5		(0.3)
Total income tax expense	$	152.2	$	165.5	$	155.9

For the three years presented, the overall effective tax rate differs from the 35% U.S. federal statutory rate as presented below:

Effective Income Tax Rate

(millions) *For the year ended December 31,*	*2016*		*2015*		*2014*	
Income before provision for income taxes	$	437.9	$	441.8	$	416.2
Federal statutory income tax rates		35%		35%		35%
Income taxes, at statutory income tax rate		153.3		154.6		145.7
Increase (decrease) due to						
State income tax, net of federal income tax		14.8		14.8		14.5
AFUDC-equity		(8.4)		(6.0)		(3.7)
Tax credits		(6.8)		0.0		0.0
Other		(0.7)		2.1		(0.6)
Total income tax expense on consolidated statements of income	$	152.2	$	165.5	$	155.9
Income tax expense as a percent of income from continuing operations, before income taxes		34.8%		37.5%		37.5%

Deferred Income Taxes

Deferred taxes result from temporary differences in the recognition of certain liabilities or assets for tax and financial reporting purposes. The principal components of TEC's deferred tax assets and liabilities recognized in the balance sheet are as follows:

(millions) *As of December 31,*	*2016*	*2015*
Deferred tax liabilities [1]		
Property related	$ 1,549.1	$ 1,431.9
Pension and postretirement benefits	105.0	92.0
Pension	69.2	71.1
Total deferred tax liabilities	1,723.3	1,595.0
Deferred tax assets [1]		
Loss and credit carryforwards [2]	91.3	80.0
Medical benefits	46.9	47.7
Insurance reserves	27.3	27.6
Pension and postretirement benefits	105.0	92.0
Capitalized energy conservation assistance costs	22.9	21.4
Other	23.3	17.5
Total deferred tax assets	316.7	286.2
Total deferred tax liability, net	$ 1,406.6	$ 1,308.8

(1) Certain property related assets and liabilities have been netted.

(2) Deferred tax assets for net operating loss and tax credit carryforwards have been reduced by unrecognized tax benefits of $6.8 million.

At December 31, 2016, TEC had cumulative unused federal and Florida NOLs for income tax purposes of $202.8 million and $272.6 million, respectively, expiring between 2033 and 2036. TEC has unused general business credits of $10.0 million, expiring between 2028 and 2036. As a result of the Merger with Emera, TECO Energy's NOLs and credits will be utilized by EUSHI, in accordance with the benefits-for-loss allocation which provide that tax attributes are utilized by the consolidated tax return group of EUSHI.

Unrecognized Tax Benefits

TEC accounts for uncertain tax positions as required by U.S. GAAP. This guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Authoritative guidance related to accounting for uncertainty in income taxes requires an enterprise to recognize in its financial statements the best estimate of the impact of a tax position by determining if the weight of the available evidence indicates that it is more likely than not, based solely on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals and litigation processes.

The following table provides details of the change in unrecognized tax benefits as follows:

(millions)	*2016*	*2015*	*2014*
Balance at January 1,	$ 0.0	$ 0.0	$ 0.0
Increases due to tax positions related to current year	6.8	0.0	0.0
Balance at December 31	$ 6.8	$ 0.0	$ 0.0

As of December 31, 2016 and 2015, TEC's uncertain tax positions were $6.8 million and zero, respectively, all of which was recorded as a reduction of deferred income tax assets for tax credit carryforwards. The increase was due to an uncertain tax position related to federal R&D tax credits. TEC believes that the total unrecognized tax benefits will decrease within the next twelve months due to the expected audit examination of TECO Energy's consolidated federal income tax return for the short tax year ending June 30, 2016. As of December 31, 2016, if recognized, $6.8 million of the unrecognized tax benefits would reduce TEC's effective tax rate.

TEC recognizes interest accruals related to uncertain tax positions in "Other income" or "Interest expense", as applicable, and penalties in "Operation and maintenance other expense" in the Consolidated Statements of Income. In 2016, 2015 and 2014, TEC did not recognize any pretax charges (benefits) for interest. Additionally, TEC did not have any accrued interest at December 31, 2016, 2015 and 2014. No amounts have been recorded for penalties.

Years 2015 and the short tax year ending June 30, 2016 are currently under examination by the IRS under its Compliance Assurance Program (CAP). Prior to July 1, 2016, TEC was included in a consolidated U.S. federal income tax return with TECO Energy and subsidiaries. Due to the Merger with Emera, TECO Energy is only able to participate in the CAP through its short tax year ending June 30, 2016. The U.S. federal statute of limitations remains open for the year 2013 and onward. Florida's statute of limitations is three years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by Florida's tax authorities include 2005 and forward as a result of TECO Energy's consolidated Florida net operating loss still being utilized.

5. Employee Postretirement Benefits

Pension Benefits

TEC is a participant in the comprehensive retirement plans of TECO Energy, including a qualified, non-contributory defined benefit retirement plan that covers substantially all employees. Benefits are based on the employees' age, years of service and final average earnings. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to TEC are presented. Otherwise, such amounts presented reflect the amount allocable to all participants of the TECO Energy retirement plans.

Amounts disclosed for pension benefits in the following tables and discussion also include the fully-funded obligations for the SERP, which is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management.

Other Postretirement Benefits

TECO Energy and its subsidiaries currently provide certain postretirement health care and life insurance benefits (Other Benefits) for most employees retiring after age 50 meeting certain service requirements. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to TEC are presented. Otherwise, such amounts presented reflect the amount allocable to all participants of the TECO Energy postretirement health care and life insurance plans. Postretirement benefit levels are substantially unrelated to salary. TECO Energy reserves the right to terminate or modify the plans in whole or in part at any time.

MMA added prescription drug coverage to Medicare, with a 28% tax-free subsidy to encourage employers to retain their prescription drug programs for retirees, along with other key provisions. TECO Energy's current retiree medical program for those eligible for Medicare (generally over age 65) includes coverage for prescription drugs. TECO Energy has determined that prescription drug benefits available to certain Medicare-eligible participants under its defined-dollar-benefit postretirement health care plan are at least "actuarially equivalent" to the standard drug benefits that are offered under Medicare Part D.

The FASB issued accounting guidance and disclosure requirements related to the MMA. The guidance requires (a) that the effects of the federal subsidy be considered an actuarial gain and recognized in the same manner as other actuarial gains and losses and (b) certain disclosures for employers that sponsor postretirement health care plans that provide prescription drug benefits.

In March 2010, the Patient Protection and Affordable Care Act and a companion bill, the Health Care and Education Reconciliation Act, collectively referred to as the Health Care Reform Acts, were signed into law. Among other things, both acts reduced the tax benefits available to an employer that receives the Medicare Part D subsidy, resulting in a write-off of any associated deferred tax asset. As a result, TEC reduced its deferred tax asset and recorded a corresponding regulatory asset in 2010. This amount was trued up in 2013. TEC is amortizing the regulatory asset over the remaining average service life at the time of 12 years. Additionally, the Health Care Reform Acts contain other provisions that may impact TECO Energy's obligation for retiree medical benefits. In particular, the Health Care Reform Acts include a provision that imposes an excise tax on certain high-cost plans beginning in 2018, whereby premiums paid over a prescribed threshold will be taxed at a 40% rate. TECO Energy and its affiliates do not currently believe the excise tax or other provisions of the Health Care Reform Acts will materially increase the PBO. TECO Energy will continue to monitor and assess the impact of the Health Care Reform Acts, including any clarifying regulations issued to address how the provisions are to be implemented, on its future results of operations, cash flows or financial position.

Effective January 1, 2013, TECO Energy implemented an EGWP for its post-65 retiree prescription drug plan. The EGWP is a private Medicare Part D plan designed to provide benefits that are at least equivalent to Medicare Part D. The EGWP reduces net periodic benefit cost by taking advantage of rebate and discount enhancements provided under the Health Care Reform Acts, which are greater than the subsidy payments previously received by TECO Energy under Medicare Part D for its post-65 retiree prescription drug plan. Effective January 1, 2015, TECO Energy changed its post-65 retiree coverage for medical benefits to a Medicare Advantage plan insured by Aetna. This will result in a lower claims cost by taking advantage of the government subsidies available for that plan.

Obligations and Funded Status

TEC recognizes in its statement of financial position the over-funded or under-funded status of its allocated portion of TECO Energy's postretirement benefit plans. This status is measured as the difference between the fair value of plan assets and the PBO in the case of its defined benefit plan, or the APBO in the case of its other postretirement benefit plan. Changes in the funded status are reflected, net of estimated tax benefits, in benefit liabilities and regulatory assets. The results of operations are not impacted.

The following table provides a detail of the change in TECO Energy's benefit obligations and change in plan assets for combined pension plans (pension benefits) and TECO Energy's Florida-based other postretirement benefit plan (other benefits).

TECO Energy Obligations and Funded Status *(millions)*	Pension Benefits		Other Benefits [(2)]	
	2016	*2015*	*2016*	*2015*
Change in benefit obligation				
Net benefit obligation at beginning of year	$ 732.9	$ 728.9	$ 172.3	$ 174.3
Service cost	18.8	20.9	1.8	1.9
Interest cost	30.8	30.3	7.4	7.0
Plan participants' contributions	0.0	0.0	2.6	2.1
Plan amendments	1.2	0.0	0.0	0.0
Plan curtailment	1.3	0.0	0.0	0.0
Plan settlement	(2.1)	0.0	0.0	0.0
Benefits paid	(69.5)	(53.0)	(13.9)	(13.4)
Actuarial loss (gain)	56.3	5.8	5.0	0.4
Net benefit obligation at end of year	$ 769.7	$ 732.9	$ 175.2	$ 172.3
Change in plan assets				
Fair value of plan assets at beginning of year	$ 625.4	$ 648.0	$ 0.0	$ 0.0
Actual return on plan assets	55.3	(25.5)	0.0	0.0
Employer contributions	37.4	55.0	(2.6)	(2.1)
Employer direct benefit payments	2.9	0.9	13.9	13.4
Plan participants' contributions	0.0	0.0	2.6	2.1
Plan settlement	(2.1)	0.0	0.0	0.0
Benefits paid	(68.7)	(53.0)	(13.9)	(13.4)
Direct benefit payments	(0.8)	0.0	0.0	0.0
Fair value of plan assets at end of year [(1)]	$ 649.4	$ 625.4	$ 0.0	$ 0.0

(1) The MRV of plan assets is used as the basis for calculating the EROA component of periodic pension expense. MRV reflects the fair value of plan assets adjusted for experience gains and losses (i.e. the differences between actual investment returns and expected returns) spread over five years.
(2) Represent amounts for TECO Energy's Florida-based other postretirement benefit plan.

At December 31, the aggregate financial position for TECO Energy pension plans and Florida-based other postretirement plans with benefit obligations in excess of plan assets was as follows:

TECO Energy Funded Status *(millions)*	**Pension Benefits**		**Other Benefits [(1)]**	
	2016	*2015*	*2016*	*2015*
Benefit obligation (PBO/APBO)	$ 769.7	$ 732.9	$ 175.2	$ 172.3
Less: Fair value of plan assets	649.4	625.4	0.0	0.0
Funded status at end of year	$ (120.3)	$ (107.5)	$ (175.2)	$ (172.3)

(1) Represent amounts for TECO Energy's Florida-based other postretirement benefit plan.

The accumulated benefit obligation for TECO Energy consolidated defined benefit pension plans was $723.9 million at December 31, 2016 and $686.9 million at December 31, 2015.

The amounts recognized in TEC's Consolidated Balance Sheets for pension and other postretirement benefit obligations and plan assets at December 31 were as follows:

TEC **Amounts recognized in balance sheet** *(millions)*	**Pension Benefits** *2016*	*2015*	**Other Benefits** *2016*	*2015*
Accrued benefit costs and other current liabilities	$ (0.7)	$ (0.6)	$ (9.5)	$ (9.2)
Deferred credits and other liabilities	(80.0)	(69.3)	(138.8)	(142.3)
	$ (80.7)	$ (69.9)	$ (148.3)	$ (151.5)

Unrecognized gains and losses and prior service credits and costs are recorded in regulatory assets for TEC. The following table provides a detail of the unrecognized gains and losses and prior service credits and costs.

TEC **Amounts recognized in regulatory assets** *(millions)*	**Pension Benefits** *2016*	*2015*	**Other Benefits** *2016*	*2015*
Net actuarial loss (gain)	$ 236.1	$ 208.2	$ 50.5	$ 47.2
Prior service cost (credit)	0.7	0.0	(15.1)	(17.0)
Amount recognized	$ 236.8	$ 208.2	$ 35.4	$ 30.2

Assumptions used to determine benefit obligations at December 31:

	Pension Benefits *2016*	*2015*	**Other Benefits** *2016*	*2015*
Discount rate	4.11%	4.688%	4.28%	4.667%
Rate of compensation increase-weighted average	2.57%	3.87%	2.48%	2.50%
Healthcare cost trend rate				
Immediate rate	n/a	n/a	6.83%	7.05%
Ultimate rate	n/a	n/a	4.50%	4.50%
Year rate reaches ultimate	n/a	n/a	2038	2038

A one-percentage-point change in assumed health care cost trend rates would have the following effect on TEC's benefit obligation:

(millions)	**1% Increase**	**1 % Decrease**
Effect on PBO	$ 4.9	$ (4.2)

The discount rate assumption used to determine the December 31, 2016 benefit obligation was based on a cash flow matching technique that matches yields from high-quality (AA-rated, non-callable) corporate bonds to TECO Energy's projected cash flows for the plans to develop a present value that is converted to a discount rate assumption. The discount rate assumption used to determine the December 31, 2015 benefit obligation was based on a cash flow matching technique developed by outside actuaries and a review of current economic conditions. This technique constructed hypothetical bond portfolios using high-quality (AA or better by S&P) corporate bonds available from the Barclays Capital database at the measurement date to meet the plan's year-by-year projected cash flows. The technique calculated all possible bond portfolios that produce adequate cash flows to pay the yearly benefits and then selected the portfolio with the highest yield and used that yield as the recommended discount rate. The change in the discount rate approach was a result of the Merger and done to align methodologies with Emera. The change in discount rate resulting from the different methodology used to select a discount rate did not have a material impact on TEC's financial statements and provides consistency with Emera's method for selecting a discount rate.

Amounts recognized in Net Periodic Benefit Cost, OCI and Regulatory Assets

TECO Energy	Pension Benefits			Other Benefits [1]		
	2016	*2015*	*2014*	*2016*	*2015*	*2014*
(millions)						
Service cost	$ 18.8	$ 20.9	$ 18.3	$ 1.8	$ 1.9	$ 2.4
Interest cost	30.8	30.3	32.0	7.4	7.0	10.4
Expected return on plan assets	(45.8)	(43.3)	(41.8)	0.0	0.0	0.0
Amortization, settlement, or curtailment of:						
Actuarial loss	16.4	15.1	13.5	0.2	0.0	0.2
Prior service (benefit) cost	0.3	(0.2)	(0.4)	(2.4)	(2.4)	(0.2)
Curtailment loss (gain)	1.3	0.0	3.9	0.0	0.0	(0.2)
Special termination benefit	0.0	0.0	0.2	0.0	0.0	0.0
Settlement loss	0.6	0.0	0.0	0.0	0.0	0.0
Net periodic benefit cost	$ 22.4	$ 22.8	$ 25.7	$ 7.0	$ 6.5	$ 12.6
New prior service cost	$ 1.3	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ (23.2)
Net loss (gain) arising during the year	46.8	74.5	44.1	5.0	0.4	(10.1)
Amounts recognized as component of net periodic benefit cost:						
Amortization or curtailment recognition of prior service (benefit) cost	(0.3)	0.2	0.4	2.4	2.5	0.3
Amortization or settlement of actuarial gain (loss)	(17.1)	(15.1)	(13.5)	(0.2)	0.0	(0.2)
Total recognized in OCI and regulatory assets	$ 30.7	$ 59.6	$ 31.0	$ 7.2	$ 2.9	$ (33.2)
Total recognized in net periodic benefit cost, OCI and regulatory assets	$ 53.1	$ 82.4	$ 56.7	$ 14.2	$ 9.4	$ (20.6)

(1) Represent amounts for TECO Energy's Florida-based other postretirement benefit plan.

TEC's portion of the net periodic benefit costs for pension benefits was $13.3 million, $13.5 million and $14.8 million for 2016, 2015 and 2014, respectively. TEC's portion of the net periodic benefit costs for other benefits was $6.4 million, $5.7 million and $10.4 million for 2016, 2015 and 2014, respectively.

The estimated net loss for the defined benefit pension plans that will be amortized by TEC from regulatory assets into net periodic benefit cost over the next fiscal year is $12.7 million. There will be an estimated $1.8 million prior service credit that will be amortized from regulatory assets into net periodic benefit cost in 2017 for the other postretirement benefit plan.

TEC's postretirement benefit plans were not explicitly impacted by the Merger. However, as a result of the Merger, TECO Energy remeasured its postretirement benefits plans on the Merger effective date, July 1, 2016. As a result of the remeasurements, TEC's net periodic benefit cost increased by $1.0 million for pension benefits and $0.4 million for other postretirement plan benefits for the six months ended December 31, 2016. Additionally, a curtailment loss for the SERP of $1.3 million was recognized by TECO Energy in 2016 as a result of retirements due to the Merger. TEC was not impacted by the curtailment loss.

Assumptions used to determine net periodic benefit cost for years ended December 31:

	Pension Benefits			Other Benefits		
	2016	*2015*	*2014* [1]	*2016*	*2015*	*2014*
Discount rate	4.688%	4.258%	5.118%/4.277%/4.331%	4.667%/3.85%	4.206%	5.096%
Expected long-term return on plan assets	7.00%	7.00%	7.25%/7.00%/7.00%	N/A	N/A	N/A
Rate of compensation increase	2.59%	3.87%	3.73%	2.50%	3.86%	3.71%
Healthcare cost trend rate						
Initial rate	n/a	n/a	n/a	7.05%	7.00%	7.25%
Ultimate rate	n/a	n/a	n/a	4.50%	4.50%	4.50%
Year rate reaches ultimate	n/a	n/a	n/a	2038	2025	2025

(1) TECO Energy performed a valuation as of January 1, 2014. TECO Energy remeasured its Retirement Plan on September 2, 2014 for the acquisition of NMGC and on October 31, 2014 for the expected curtailment of TECO Coal, resulting in the respective updated discount rates and EROAs.

The discount rate assumption used to determine the benefit cost from the Merger date to December 31, 2016 was based on a cash flow matching technique that matches yields from high-quality (AA-rated, non-callable) corporate bonds to TECO Energy's projected cash flows for the plans to develop a present value that is converted to a discount rate assumption. The discount rate assumption used to determine the January 1, 2016 through June 30, 2016 and the 2015 benefit cost was based on a cash flow matching technique developed by outside actuaries and a review of current economic conditions. This technique constructed hypothetical bond portfolios using high-quality (AA or better by S&P) corporate bonds available from the Barclays Capital database at the measurement date to meet the plan's year-by-year projected cash flows. The technique calculated all possible bond portfolios that produce adequate cash flows to pay the yearly benefits and then selected the portfolio with the highest yield and uses that yield as the recommended discount rate. The change in the discount rate approach was a result of the Merger and done to align methodologies with Emera. The change in discount rate resulting from the different methodology used to select a discount rate did not have a material impact on TEC's financial statements and provides consistency with Emera's method for selecting a discount rate.

The expected return on assets assumption was based on historical returns, fixed income spreads and equity premiums consistent with the portfolio and asset allocation. A change in asset allocations could have a significant impact on the expected return on assets. Additionally, expectations of long-term inflation, real growth in the economy and a provision for active management and expenses paid were incorporated in the assumption. For the year ended December 31, 2016, TECO Energy's pension plan's assets increased approximately 9.2%.

The compensation increase assumption was based on the same underlying expectation of long-term inflation together with assumptions regarding real growth in wages and company-specific merit and promotion increases.

A one-percentage-point change in assumed health care cost trend rates would have the following effect on TEC's expense:

(millions)	**1% Increase**	**1% Decrease**
Effect on net periodic benefit cost	$ 0.2	$ (0.2)

Pension Plan Assets

Pension plan assets (plan assets) are invested in a mix of equity and fixed income securities. TECO Energy's investment objective is to obtain above-average returns while minimizing volatility of expected returns and funding requirements over the long term. TECO Energy's strategy is to hire proven managers and allocate assets to reflect a mix of investment styles, emphasize preservation of principal to minimize the impact of declining markets, and stay fully invested except for cash to meet benefit payment obligations and plan expenses.

TECO Energy	**2016 Target Allocation**	**Actual Allocation, End of Year**	
Asset Category		*2016*	*2015*
Equity securities	52%-58%	56%	53%
Fixed income securities	42%-48%	44%	47%
Total	100%	100%	100%

TECO Energy reviews the plan's asset allocation periodically and re-balances the investment mix to maximize asset returns, optimize the matching of investment yields with the plan's expected benefit obligations, and minimize pension cost and funding. TECO Energy, Inc. expects to take additional steps to more closely match plan assets with plan liabilities.

The plan's investments are held by a trust fund administered by JP Morgan Chase Bank, N.A. (JP Morgan). Investments are valued using quoted market prices on an exchange when available. Such investments are classified Level 1. In some cases where a market exchange price is available but the investments are traded in a secondary market, acceptable practical expedients are used to calculate fair value.

If observable transactions and other market data are not available, fair value is based upon third-party developed models that use, when available, current market-based or independently-sourced market parameters such as interest rates, currency rates or option volatilities. Items valued using third-party generated models are classified according to the lowest level input or value driver that is most significant to the valuation. Thus, an item may be classified in Level 3 even though there may be significant inputs that are readily observable.

As required by the fair value accounting standards, the investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The plan's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For cash equivalents, the cost approach was used in determining fair value. For bonds and U.S. government agencies, the income approach was used. For other investments, the market approach was used. The following table sets forth by level within the fair value hierarchy the plan's investments as of December 31, 2016 and 2015.

Pension Plan Investments

TECO Energy *(millions)*	At Fair Value as of December 31, 2016				
	Level 1	**Level 2**	**Level 3**	**NAV (1)**	**Total**
Cash	$ 2.1	$ 0.0	$ 0.0	$ 0.0	$ 2.1
Accounts receivable	27.4	0.0	0.0	0.0	27.4
Accounts payable	(58.9)	0.0	0.0	0.0	(58.9)
Cash collateral	1.0	0.0	0.0	0.0	1.0
Short-term investment funds (STIFs)	11.6	0.0	0.0	0.0	11.6
Common stocks	44.0	0.0	0.0	0.0	44.0
Real estate investment trusts (REITs)	3.4	0.0	0.0	0.0	3.4
Mutual funds	181.1	0.0	0.0	0.0	181.1
Municipal bonds	0.0	2.6	0.0	0.0	2.6
Government bonds	0.0	32.2	0.0	0.0	32.2
Corporate bonds	0.0	39.2	0.0	0.0	39.2
Asset backed securities (ABS)	0.0	0.3	0.0	0.0	0.3
Mortgage-backed securities (MBS)	0.0	8.4	0.0	0.0	8.4
Collateralized mortgage obligations (CMOs)	0.0	1.3	0.0	0.0	1.3
Swaps	0.0	1.0	0.0	0.0	1.0
Purchase options (swaptions)	0.0	1.7	0.0	0.0	1.7
Written options (swaptions)	0.0	(2.0)	0.0	0.0	(2.0)
Miscellaneous (open position)	0.0	0.1	0.0	0.0	0.1
Investments not utilizing the practical expedient	211.7	84.8	0.0	0.0	296.5
Mutual fund (1)	0.0	0.0	0.0	82.7	82.7
Common and collective trusts (1)	0.0	0.0	0.0	270.2	270.2
Total investments	$ 211.7	$ 84.8	0.0	$ 352.9	$ 649.4

(1) In accordance with accounting standards, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheet.

TECO Energy *(millions)*	At Fair Value as of December 31, 2015				
	Level 1	**Level 2**	**Level 3**	**NAV [1]**	**Total**
Cash	$ 1.9	$ 0.0	$ 0.0	$ 0.0	$ 1.9
Accounts receivable	14.3	0.0	0.0	0.0	14.3
Accounts payable	(27.2)	0.0	0.0	0.0	(27.2)
Money markets	0.0	0.2	0.0	0.0	0.2
Discounted notes	0.0	0.7	0.0	0.0	0.7
STIFs	12.4 [2]	0.0	0.0	0.0	12.4
Common stocks	90.9	0.0	0.0	0.0	90.9
ADRs	5.7	0.0	0.0	0.0	5.7
REITs	4.8	0.0	0.0	0.0	4.8
Mutual funds	175.6 [2]	0.0	0.0	0.0	175.6
Municipal bonds	0.0	5.0	0.0	0.0	5.0
Government bonds	0.0	56.2	0.0	0.0	56.2
Corporate bonds	0.0	32.2	0.0	0.0	32.2
ABS	0.0	0.3	0.0	0.0	0.3
MBS, net short sales	0.0	8.7	0.0	0.0	8.7
CMOs	0.0	1.5	0.0	0.0	1.5
Purchased options (swaptions)	0.0	1.1	0.0	0.0	1.1
Miscellaneous	0.0	0.1	0.0	0.0	0.1
Long futures	0.0	(0.9)	0.0	0.0	(0.9)
Written options (swaptions)	0.0	(1.0)	0.0	0.0	(1.0)
Investments not utilizing the practical expedient	278.4	104.1	0.0	0.0	382.5
Common and collective trusts [1]	0.0	0.0	0.0	171.6 [2]	171.6
Mutual fund [1]	0.0	0.0	0.0	71.3	71.3
Total investments	$ 278.4	$ 104.1	$ 0.0	$ 242.9	$ 625.4

(1) In accordance with accounting standards, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheet.

(2) STIFs and mutual funds were presented in the prior year as using NAV as a practical expedient in the determination of fair value. Common and collective trust investments of $53.7 million were presented in the prior year in the level 2 column. The presentation has been updated based on additional information that became available in 2016.

The following list details the pricing inputs and methodologies used to value the investments in the pension plan:

- Cash collateral is valued at cash posted due to its short-term nature.
- The STIF is valued at net asset value (NAV). The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make the STIF a level 1 asset.
- The primary pricing inputs in determining the fair value of the Common stocks and REITs are closing quoted prices in active markets.
- The primary pricing inputs in determining the level 1 mutual funds are the mutual funds' NAVs. The funds are registered open-ended mutual funds and the NAVs are validated with purchases and sales at NAV. Since the fair values are determined and published, they are considered readily-determinable fair values and therefore Level 1 assets.
- The primary pricing inputs in determining the fair value of Municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of Government bonds are the U.S. treasury curve, CPI, and broker quotes, if available. The primary pricing inputs in determining the fair value of Corporate bonds are the U.S. treasury curve, base spreads, YTM, and benchmark quotes. ABS and CMOs are priced using to-be-announced (TBA) prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information.
- Swaps are valued using benchmark yields, swap curves, and cash flow analyses.
- Options are valued using the bid-ask spread and the last price.
- The primary pricing input in determining the fair value of the mutual fund utilizing the practical expedient is its NAV. It is an unregistered open-ended mutual fund. The fund holds primarily corporate bonds, debt securities and other similar instruments issued by U.S. and non-U.S. public- or private-sector entities. The fund may purchase or sell securities on a when-issued

basis. These transactions are made conditionally because a security has not yet been issued in the market, although it is authorized. A commitment is made regarding these transactions to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. Since this mutual fund is a closed-end mutual fund and the prices are not published to an external source, it uses NAV as a practical expedient.

- The common collective trusts are private funds valued at NAV. The NAVs are calculated based on bid prices of the underlying securities. Since the prices are not published to external sources, NAV is used as a practical expedient. Certain funds invest primarily in equity securities of domestic and foreign issuers while others invest in long duration U.S. investment-grade fixed income assets and seeks to increase return through active management of interest rate and credit risks. The funds honor subscription and redemption activity regularly.
- Discounted notes are valued at amortized cost.
- Treasury bills are valued using benchmark yields, reported trades, broker dealer quotes, and benchmark securities.
- Futures are valued using futures data, cash rate data, swap rates, and cash flow analyses.

Additionally, the unqualified SERP had $40.8 million and $43.5 million of assets as of December 31, 2016 and 2015, respectively. Since the plan is unqualified, its assets are included in the "Deferred charges and other assets" line item in TEC's Consolidated Balance Sheets rather than being netted with the related liability. The unqualified trust holds investments in a money market fund. The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make it a level 1 asset. The SERP was fully funded as of December 31, 2016.

Other Postretirement Benefit Plan Assets

There are no assets associated with TECO Energy's Florida-based other postretirement benefits plan.

Contributions

The Pension Protection Act became effective January 1, 2008 and requires companies to, among other things, maintain certain defined minimum funding thresholds (or face plan benefit restrictions), pay higher premiums to the PBGC if they sponsor defined benefit plans, amend plan documents and provide additional plan disclosures in regulatory filings and to plan participants.

WRERA was signed into law on December 23, 2008. WRERA grants plan sponsors relief from certain funding requirements and benefits restrictions, and also provides some technical corrections to the Pension Protection Act. There are two primary provisions that impact funding results for TECO Energy. First, for plans funded less than 100%, required shortfall contributions will be based on a percentage of the funding target until 2013, rather than the funding target of 100%. Second, one of the technical corrections, referred to as asset smoothing, allows the use of asset averaging subject to certain limitations in the determination of funding requirements. TECO Energy utilizes asset smoothing in determining funding requirements.

In August 2014, HAFTA was signed into law, which modified MAP-21. HAFTA and MAP-21 provide funding relief for pension plan sponsors by stabilizing discount rates used in calculating the required minimum pension contributions and increasing PBGC premium rates to be paid by plan sponsors. TECO Energy expects the required minimum pension contributions to be lower than the levels previously projected; however, TECO Energy plans on funding at levels above the required minimum pension contributions under HAFTA and MAP-21. In November 2015, the Bipartisan Budget Act of 2015 was signed into law, which extended pension funding relief of MAP-21 and HAFTA through 2022.

The qualified pension plan's actuarial value of assets, including credit balance, was 119.5% of the Pension Protection Act funded target as of January 1, 2016 and is estimated at 118.0% of the Pension Protection Act funded target as of January 1, 2017.

TECO Energy's policy is to fund the qualified pension plan at or above amounts determined by its actuaries to meet ERISA guidelines for minimum annual contributions and minimize PBGC premiums paid by the plan. TEC's contribution is first set equal to its service cost. If a contribution in excess of service cost for the year is made, TEC's portion is based on TEC's proportion of the TECO Energy unfunded liability. TECO Energy made contributions to this plan in 2016 and 2015, which met the minimum funding requirements for both 2016 and 2015. TEC's portion of the contribution in 2016 was $30.9 million and in 2015 was $43.9 million. These amounts are reflected in the "Other" line on the Consolidated Statements of Cash Flows. TEC estimates its portion of the 2017 contribution to be $36.3 million. TEC estimates its portion of annual contributions from 2018 to 2021 will range from $0.5 to $29.5 million per year based on current assumptions. The amounts TECO Energy expects to make are in excess of the minimum funding required under ERISA guidelines.

TEC's portion of the contributions to the SERP in 2016 and 2015 were zero and $14.9 million, respectively. TEC's contribution in 2015 to the SERP's trust was made in order to fully fund its SERP obligation following the signing of the Merger Agreement with Emera. The execution of the Merger Agreement constituted a potential change in control under the trust; therefore, TECO Energy is required to maintain such funding as of the end of each calendar year, including 2016. The fully-funded amount is equal to the aggregate present value of all benefits then in pay status under the SERP plus the current value of benefits that would become payable under the SERP to current participants. Since the SERP is fully funded, TECO Energy does not expect to make significant contributions to this plan in 2017.

The other postretirement benefits are funded annually to meet benefit obligations. TECO Energy's contribution toward health care coverage for most employees who retired after the age of 55 between January 1, 1990 and June 30, 2001 is limited to a defined dollar benefit based on service. TECO Energy's contribution toward pre-65 and post-65 health care coverage for most employees retiring on or after July 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2017, TEC expects to make a contribution of about $9.5 million. Postretirement benefit levels are substantially unrelated to salary.

Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Expected Benefit Payments
TECO Energy
(including projected service and net of employee contributions)

(millions)	**Pension Benefits**	**Other Postretirement Benefits**
2017	$ 78.3	$ 11.0
2018	51.8	11.2
2019	55.6	11.5
2020	56.1	11.6
2021	58.7	11.7
2022-2026	312.4	58.9

Defined Contribution Plan

TECO Energy has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries that enables participants to save a portion of their compensation up to the limits allowed by IRS guidelines. TECO Energy and its subsidiaries match up to 6% of the participant's payroll savings deductions. Effective January 1, 2015, the employer matching contributions were 70% of eligible participant contributions with additional incentive match of up to 30% of eligible participant contributions based on the achievement of certain operating company financial goals. During the period from April 2013 to December 2014, employer matching contributions were 67% of eligible participant contributions with additional incentive match of up to 35% of eligible participant contributions based on the achievement of certain operating company financial goals. Prior to this, the employer matching contributions were 60% of eligible participant contributions with an additional incentive match of up to 40% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended December 31, 2016, 2015 and 2014, TEC's portion of expense totaled $8.3 million, $7.5 million and $10.2 million for 2016, 2015 and 2014, respectively, related to the matching contributions made to this plan.

6. Short-Term Debt

Credit Facilities

	December 31, 2016			December 31, 2015		
(millions)	Credit Facilities	Borrowings Outstanding [1]	Letters of Credit Outstanding	Credit Facilities	Borrowings Outstanding [1]	Letters of Credit Outstanding
5-year facility [2]	$ 325.0	$ 40.0	$ 0.5	$ 325.0	$ 0.0	$ 0.5
3-year accounts receivable facility [3]	150.0	130.0	0.0	150.0	61.0	0.0
Total	$ 475.0	$ 170.0	$ 0.5	$ 475.0	$ 61.0	$ 0.5

(1) Borrowings outstanding are reported as notes payable.
(2) This 5-year facility matures December 17, 2018.
(3) This 3-year facility matures March 23, 2018.

At December 31, 2016, these credit facilities required commitment fees ranging from 12.5 to 30.0 basis points. The weighted-average interest rate on borrowings outstanding under the credit facilities at December 31, 2016 and 2015 was 1.49% and 0.89%, respectively.

Tampa Electric Company Accounts Receivable Facility

On March 24, 2015, TEC amended its $150 million accounts receivable collateralized borrowing facility in order to (i) appoint The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (BTMU), as Program Agent, replacing the previous Program Agent, Citibank, N.A., (ii) add new lenders, and (iii) extend the scheduled termination date from April 14, 2015 to March 23, 2018, by entering into (a) an Amended and Restated Purchase and Contribution Agreement dated as of March 24, 2015 and (b) a Loan and Servicing Agreement dated as of March 24, 2015, among TEC and certain lenders named therein and BTMU, as Program Agent (the Loan Agreement). Pursuant to the Loan Agreement, TEC will pay program and liquidity fees, which total 65 basis points as of December 31, 2016. Interest rates on the borrowings are based on prevailing asset-backed commercial paper rates, unless such rates are not available from conduit lenders, in which case the rates will be at an interest rate equal to, at TEC's option, either the BTMU's prime rate (or the federal funds rate plus 50 basis points, if higher) or a rate based on the London interbank deposit rate (if available) plus a margin. In addition, under the terms of the Loan Agreement, TEC has pledged as collateral a pool of receivables equal to the borrowings outstanding in the case of default. TEC continues to service, administer and collect the pledged receivables, which are classified as receivables on the balance sheet. As of December 31, 2016, TEC was in compliance with the requirements of the Loan Agreement.

Amendment of Tampa Electric Company Credit Facility

On December 17, 2013, TEC amended its $325 million bank credit facility, entering into a Fourth Amended and Restated Credit Agreement. The amendment (i) extended the maturity date of the credit facility from October 25, 2016 to December 17, 2018 (subject to further extension with the consent of each lender); (ii) continues to allow TEC, as borrower, to borrow funds at a rate equal to the London interbank deposit rate plus a margin; (iii) as an alternative to the above interest rate, allows TEC to borrow funds at an interest rate equal to a margin plus the higher of Citibank's prime rate, the federal funds rate plus 50 basis points, or the London interbank deposit rate plus 1.00%; (iv) allows TEC to borrow funds on a same-day basis under a swingline loan provision, which loans mature on the fourth banking day after which any such loans are made and bear interest at an interest rate as agreed by the borrower and the relevant swingline lender prior to the making of any such loans; (v) continues to allow TEC to request the lenders to increase their commitments under the credit facility by up to $175 million in the aggregate; (vi) includes a $200 million letter of credit facility; and (vii) made other technical changes. On September 30, 2014, TEC entered into an amendment of its $325 million bank credit facility, which reallocated commitments among the lenders and made certain other technical changes.

7. Long-Term Debt

A substantial part of Tampa Electric's tangible assets are pledged as collateral to secure its first mortgage bonds. There are currently no bonds outstanding under Tampa Electric's first mortgage bond indenture, and Tampa Electric could cause the lien associated with this indenture to be released at any time.

Issuance of Tampa Electric Company 4.20% Notes due 2045

On May 20, 2015, TEC completed an offering of $250 million aggregate principal amount of 4.20% Notes due May 15, 2045 (the TEC 2015 Notes). Until November 15, 2044, TEC may redeem all or any part of the TEC 2015 Notes at its option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the TEC 2015 Notes to be redeemed or (ii) the sum of the present value of the remaining payments of principal and interest on the TEC 2015 Notes to be redeemed, discounted at an applicable treasury rate (as defined in the indenture), plus 20 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after November 15, 2044, TEC may, at its option, redeem the TEC 2015 Notes, in whole or in part, at 100% of the principal amount of the TEC 2015 Notes being redeemed plus accrued and unpaid interest thereon to but excluding the date of redemption.

Issuance of Tampa Electric Company 4.35% Notes due 2044

On May 15, 2014, TEC completed an offering of $300 million aggregate principal amount of 4.35% Notes due 2044 (the TEC 2014 Notes). TEC may redeem all or any part of the TEC 2014 Notes at its option at any time and from time to time before November 15, 2043 at a redemption price equal to the greater of (i) 100% of the principal amount of TEC 2014 Notes to be redeemed or (ii) the sum of the present value of the remaining payments of principal and interest on the notes to be redeemed, discounted at an applicable treasury rate (as defined in the indenture), plus 15 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after November 15, 2043, TEC may at its option redeem the TEC 2014 Notes, in whole or in part, at 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to but excluding the date of redemption.

Purchase in Lieu of Redemption of Revenue Refunding Bonds

At December 31, 2016, $232.6 million of tax-exempt bonds purchased in lieu of redemption were held by the trustee at the direction of Tampa Electric to provide an opportunity to evaluate refinancing alternatives including $20 million variable rate bonds due 2020, $51.6 million term-rate refunding bonds due 2025, $75.0 million term-rate bonds due 2030, and $86.0 million term-rate refunding bonds due 2034.

8. Merger with Emera Inc.

As disclosed in **Note 1,** TEC is a wholly owned subsidiary of TECO Energy. On July 1, 2016, TECO Energy and Emera completed the Merger contemplated by the Merger Agreement entered into on September 4, 2015. Therefore, TEC continues to be a wholly owned subsidiary of TECO Energy and became an indirect wholly owned subsidiary of Emera as of July 1, 2016.

Pursuant to the Merger Agreement, upon the closing of the Merger, each issued and outstanding share of TECO Energy common stock was cancelled and converted automatically into the right to receive $27.55 in cash, without interest. This represents an aggregate purchase price of approximately $10.7 billion including Emera's purchase price allocation for debt of approximately $4.2 billion (of which TEC's portion of debt was $2.3 billion).

The Merger Agreement requires Emera, among other things, (i) to maintain TECO Energy's historic levels of community involvement and charitable contributions and support in TECO Energy's existing service territories, (ii) to maintain TECO Energy's and TEC's headquarters in Tampa, Florida, (iii) to honor current union contracts in accordance with their terms and (iv) to provide each continuing non-union employee, for a period of two years following the closing of the Merger, with a base salary or wage rate no less favorable than, and incentive compensation and employee benefits, respectively, substantially comparable in the aggregate to those that they received as of immediately prior to the closing.

9. Commitments and Contingencies

Legal Contingencies

From time to time, TEC and its subsidiaries are involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of its business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss. TEC believes the claims in the pending actions described below are without merit and intends to defend the matters vigorously.

PGS Legal Proceeding

In November 2010, heavy equipment operated at a road construction site being conducted by Posen Construction, Inc. struck a natural gas line causing a rupture and ignition of the gas and an outage in the natural gas service to Lee and Collier counties, Florida. PGS filed suit in April 2011 against Posen Construction, Inc. in Federal Court for the Middle District of Florida to recover damages for repair and restoration relating to the incident and Posen Construction, Inc. counter-claimed against PGS alleging negligence. In the first quarter of 2014, the parties entered into a settlement agreement that resolves the claims of the parties. In addition, a suit was filed in November 2011 by the Posen Construction, Inc. employee operating the heavy equipment involved in the incident in Lee County Circuit Court against PGS and a PGS contractor involved in the project, seeking damages for his injuries. The suit against PGS remains pending. No trial date is currently set. TEC is unable at this time to estimate the possible loss or range of loss with respect to this matter. While the outcome of such proceeding is uncertain, management does not believe that its ultimate resolution will have a material adverse effect on TEC's results of operations, financial condition or cash flows.

PGS Compliance Matter

In 2015, FPSC staff presented PGS with a summary of alleged safety rule violations, many of which were identified during PGS's implementation of an action plan it instituted as a result of audit findings cited by FPSC audit staff in 2013. Following the 2013 audit and 2015 discussions with FPSC staff, PGS took immediate and significant corrective actions. The FPSC audit staff published a follow-up audit report that acknowledged the progress that had been made and found that further improvements were needed. As a result of this report, the OPC filed a petition with the FPSC pointing to the violations of rules for safety inspections seeking fines or possible refunds to customers by PGS. On February 25, 2016, the FPSC staff issued a notice informing PGS that the staff would be making a recommendation to the FPSC to initiate a show cause proceeding against PGS for alleged safety rule violations, with total potential penalties of up to \$3.9 million. On April 18, 2016, PGS reached a settlement regarding this matter with the OPC and FPSC staff and agreed to pay a \$1 million civil penalty and customer refunds of \$2 million. The FPSC approved the settlement agreement on May 5, 2016.

Superfund and Former Manufactured Gas Plant Sites

TEC, through its Tampa Electric and Peoples Gas divisions, is a PRP for certain superfund sites and, through its Peoples Gas division, for certain former MGP sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of December 31, 2016, TEC has estimated its ultimate financial liability to be \$31.6 million, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under "Deferred credits and other liabilities" on the Consolidated Condensed Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs attributable to TEC. The estimates to perform the work are based on TEC's experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, most of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, TEC could be liable for more than TEC's actual percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. Under current regulations, these costs are recoverable through customer rates established in subsequent base rate proceedings. See **Note 3** for information regarding an agreement approved by the FPSC to accelerate the amortization of the regulated asset associated with this reserve.

Long-Term Commitments

TEC has commitments for purchased power and long-term leases, primarily for building space, vehicles, office equipment and heavy equipment. Rental expense for these leases included in "Regulated operations & maintenance – Other" on the Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014, totaled \$1.8 million, \$3.8 million and \$4.1 million, respectively. TEC also has other purchase obligations for long-term service agreements and capital projects. In addition, TEC has payment obligations under contractual agreements for fuel, fuel transportation and power purchases that are recovered from customers under regulatory clauses. The following is a schedule of future payments under PPAs, minimum lease payments with non-cancelable lease terms in excess of one year, and other net purchase obligations/commitments at December 31, 2016:

(millions)	*Purchased Power*	*Operating Leases*	*Long-term Service Agreements/Capital Projects*	*Clause Recoverable Commitments*	*Total*
Year ended December 31:					
2017	$ 10.7	$ 7.0	$ 68.8	$ 398.5	$ 485.0
2018	10.1	3.5	11.1	231.0	255.7
2019	0.0	2.1	11.8	186.2	200.1
2020	0.0	2.1	6.8	162.9	171.8
2021	0.0	2.2	6.9	132.3	141.4
Thereafter	0.0	37.8	24.4	1,156.6	1,218.8
Total future minimum payments	$ 20.8	$ 54.7	$ 129.8	$ 2,267.5	$ 2,472.8

Financial Covenants

TEC must meet certain financial tests, including a debt to capital ratio, as defined in the applicable banking agreements. TEC has certain restrictive covenants in specific agreements and debt instruments. At December 31, 2016, TEC was in compliance with all required financial covenants.

10. Related Party Transactions

A summary of activities between TEC and its affiliates follows:

Net transactions with affiliates:

(millions)		*2016*		*2015*		*2014*
Natural gas sales	$	0.1	$	0.8	$	0.3
Services received from affiliates	$	65.8	$	69.4	$	22.5

Services received from affiliates primarily include shared services provided to TEC from TSI, TECO Energy's centralized services company subsidiary, beginning on January 1, 2015. Through TSI, TECO Energy provided TEC with specialized services at cost, including information technology, procurement, human resources, legal, risk management, financial, and administrative services. TSI's costs are directly charged or allocated to TEC using cost-causative allocation methods. Corporate governance-type costs that cannot be directly assigned are allocated based on a Modified Massachusetts Formula, which is a method that utilizes a combination of total operating revenues, total operating assets and net income as the basis of allocation.

Amounts due from or to affiliates at December 31,

(millions)		*2016*		*2015*
Accounts receivable(1)	$	6.9	$	2.3
Accounts payable(1)		18.0		15.9
Taxes receivable(2)		0.0		61.3
Taxes payable(2)		7.2		1.0

(1) Accounts receivable and accounts payable were incurred in the ordinary course of business and do not bear interest.

(2) At December 31, 2016, taxes payable were due to EUSHI. At December 31, 2015, taxes receivable were due from TECO Energy. See **Note 4** for additional information.

11. Segment Information

Segments are determined based on how management evaluates, measures and makes decisions with respect to the operations of the entity. Management reports segments based on each segment's contribution of revenues, net income and total assets as required by the accounting guidance for disclosures about segments of an enterprise and related information. All significant intercompany transactions are eliminated in the Consolidated Financial Statements of TEC, but are included in determining reportable segments.

TEC is a public utility operating within the State of Florida. Through its Tampa Electric division, it is engaged in the generation, purchase, transmission, distribution and sale of electric energy to approximately 736,000 customers in West Central Florida. Its PGS division is engaged in the purchase, distribution and marketing of natural gas for approximately 374,000 residential, commercial, industrial and electric power generation customers in the State of Florida.

(millions)	Tampa Electric	PGS	Eliminations	TEC
2016				
Revenues - external	$ 1,963.6	$ 432.2	$ 0.0	$ 2,395.8
Sales to affiliates	0.9	7.1	(8.0)	0.0
Total revenues	1,964.5	439.3	(8.0)	2,395.8
Depreciation and amortization	268.4	59.9	0.0	328.3
Total interest charges	91.1	14.7	0.0	105.8
Provision for income taxes	129.8	22.4	0.0	152.2
Net income	250.8	34.9	0.0	285.7
Total assets	7,356.9	1,191.3	(465.6) (2)	8,082.6
Capital expenditures	594.3	132.5	0.0	726.8
2015				
Revenues - external	$ 2,017.7	$ 401.5	$ 0.0	$ 2,419.2
Sales to affiliates	0.6	6.0	(6.6)	0.0
Total revenues	2,018.3	407.5	(6.6)	2,419.2
Depreciation and amortization	256.7	56.8	0.0	313.5
Total interest charges	95.1	14.5	0.0	109.6
Provision for income taxes	143.6	21.9	0.0	165.5
Net income	241.0	35.3	0.0	276.3
Total assets (1)	7,003.8	1,136.1	(431.3) (2)	7,708.6
Capital expenditures	592.6	94.0	0.0	686.6
2014				
Revenues - external	$ 2,020.5	$ 398.5	$ 0.0	$ 2,419.0
Sales to affiliates	0.5	1.1	(1.6)	0.0
Total revenues	2,021.0	399.6	(1.6)	2,419.0
Depreciation and amortization	248.6	54.0	0.0	302.6
Total interest charges	92.8	13.8	0.0	106.6
Provision for income taxes	133.2	22.7	0.0	155.9
Net income	224.5	35.8	0.0	260.3
Total assets (1)	6,565.4	1,082.8	(373.9) (2)	7,274.3
Capital expenditures	582.1	88.9	0.0	671.0

(1) Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications relate to deferred tax assets (see note 2 below) and debt issuance costs required by newly issued accounting guidance (see **Note 2**).

(2) Amounts relate to consolidated deferred tax reclassifications. Deferred tax assets are reclassified and netted with deferred tax liabilities upon consolidation.

12. Other Comprehensive Income

TEC reported the following OCI for the years ended December 31, 2016, 2015 and 2014, related to the amortization of prior settled amounts and changes in the fair value of cash flow hedges:

Other Comprehensive Income

(millions)	Gross	Tax	Net
2016			
Unrealized gain on cash flow hedges	$ 0.0	$ 0.0	$ 0.0
Reclassification from AOCI to net income	1.3	(0.5)	0.8
Gain on cash flow hedges	1.3	(0.5)	0.8
Total other comprehensive income	$ 1.3	$ (0.5)	$ 0.8
2015			
Unrealized gain on cash flow hedges	$ 4.3	$ (1.5)	$ 2.8
Reclassification from AOCI to net income	1.4	(0.7)	0.7
Gain on cash flow hedges	5.7	(2.2)	3.5
Total other comprehensive income	$ 5.7	$ (2.2)	$ 3.5
2014			
Unrealized gain on cash flow hedges	$ 0.0	$ 0.0	$ 0.0
Reclassification from AOCI to net income	1.1	(0.4)	0.7
Gain on cash flow hedges	1.1	(0.4)	0.7
Total other comprehensive income	$ 1.1	$ (0.4)	$ 0.7

Accumulated Other Comprehensive Loss

(millions) As of December 31,	*2016*	*2015*
Net unrealized losses from cash flow hedges [(1)]	$ (2.8)	$ (3.6)
Total accumulated other comprehensive loss	$ (2.8)	$ (3.6)

(1) Net of tax benefit of $1.8 million and $2.3 million as of December 31, 2016 and 2015, respectively.

13. Accounting for Derivative Instruments and Hedging Activities

From time to time, TEC enters into futures, forwards, swaps and option contracts for the following purposes:

- To limit the exposure to price fluctuations for physical purchases and sales of natural gas in the course of normal operations, and
- To limit the exposure to interest rate fluctuations on debt securities.

TEC uses derivatives only to reduce normal operating and market risks, not for speculative purposes. TEC's primary objective in using derivative instruments for regulated operations is to reduce the impact of market price volatility on customers.

The risk management policies adopted by TEC provide a framework through which management monitors various risk exposures. Daily and periodic reporting of positions and other relevant metrics are performed by a centralized risk management group, which is independent of all operating companies.

In November 2016, Tampa Electric and the other major electric IOUs in Florida signed a stipulation agreement approved by the FPSC calling for a one-year moratorium on hedging of natural gas purchases. The stipulation agreement calls for the FPSC to oversee one or more workshops beginning in early 2017 to seek a cost-effective way to insure against rising gas prices.

TEC applies the accounting standards for derivative instruments and hedging activities. These standards require companies to recognize derivatives as either assets or liabilities in the financial statements, to measure those instruments at fair value and to reflect the changes in the fair value of those instruments as either components of OCI or in net income, depending on the designation of those instruments (see **Note 14**). The changes in fair value that are recorded in OCI are not immediately recognized in current net income. As the underlying hedged transaction matures or the physical commodity is delivered, the deferred gain or loss on the related hedging instrument must be reclassified from OCI to earnings based on its value at the time of the instrument's settlement. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the market change of the amount paid or received on the underlying physical transaction.

TEC applies the accounting standards for regulated operations to financial instruments used to hedge the purchase of natural gas for its regulated companies. These standards, in accordance with the FPSC, permit the changes in fair value of natural gas derivatives to be recorded as regulatory assets or liabilities reflecting the impact of hedging activities on the fuel recovery clause. As a result, these changes are not recorded in OCI (see **Note 3**).

TEC's physical contracts qualify for the NPNS exception to derivative accounting rules, provided they meet certain criteria. Generally, NPNS applies if TEC deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if TEC intends to receive physical delivery and if the transaction is reasonable in relation to TEC's business needs. As of December 31, 2016, all of TEC's physical contracts qualify for the NPNS exception.

The derivatives that are designated as cash flow hedges at December 31, 2016 and 2015 are reflected on TEC's Consolidated Balance Sheets and classified accordingly as current and long term assets and liabilities on a net basis as permitted by their respective master netting agreements. There were $16.6 million and zero derivative assets as of December 31, 2016 and 2015, respectively. Derivative liabilities totaled zero and $26.2 million as of December 31, 2016 and 2015, respectively. There are minor offset amount differences between the gross derivative assets and liabilities and the net amounts included in the Consolidated Balance Sheets. There was no collateral posted with or received from any counterparties.

All of the derivative asset and liabilities at December 31, 2016 and 2015 are designated as hedging instruments, which primarily are derivative hedges of natural gas contracts to limit the exposure to changes in market price for natural gas used to produce energy and natural gas purchased for resale to customers. The corresponding effect of these natural gas related derivatives on the regulated utilities' fuel recovery clause mechanism is reflected on the Consolidated Balance Sheets as current and long term regulatory assets and liabilities. Based on the fair value of the instruments at December 31, 2016, net pretax gains of $15.1 million are expected to be reclassified from regulatory assets or liabilities to the Consolidated Statements of Income within the next twelve months.

The December 31, 2016 and 2015 balance in AOCI related to the cash flow hedges and interest rate swaps (unsettled and previously settled) is presented in **Note 12**.

For derivative instruments that meet cash flow hedge criteria, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or period during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For the years ended December 31, 2016, 2015 and 2014, all hedges were effective. The derivative after-tax effect on OCI and the amount of after-tax gain or loss reclassified from AOCI into earnings for the years ended December 31, 2016, 2015 and 2014 is presented in **Note 12**. Gains and losses were the result of interest rate contracts and the reclassifications to income were reflected in Interest expense.

The maximum length of time over which TEC is hedging its exposure to the variability in future cash flows extends to November 30, 2018 for financial natural gas contracts. The following table presents TEC's derivative volumes that, as of December 31, 2016, are expected to settle during the 2017 and 2018 fiscal years:

(millions)	Natural Gas Contracts (MMBTUs)	
Year	Physical	Financial
2017	0.0	26.0
2018	0.0	6.8
Total	0.0	32.8

TEC is exposed to credit risk by entering into derivative instruments with counterparties to limit its exposure to the commodity price fluctuations associated with natural gas. Credit risk is the potential loss resulting from a counterparty's nonperformance under an agreement. TEC manages credit risk with policies and procedures for, among other things, counterparty analysis, exposure measurement and exposure monitoring and mitigation.

It is possible that volatility in commodity prices could cause TEC to have material credit risk exposures with one or more counterparties. If such counterparties fail to perform their obligations under one or more agreements, TEC could suffer a material financial loss. However, as of December 31, 2016, substantially all of the counterparties with transaction amounts outstanding in TEC's energy portfolio were rated investment grade by the major rating agencies. TEC assesses credit risk internally for counterparties that are not rated.

TEC has entered into commodity master arrangements with its counterparties to mitigate credit exposure to those counterparties. TEC generally enters into the following master arrangements: (1) EEI agreements—standardized power sales contracts in the electric industry; (2) ISDA agreements—standardized financial gas and electric contracts; and (3) NAESB agreements—standardized physical gas contracts. TEC believes that entering into such agreements reduces the risk from default by creating contractual rights relating to creditworthiness, collateral and termination.

TEC has implemented procedures to monitor the creditworthiness of its counterparties and to consider nonperformance risk in determining the fair value of counterparty positions. Net liability positions generally do not require a nonperformance risk adjustment as TEC uses derivative transactions as hedges and has the ability and intent to perform under each of these contracts. In the instance of net asset positions, TEC considers general market conditions and the observable financial health and outlook of specific counterparties in evaluating the potential impact of nonperformance risk to derivative positions.

Certain TEC derivative instruments contain provisions that require TEC's debt to maintain an investment grade credit rating from any or all of the major credit rating agencies. If debt ratings were to fall below investment grade, it could trigger these provisions, and the counterparties to the derivative instruments could demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. TEC has no other contingent risk features associated with any derivative instruments.

14. Fair Value Measurements

Items Measured at Fair Value on a Recurring Basis

Accounting guidance governing fair value measurements and disclosures provides that fair value represents the amount that would be received in selling an asset or the amount that would be paid in transferring a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, accounting guidance also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs, such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities are measured at fair value based on one or more of the following three valuation techniques noted under accounting guidance:

(A) *Market approach*: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

(B) *Cost approach:* Amount that would be required to replace the service capacity of an asset (replacement cost); and

(C) *Income approach:* Techniques to convert future amounts to a single present amount based upon market expectations (including present value techniques, option-pricing and excess earnings models).

The fair value of financial instruments is determined by using various market data and other valuation techniques.

The following table sets forth by level within the fair value hierarchy TEC's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2016 and 2015. As required by accounting standards for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. TEC's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Recurring Derivative Fair Value Measures

	As of December 31, 2016			
(millions)	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets				
Natural gas swaps	$ 0.0	$ 16.6	$ 0.0	$ 16.6

	As of December 31, 2015			
(millions)	*Level 1*	*Level 2*	*Level 3*	*Total*
Liabilities				
Natural gas swaps	$ 0.0	$ 26.2	$ 0.0	$ 26.2

Natural gas swaps are OTC swap instruments. The fair value of the swaps is estimated utilizing the market approach. The price of swaps is calculated using observable NYMEX quoted closing prices of exchange-traded futures. These prices are applied to the notional quantities of active positions to determine the reported fair value (see **Note 13**).

TEC considered the impact of nonperformance risk in determining the fair value of derivatives. TEC considered the net position with each counterparty, past performance of both parties, the intent of the parties, indications of credit deterioration and whether the markets in which TEC transacts have experienced dislocation. At December 31, 2016 and 2015, the fair value of derivatives was not materially affected by nonperformance risk. There were no Level 3 assets or liabilities for the periods presented.

As of December 31, 2016 and 2015, the carrying value of TEC's short-term debt was not materially different from the fair value due to the short-term nature of the instruments and because the stated rates approximate market rates. The fair value of TEC's short-term debt is determined using Level 2 measurements.

See **Notes 5 and 7** for information regarding the fair value of the pension plan investments and long-term debt, respectively.

15. Variable Interest Entities

The determination of a VIE's primary beneficiary is the enterprise that has both 1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and 2) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

Tampa Electric has entered into multiple PPAs with wholesale energy providers in Florida to ensure the ability to meet customer energy demand and to provide lower cost options in the meeting of this demand. These agreements range in size from 117 MW to 250 MW of available capacity, are with similar entities and contain similar provisions. Because some of these provisions provide for the transfer or sharing of a number of risks inherent in the generation of energy, these agreements meet the definition of being variable interests. These risks include: operating and maintenance, regulatory, credit, commodity/fuel and energy market risk. Tampa Electric has reviewed these risks and has determined that the owners of these entities have retained the majority of these risks over the expected life of the underlying generating assets, have the power to direct the most significant activities, and have the obligation or right to absorb losses or benefits. As a result, Tampa Electric is not the primary beneficiary and is not required to consolidate any of these entities. Tampa Electric purchased $62.0 million, $33.6 million and $25.7 million, under these PPAs for the three years ended December 31, 2016, 2015 and 2014, respectively.

TEC does not provide any material financial or other support to any of the VIEs it is involved with, nor is TEC under any obligation to absorb losses associated with these VIEs. In the normal course of business, TEC's involvement with these VIEs does not affect its Consolidated Balance Sheets, Statements of Income or Cash Flows.

16. Asset Retirement Obligations

TEC accounts for AROs at fair value at inception of the obligation if there is a legal obligation under applicable law, a written or oral contract, or by legal construction under the doctrine of promissory estoppel. Retirement obligations are recognized only if the legal obligation exists in connection with or as a result of the permanent retirement, abandonment or sale of a long-lived asset. When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its estimated future value. The corresponding amount capitalized at inception is depreciated over the remaining useful life of the asset. The liability must be revalued each period based on current market prices.

As regulated utilities, Tampa Electric and PGS must file depreciation and dismantlement studies periodically and receive approval from the FPSC before implementing new depreciation rates. Included in approved depreciation rates is either an implicit net salvage factor or a cost of removal factor, expressed as a percentage. The net salvage factor is principally comprised of two components—a salvage factor and a cost of removal or dismantlement factor. TEC uses current cost of removal or dismantlement factors as part of the estimation method to approximate the amount of cost of removal in accumulated depreciation.

The original cost of utility plant retired or otherwise disposed of and the cost of removal or dismantlement, less salvage value, is charged to accumulated depreciation and the accumulated cost of removal reserve reported as a regulatory liability, respectively.

Reconciliation of beginning and ending carrying amount of asset retirement obligations:

	December 31,	
(millions)	*2016*	*2015*
Beginning balance	$ 6.0	$ 5.3
Additional liabilities (1)	36.4	0.9
Revisions to estimated cash flows	2.6	(0.5)
Other (2)	(0.1)	0.3
Ending balance	$ 44.9	$ 6.0

(1) Tampa Electric produces ash and other by-products, collectively known as CCRs, at its Big Bend and Polk power stations. The increase in the ARO in 2016 is to achieve compliance with the EPA's CCR rule, which contains design and operating standards for CCR management units. In 2016, the FPSC approved Tampa Electric's proposed CCR compliance program for cost recovery through the ECRC. However, additional petitions will be submitted for recovery of future project expense based on engineering studies currently being performed.

(2) Includes accretion recorded as a deferred regulatory asset.

17. Subsequent Event

On February 7, 2017, the FPSC approved a settlement agreement between PGS and OPC agreeing to new depreciation rates that reduce annual depreciation expense, accelerate the amortization of the regulatory asset associated with environmental remediation costs, include obsolete plastic pipe replacements through the existing cast iron and bare steel replacement rider, and decrease the bottom of the ROE range from 9.75% to 9.25%. See **Note 3** for further information on the settlement agreement.

18. Difference between Uniform System of Accounts and GAAP

In accordance with the FERC Form 1 instructions, these notes are a replica of those included in the Company's published annual reports which may include reclassifications not made for FERC reporting purposes. These financial statements are prepared in accordance with the accounting requirements of the FERC as set forth in the applicable Uniform System of Accounts and published accounting releases. This is a comprehensive basis of accounting consistent with GAAP, except for:

- the balance sheet classification of cost of removal collections from customers,
- the balance sheet classification of plant leased to others under capital leases,
- the balance sheet classification of ASC 740-10-45 deferred income tax credits, and
- the income statement classification of buy for resale transactions.

This is a comprehensive basis of accounting consistent with FERC, except for the application of ASC 740-10-25 Accounting for Uncertainty in Income Taxes.

Name of Respondent

Peoples Gas System

For the Year Ended

Dec. 31, 2016

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Line No.	Item (a)	Total (b)	Gas (c)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	1,379,384,662	1,379,384,662
4	101.1 Property Under Capital Leases	-	-
5	102 Plant Purchased or Sold	-	-
6	106 Completed Construction not Classified	116,017,760	116,017,760
7	103 Experimental Plant Unclassified	-	-
8	104 Leased to Others	12,033,286	12,033,286
9	105 Held for Future Use	1,939,552	1,939,552
10	114 Acquisition Adjustments	5,031,897	5,031,897
11	TOTAL Utility Plant (Total of lines 3 through 10)	1,514,407,157	1,514,407,157
12	107 Construction Work in Progress	27,484,715	27,484,715
13	Accum. Provision for Depreciation, Amortization, & Depletion	691,618,215	691,618,215
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	850,273,657	850,273,657
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	686,956,323	686,956,323
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights	-	-
19	111 Amort. of Underground Storage Land and Land Rights	-	-
20	119 Amortization of Other Utility Plant	-	-
21	TOTAL in Service (Total of lines 17 through 20)	686,956,323	686,956,323
22	Leased to Others		
23	108 Depreciation	-	251,846
24	111 Amortization and Depletion	-	-
25	TOTAL Leased to Others (Total of lines 23 and 24)	-	251,846
26	Held for Future Use		
27	108 Depreciation	-	-
28	111 Amortization	-	-
29	TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28)	-	-
30	111 Abandonment of Leases (Natural Gas)	-	-
31	115 Amortization of Plant Acquisition Adjustment	4,410,046	4,410,046
32	TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31)	691,618,215	691,618,215

Annual Status Report
Analysis of Plant in Service Accounts
Company: Peoples Gas System
For the Year Ended December 31, 2016

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
Amortizable General Plant Assets:									
30100	Organization	0	12,620	-	-	-	-	-	12,620
30200	Franchise & Consents	4	-	-	-	-	-	-	-
30300	Misc Intangible Plant	0	815,325	-	-	-	-	-	815,325
30301	Custom Intangible Plant	6.7	25,717,580	1,964,359	(1,023,642)	-	-	-	26,658,297
37402	Land Rights	1.3	2,836,412	965,576	-	-	-	-	3,801,988
39002	Structures & Improve Leases	2.5	134,160	-	-	-	-	-	134,160
	Subtotal		29,516,097	2,929,935	(1,023,642)	-	-	-	31,422,390
Depreciable Assets:									
37400	Land Distribution	0	14,138,899	25,013	(44,563)	-	-	-	14,119,349
37500	Structures & Improvements	2.5	19,415,983	5,930,111	(3,246,899)	-	-	-	22,099,196
37600	Mains Steel	2.2	385,317,174	28,159,404	(2,372,504)	-	-	-	411,104,075
37602	Mains Plastic	2.4	401,310,012	34,545,624	(684,017)	229,519	-	-	435,401,138
37800	Meas & Reg Station Eqp Gen	3.3	12,924,984	2,171,072	(70,893)	-	-	-	15,025,163
37900	Meas & Reg Station Eqp City	3.3	34,586,108	6,072,339	(7,170)	-	-	-	40,651,278
38000	Services Steel	3.7	46,376,347	2,733,318	(234,251)	-	-	-	48,875,414
38002	Services Plastic	3.3	247,505,036	20,676,589	(457,508)	-	-	-	267,724,116
38100	Meters	5.9	63,032,755	3,979,156	(1,409,544)	-	-	-	65,602,367
38200	Meter Installations	4.5	49,175,177	3,571,968	(276,889)	-	-	-	52,470,256
38300	House Regulators	3.6	14,633,325	588,525	(85,597)	-	-	-	15,136,254
38400	House Regulator Installs	4.4	19,915,060	1,166,260	(96,592)	-	-	-	20,984,728
38500	Meas & Reg Station Eqp Ind	3.1	9,089,094	599,847	(52,754)	-	-	-	9,636,187
38700	Other Equipment	6.3	5,889,159	557,639	-	-	-	-	6,446,798
39000	Structures & Improvements	2.5	15,791	12,394	-	-	-	-	28,184
39100	Office Furniture	6.7	1,470,244	318,058	(62,307)	-	-	-	1,725,995
39101	Computer Equipment	12.3	5,293,685	645,757	(1,697,739)	-	-	-	4,241,703
39102	Office Equipment	6.7	922,076	24,300	(79,264)	-	-	-	867,112
39201	Vehicles up to 1/2 Tons	11.4	8,035,686	1,165,486	(712,141)	-	-	-	8,489,032
39202	Vehicles from 1/2 - 1 Tons	13	6,569,197	1,305,319	(733,059)	-	-	-	7,141,456
39203	Airplane	0	-	-	-	-	-	-	-
39204	Trailers & Other	4	1,153,494	7,667	-	-	-	-	1,161,161
39205	Vehicles over 1 Ton	7.5	1,769,839	103,796	(48,484)	-	-	-	1,825,151
39300	Stores Equipment	3.9	1,283	-	-	-	-	-	1,283
39400	Tools, Shop & Garage Equip	6.7	6,098,159	652,956	(362,760)	-	-	-	6,388,355
39401	CNG Stations	5	7,721	9,193	-	-	-	-	16,914
39500	Laboratory Equipment	5	-	-	-	-	-	-	-
39600	Power Operated Equipment	6.3	2,775,668	102,138	(42,435)	-	-	-	2,835,371
39700	Communication Equipment	8.2	4,841,709	159,966	(1,430,204)	-	-	-	3,571,471
39800	Miscellaneous Equipment	6	468,234	57,629	(115,335)	-	-	-	410,528
39900	Other Tangible Property	0	-	-	-	-	-	-	-

Annual Status Report

Analysis of Plant in Service Accounts

Company:

For the Year Ended December 31, 2016

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
Capital Recovery Schedules:									
Total Account 101 and 106*			1,392,247,995	118,271,458	(15,346,550)	229,519	-	-	1,495,402,422
10400	Lease to Others	0.0		12,033,286	-		-	-	12,033,286
10500	Property Held for Future Use	0.0	1,939,552	229,519	-	(229,519)	-	-	1,939,552
11400	Acquisition Adjustment	3.0	5,031,897	-	-	-	-	-	5,031,897
	Subtotal		6,971,449	12,262,805	-	(229,519)	-	-	19,004,735
Total Utility Plant **			1,399,219,444	130,534,263	(15,346,550)	-	-	-	1,514,407,157

Note: * The total of ending balances must agree to acct. 101,106, Plant in Service, Line 3, and Line 6, Page 12.

Note: ** The total of ending balances must agree to Line 11, Page 12.

Annual Status Report

Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2016

Acct. No.	Account Description	Beginning Balance*	Depreciation Accruals	Retirements	Cost of Removal	Salvage	Reclass.	Adjustments	Transfers	Ending Balance*
Amortizable General Plant Assets:										
30100	Organization	3,116	-	-	-	-	-	-	(3,116)	-
30200	Franchise & Consents	0	-	-	-	-	-	-	-	0
30300	Misc Intangible Plant	757,491	32,613	-	-	-	-	-	(89,489)	700,615
30301	Custom Intangible Plant	12,337,858	1,768,236	(1,023,642)	-	-	-	-	(3,599,775)	9,482,676
37402	Land Rights	654,666	39,067	-	-	-	-	-	(61,971)	631,762
39002	Structures & Improve Leases	10,137	3,354	-	-	-	-	-	(160)	13,331
	Subtotal 108 - 404 *	13,763,268	1,843,270	(1,023,642)	-	-	-	-	(3,754,511)	10,828,385
Items necessary to reconcile the total amortization accrual amount to Acct. 404.3, Amortization Expense, shown on Line 7, Page 8.										
Depreciable Assets:										
37400	Land Distribution	-	-	(44,563)	-	-		-	44,563	-
37500	Structures & Improvements	7,928,741	446,996	(3,246,899)	(5,908)	-	-	-	(244,185)	4,878,745
37600	Mains Steel	218,020,297	8,656,877	(2,372,504)	(2,341,064)	4,328	-	-	(34,075,299)	187,892,635
37602	Mains Plastic	137,184,318	9,979,415	(684,017)	(1,029,700)	11,504	-	-	18,705,272	164,166,792
37800	Meas & Reg Station Eqp Gen	3,080,334	476,120	(70,893)	(43,603)	-	-	-	(307,265)	3,134,694
37900	Meas & Reg Station Eqp City	7,637,719	1,210,695	(7,170)	-	-	-	-	(1,170,882)	7,670,362
38000	Services Steel	51,484,453	1,756,837	(234,251)	(1,563,699)	756	-	-	6,480,107	57,924,202
38002	Services Plastic	134,479,130	8,477,022	(457,508)	(1,842,229)	4,042	-	-	17,759,064	158,419,522
38100	Meters	21,875,201	3,757,854	(1,409,544)	(14,995)	55,631	-	-	(2,228,238)	22,035,909
38200	Meter Installations	25,829,866	2,255,623	(276,889)	(177,346)	-	-	-	(322,391)	27,308,863
38300	House Regulators	6,517,882	535,825	(85,597)	(687)	-	-	-	(585,835)	6,381,588
38400	House Regulator Installs	9,903,729	912,019	(96,592)	(164,667)	-	-	-	117,069	10,671,559
38500	Meas & Reg Station Eqp Ind	5,427,013	282,825	(52,754)	(1,134)	-	-	-	(6,334)	5,649,616
38700	Other Equipment	2,188,642	388,764	-	-	-	-	-	(56,030)	2,521,376
39000	Structures & Improvements	10,886	524	-	-	-	-	-	(22)	11,388
39100	Office Furniture	682,484	109,339	(62,307)	-	-	-	-	214,463	943,979
39101	Computer Equipment	4,204,474	717,610	(1,697,739)	-	-	-	-	(84,876)	3,139,470
39102	Office Equipment	289,367	62,656	(79,264)	-	-	-	-	111,032	383,791
39201	Vehicles up to 1/2 Tons	3,196,303	930,495	(712,141)	(57,904)	98,524	-	-	(68,950)	3,386,327
39202	Vehicles from 1/2 - 1 Tons	3,899,377	865,482	(733,059)	(55,187)	92,806	-	-	(800,600)	3,268,818
39203	Airplane	(0)	-	-	-	-	-	-	0	0
39204	Trailers & Other	211,220	46,140	-	-	-	-	-	(2,517)	254,843
39205	Vehicles over 1 Ton	669,848	130,704	(48,484)	-	3,780	-	-	(12,047)	743,800
39300	Stores Equipment	(4,568)	50	-	-	-	-	-	4,748	230
39400	Tools, Shop & Garage Equip	1,175,008	502,990	(362,760)	(5,908)	-	-	-	418,884	1,728,214
39401	CNG Stations	467	363	-	-	-	-	-	(16,987)	(16,156)
39500	Laboratory Equipment	(14,417)	-	-	-	-	-	-	14,417	0
39600	Power Operated Equipment	1,310,249	175,441	(42,435)	-	1,925	-	-	(71,556)	1,373,623
39700	Communication Equipment	3,064,545	401,844	(1,430,204)	-	-	-	-	(58,690)	1,977,496
39800	Miscellaneous Equipment	320,139	29,289	(115,335)	-	-	-	-	42,160	276,253
39900	Other Tangible Property	-	-	-	-	-	-	-	-	-

Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2016

Acct. No.	Account Description	Beginning Balance*	Depreciation Accruals	Retirements	Cost of Removal	Salvage	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)										
		-	-	-	-	-	-	-	-	-
Capital Recovery Schedules:										
	Subtotal 108-403 *	664,335,975	44,953,069	(15,346,550)	(7,304,030)	273,296	-	-	44,563	686,956,323
Items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on Line 6, Page 8.										
10400	Lease to Others	-	251,846	-	-	-	-	-	-	251,846
10500	Property Held for Future Use	-	-	-	-	-	-	-	-	-
11400	Acquisition Adjustment	4,260,900	149,146	-	-	-	-	-	-	4,410,046
	Subtotal	4,260,900	400,992	-	-	-	-	-	-	4,661,892
Total Accumulated Reserve**		668,596,875	45,354,061	(15,346,550)	(7,304,030)	273,296	-	-	44,563	691,618,215

Note: * The total of ending balances must agree to Line 17, Page 12.

Note: ** The total of ending balances must agree to Line 32, Page 12.

Per rule 25-7.045(9), there has been no change of plans or utility experience requiring a change of rates, amortization or capital recovery schedule.

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Cast Iron/Bare Steel Main Replacements	822,957	6,335,887
2	Orlando - Tangelo Park South - Replacement	624,070	-
3	Tampa - Cleveland - Packwood to Howard Repla	510,563	-
4	Cathodic Protection	163,231	656,288
5	Distribution System Improvements	1,531,757	1,294,868
6	Miami - Venetian Islands Upgrades	2,634,390	803,381
7	Ocala - 8" Steel Main Installation	1,073,586	6,414
8	Ocala - Sabal Trail	897,613	2,870,846
9	Improvements to Property	628,092	1,812,722
10	Gas Main Replacements	998,188	2,724,922
11	Measuring & Regulating Station Equipment	1,055,677	6,335,887
12	Miami - City Gate - Coconut Creek	1,011,462	-
13	Meter/Regulator Installations	1,356	-
14	Miscellaneous - Non Revenue Projects	193,717	-
15	**TOTAL (Continued on 17b)**	12,146,659	22,841,215

CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.
2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.
3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1			
2			
3			
4			
5	**See Page 17b**		
6			
7			
8			
9			
10			
11			
12	TOTAL		

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Governmental/Municipal Improvements	4,074,868	4,378,395
2	New Revenue Gas Main Extensions	5,532,030	22,805,718
3	Jacksonville - Expansion to Green Cove Springs	1,954,244	2,144,830
4	Ocala - Expansion to new asphalt plant	1,477,818	142,182
5	Orlando - 6" Steel main to UPS CNG Station	1,031,701	847,266
6	New Revenue Gas Service Lines	109,243	-
7	Office Equipment	193,006	122,179
8	Gas Regulators	44,690	-
9	Gas Service Line Replacements	9,659	-
10	Testing and Measuring Equipment	136,846	-
11	Tools and Shop Equipment	110,952	-
12	Transportation Vehicles	662,999	934,173
13			
14			
15	**TOTAL (including pg 17)**	27,484,715	54,215,958

CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.
2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.
3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1	Supervision and Management		
2	(These costs are allocated to WIP as outlined		
3	in instruction 3 above)	5,248,902	125,687,386
4			
5	Corporate G&A	3,999,996	130,936,288
6			
7			
8			
9			
10			
11			
12	TOTAL		

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

PREPAYMENTS (Account 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	Prepaid Insurance	1,805,780
2	Line of Credit	192,913
3	Health Savings Account (H.S.A.)	185,000
4	Prepaid Permits	82,000
5	Software/Technology Maint.	306,256
6		
7		
8	TOTAL	2,571,948

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1						
2						
3	n/a					
4						
5						
6						
7						
8						
9						
10	TOTAL					

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1						
2						
3	n/a					
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL					

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

OTHER REGULATORY ASSETS (Account 182.3)

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (amounts less than $25,000) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits: Account Charged (d)	Credits: Amounts (e)	Balance End of Year (f)
1	Cast Iron Bare Steel Replacement Rider	98,325	436	407	98,761	0
2						
3	Competitive Rate Adjustment	2,616,418	2,122,210	142/4XX	2,011,875	2,726,753
4						
5	FAS 158 - Current portion	1,110,915		242	23,928	1,086,987
6						
7	Current Derivative Asset - Regulatory	5,677,115	201,260,155	245	206,937,270	-
8						
9	Environmental MGP - Current	640,000	22,998,254	232/407	18,251,959	5,386,295
10						
11	Environmental MGP - Non-current	19,351,997	1,533,260	182.3	20,885,257	0
12						
13	FAS 158 - Non-current portion	23,999,401	9,031,121	228	5,787,737	27,242,785
14						
15	Long Term Derivative liability	668,840	25,118,380	245	25,787,220	-
16						
17	Environmental Liability	33,938,077	-	242	2,374,748	31,563,329
18						
19	Energy Conservation (ECCR)	-	189,617			189,617
20	TOTAL	88,101,088	262,063,816		282,158,755	68,195,767

MISCELLANEOUS DEFERRED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (amounts less than $25,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debit (a)	Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1						
2	Deferred Debit SERP Trust	2,935,168	15,728	228		2,950,896
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16	Misc. Work in Progress	159,095				231,630
17	Deferred Regulatory Comm. Expenses					-
18	TOTAL	3,094,263				3,182,526

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

SECURITIES ISSUED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.
2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded.
3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares.
4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

Securities Retired

None

Total Retired $0

Securities Issued

Total Issued $0

UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1						
2						
3	None					
4						
5						-
6						
7						
8						-
9						
10						
11						-
12					-	
13						-

Name of Respondent

Peoples Gas System

For the Year Ended

Dec. 31, 2016

LONG-TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

Line No.	Class and Series of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	Interest for Year Rate (in %) (e)	Interest for Year Amount (f)	Total Amount Outstanding (g)
1	Other Long Term Debt - Acct 224						
2							
3							
4							
5	Note Issued by Tampa Electric	05/15/07	05/15/37	60,000,000	6.15	3,679,750	60,000,000
6	Note Issued by Tampa Electric	05/15/08	05/15/18	50,000,000	6.10	3,050,000	50,000,000
7	Note Issued by Tampa Electric	12/09/10	05/15/21	46,764,680	5.40	2,525,293	46,764,680
8	Note Issued by Tampa Electric	06/05/12	06/15/42	50,000,000	4.10	2,050,000	50,000,000
9	Note Issued by Tampa Electric	09/28/12	09/15/22	25,000,000	2.60	650,000	25,000,000
10	Note Issued by Tampa Electric	05/15/14	05/15/44	10,000,000	4.35	435,000	10,000,000
11	Note Issued by Tampa Electric	05/20/15	05/20/45	20,000,000	4.20	840,000	20,000,000
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			261,764,680		13,230,043	261,764,680

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.
6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period Date From (d)	Amortization Period Date To (e)	Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
1								
2	Unamortized Debt Exp-Acct 181							
3								
4								
5								
6	36-Note/Tampa Electric 6.15%	60,000,000	347,571	05-2007	05-2037	247,933	(11,586)	236,347
7	37-Note/Tampa Electric 6.10%	50,000,000	378,502	05-2008	05-2018	89,895	(37,850)	52,045
8	39-Note/Tampa Electric 4.10%	50,000,000	513,521	06-2012	06-2042	452,184	(17,117)	435,067
9	40-Note/Tampa Electric 2.60%	25,000,000	196,352	12-2012	09-2022	132,538	(19,635)	112,903
10	27-Note/Tampa Electric 4.35%	10,000,000	108,129	05-2014	05-2044	102,272	(3,604)	98,668
11	28-Note/Tampa Electric 4.20%	20,000,000	220,028	05-2015	05-2045	215,733	(7,334)	208,399
12						1,240,555	(97,126)	1,143,429
13								
14								
15							-	-
16								
17						1,240,555		1,143,429
18								

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

LONG-TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

Line No.	Class and Series of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	Interest for Year Rate (in %) (e)	Interest for Year Amount (f)	Total Amount Outstanding (g)
1							
2	blank						
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			0		0	0

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.
6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period Date From (d)	Amortization Period Date To (e)	Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
1	Unamortized Debt Disc - Acct 226							
2								
3	36-Note/Tampa Electric 6.15%	60,000,000	340,200	05-2007	05-2037	242,676	(11,340)	231,336
4	39-Note/Tampa Electric 4.10%	50,000,000	138,000	06-2012	06-2042	121,517	(4,600)	116,917
5	40-Note/Tampa Electric 2.60%	25,000,000	30,500	12-2012	09-2022	20,587	(3,050)	17,537
6	27-Note/Tampa Electric 4.35%	10,000,000	6,700	05-2014	05-2044	6,337	(223)	6,114
7	28-Note/Tampa Electric 4.20%	20,000,000	37,200	05-2015	05-2045	36,475	(1,240)	35,235
8						427,592	(20,453)	407,139
9								
10								0
11						427,592	(20,453)	407,139
12	Unamortized Debt Disc/Prem - OCI							
13	37-Note/Tampa Electric 6.10%	50,000,000	3,935,734	05-2008	05-2018	934,738	(393,573)	541,165
14	(Interest Rate Settlement)							
15	39-Note/Tampa Electric 4.10%	50,000,000	1,326,300	06-2012	06-2042	1,167,881	(44,210)	1,123,671
16	27-Note/Tampa Electric 4.35%	10,000,000	10,356	05-2014	05-2044	9,795	(345)	9,450
17	28-Note/Tampa Electric 4.20%	20,000,000	(347,040)	05-2015	05-2045	(340,292)	11,568	(328,724)
18	(Interest Rate Settlement)							

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than $50,000) may be grouped under appropriate title.

Line No.	Item	Balance at End of Year
1		
2	Vacation Liability	3,066,666
3		
4	SERP Liability FAS 158 - Current	388,457
5		
6	FAS 106 Liability FAS 158 - Current	734,975
7		
8	Manufactured Gas Plant Estimated Environmental Liability	31,563,329
9		
10	Unclaimed Funds	482,361
11		
12	Other	199,602
13	TOTAL	36,435,390

OTHER DEFERRED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor Items (less than $25,000) may be grouped by classes.

Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance End of Year (f)
1	Contractor Retention	550,782	CWIP	733,002	1,165,811	983,591
2						
3	MacDill Deferred Credit	185,244	CWIP	31,393	-	153,852
4						
5	Deferred Billing Credit-JEA	187,917	488	205,000	205,000	187,917
6						
7	Long term incentive	-	926	-	286,698	286,698
8						
9	Deferred Billing Credit -LNG	330,000	131	180,000	250,000	400,000
10						
11	TOTAL	1,253,943		1,149,395	1,907,509	2,012,057

OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits Contra Account (b)	Debits Amount (c)	Credits (d)	Balance End of Year (e)
1						
2	Energy Conservation Cost Rec.	2,136,461	407	2,933,478	797,017	-
3						
4	Gas Technology Research	482,493	930	1,028,109	545,616	0
5						
6	Derivative Regulatory Liability -	-	219	38,940,755	39,208,180	267,425
7	Long Term					
8						
9	Derivative Regulatory Liability -	-	219	69,535,895	71,257,710	1,721,815
10	Current					
11						
12	Property Sale-Gain Amortization	-	421.1	1,159,418	8,651,468	7,492,050
13	(4 year amort.)					
14	Cast Iron Bare Steel Rider	-	407	817,502	2,526,870	1,709,368
15	TOTAL	2,618,954		114,415,157	122,986,861	11,190,658

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

TAXES OTHER THAN INCOME TAXES (Account 408.1)

	Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environ-mental, Excise	Franchise	Other*	Total
1	Various FL Counties	9,261,350									9,261,350
2	Internal Revenue Service (FICA)				2,874,786						2,874,786
3	FL Public Service Commission						1,954,003				1,954,003
4	FL Dept of Revenue					13,626,619				0	13,626,619
5	Various FL Municipalities								9,495,158		9,495,158
6	Internal Revenue Svc (FUTA)				24,596						24,596
7	Internal Revenue Svc (SUTA)				20,649						20,649
8	Various FL Counties (tags)										-
9	Various FL Municipalities									11,007	11,007
10	Federal							8344.69		-	8,345
11	Out of state franchise									-	-
12					-						-
13	Less:charged to other revenue (495)						(54,865)				(54,865)
14	Less: Charged to Construction				(572,997)						(572,997)
15	Less: Charged to clearing, jobbing, AR				(219,606)		(116,250)				(335,855)
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	9,261,350	-	-	2,127,429	13,626,619	1,782,888	8,345	9,495,158	11,007	36,312,795

Note: *List separately each item in excess of $500.

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below the information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustment to the account balance shown in column (f).

				Allocations to Current Year's Income				
Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Acct. No. (d)	Amount (e)	Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
1	Gas Utility							
2	3%	0		411	0		0	
3	4%							
4	7%							
5	10%							
6								
7								
8								
9								
10	TOTAL	0			0		0	

Notes

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. At Other (Specify), include deferrals relating to other income and deductions.

2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Line No.		Balance at Beginning of Year	Changes During Year: Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Adjustments: Debits Account No.	Debits Amount	Credits Account No.	Credits Amount	Balance at End of Year
1	GAS										
2	FAS 158	9,723,607					283	1,241,905			10,965,512
3	FAS 133	3,131,547						-	283	1,845,149	1,286,398
4											
5	Gas	24,676,753	6,917,253								31,594,006
6	NOL		3,171,791								3,171,791
7	Tax Credit	891,315	289,469						283	275,263	905,521
8	Valuation Allowance		(61,344)								(61,344)
9											
10											
11	TOTAL Gas (Lines 2 - 10)	38,423,222	10,317,169					1,241,905		2,120,412	47,861,884
12	Other (Specify)										
13	TOTAL (Account 190) (Total of lines 11 and 12)	38,423,222	10,317,169					1,241,905		2,120,412	47,861,884

Notes

	Federal	State	Total	
Deferred Income Tax Other Adjustments Includes:	(1,582,069)	(263,080)	(1,845,149)	FAS 133
	1,064,835	177,070	1,241,905	FAS 158
		(275,263)	(275,263)	Federal Benefit of State on Voluntary Cleanup Credit
	(517,234)	(361,273)	(878,507)	

ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)

Line No.		Balance at Beginning of Year	Changes During Year: Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Adjustments: Debits Account No.	Debits Amount	Credits Account No.	Credits Amount	Balance at End of Year
1	Account 281 - Accelerated Amortization Property										
2	Electric										
3	Gas										
4	Other										
5	TOTAL Account 281 (Lines 2 thru 4)										
6	Account 282 - Other Property										
7	Electric										
8	Gas	165,137,719	25,520,689								190,658,408
9	Other										
10	TOTAL Account 282 (Lines 7 thru 9)	165,137,719	25,520,689								190,658,408
11	Account 283 - Other										
12	Electric										
13	Gas	24,152,825	(2,276,938)					438,698	190/219	-	21,437,189
14	Other							275,263	190		(275,263)
15	TOTAL Account 283 - Other (Lines 12 thru 14)	24,152,825	(2,276,938)	-				713,961		-	21,161,926
16	GAS										
17	Federal Income Tax	168,504,556	20,212,619					651,411		0	188,065,764
18	State Income Tax	20,785,988	3,031,132					62,550			23,754,570
19											-
20	TOTAL Gas (Lines 17 thru 19)	189,290,544	23,243,751					713,961		-	211,820,334
21	OTHER										
22	Federal Income Tax										
23	State Income Tax										
24	TOTAL Other (Lines 22 and 23)	0									
25	TOTAL (Total of lines 5, 10 and 15)	189,290,544	23,243,751					713,961		-	211,820,334

NOTES:

	Federal	State	Total	
Deferred income tax adjustment includes:	1,440,983	239,620	1,680,603	FAS 133
	(1,064,835)	(177,070)	(1,241,905)	FAS 158
	275,263		275,263	Federal Benefit of State on Voluntary Cleanup Credit
Total 283	651,411	62,550	713,961	

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 9)	34,860,605
2	Reconciling Items for the Year	
3	Federal Income Tax	
4	*Taxable Income Not Reported on Books*	
5	CIAC and AIAC	2,425,380
6	Gain on Sale	8,562,342
7		
8	*Deductions Recorded on Books Not Deducted for Return*	
9	Capitalized Interest (Sec. 263)	511,042
10	Capitalized ECA Costs Tax Amortization	3,938,981
11	Federal Income Tax	6,292,311
12	Whole Pricing Interest Component	523,764
13	Penalties	1,000,000
14	Deferred Taxes	12,926,582
15	Deferred Fuel	4,817,531
16	Environmental Disposal Costs	14,605,702
17	Other	3,824,341
18	*Income Recorded on Books Not Included in Return*	
19	Equity Earnings of Subsidiaries	3,189,905
20	Competitive Rate Adjustment	110,335
21	Energy Conservation Revenue	2,326,078
22		0
23	*Deductions on Return Not Charged Against Book Income*	
24	Cost of Removal	7,304,030
25	Bad Debt	786,272
26	Research Expense	482,493
27	Depreciation - Excess Over Books	50,968,229
28	Repairs Capitalized on Books	23,840,822
29	Other	186,805
30		
31		
32		
33		
34	Federal Taxable Net Income	5,093,612
35	*Show Computation of Tax:*	
36	Federal Taxable Net Income	5,093,612
37	Federal Income Tax @ 35%	1,782,765
38	Prior Year True-up Provision to Actual Per Return and NOL Reclass to Deferred	4,509,546
39	Federal Income Tax	6,292,311
40	Federal Income Tax Allocation to Other Income	262,287

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME
FOR FEDERAL INCOME TAXES

Additional information in response to Question 2, Page 25a:

The consolidated federal income tax liability is currently being apportioned in accordance with Internal Revenue Service Regulations Section 1.1552-1(a)(2). These regulations provide for allocation of the consolidated tax liability on the basis of the percentage of the total tax to the tax which each member would bear if the tax were computed on a separate return basis. The tax liability allocated to each company cannot exceed the tax liability computed as if each had filed a separate return.

Peoples Gas System participates in the filing of a consolidated federal income tax return.

Affiliates included in the consolidated return are:

Emera US Holdings Inc.
Bangor Var Co., Inc.
Bangor Fiber Company
Emera Maine
Bangor Line Co.
BHE Holdings Inc.
Clean Power Northeast Development
Emera Energy Generation Inc.
Emera CNG Holdings, Inc.
Emera US Inc.
Rumford Power Inc.
EUSHI Finance, Inc.
EUSHI Finance Assist, Inc.
TECO Energy, Inc.
New Mexico Gas Intermediate, Inc.
New Mexico Gas Company, Inc.
Peoples Gas System (Florida), Inc.
Tampa Electric Company
TECO Coalbed Methane Florida, Inc.
TECO Clean Advantage Corporation
TECO Diversified, Inc.
TECO EnergySource, Inc.
TECO Finance, Inc.
TECO Gemstone, Inc.
TECO Guatemala, Inc.
TECO Oil & Gas, Inc.
TECO Partners, Inc.
TECO Pipeline Holding Company, LLC
TECO Properties Corporation
TEC Receivables Corporation

TECO Services, Inc.
TECO Wholesale Generation, Inc.

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account in total.
2. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
3. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
4. Report gas service revenues and therms sold by rate schedule.
5. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

Line No.	Title of Account (a)	Operating Revenues: Amount for Year (b)	Operating Revenues: Amount for Previous Year (c)	Therms of Natural Gas Sold: Current Year (d)	Therms of Natural Gas Sold: Previous Year (e)	Avg. No. of Natural Gas Customers Per Mo.: Current Year (f)	Avg. No. of Natural Gas Customers Per Mo.: Previous Year (g)
1	Gas Service Revenues						
2	Firm Sales Service						
3	480 Residential RS1 - RS3	131,662,523	129,769,532	63,739,453	62,009,111	333,043	324,790
4	480 Residential GS1	4,521,495	3,911,410	3,621,291	3,198,729	1,202	1,192
5	480 Residential GS2	741,572	870,976	667,833	816,208	43	57
6	480 Residential GS3	55,154	22,997	53,862	22,622	2	-
7	481 Commercial Street Lighting	41,567	48,227	40,690	48,605	11	12
8	481 Small General Service	7,603,668	7,661,332	4,564,459	4,744,970	7,496	7,606
9	481 General Service 1	15,666,510	16,745,354	12,715,033	14,070,079	3,928	4,166
10	481 General Service 2	9,028,402	10,157,372	8,188,204	9,562,510	558	578
11	481 General Service 3	2,994,370	3,209,879	2,840,536	3,141,635	47	48
12	481 General Service 4	1,486,330	1,324,295	1,507,833	1,410,048	5	3
13	481 General Service 5	545,408	862,891	620,262	971,265	2	4
14	481 Natural Gas Vehicle Sales	2,592	12,242	3,958	7,898	2	3
15	Interruptible Sales Service						
16	481 Small Interruptible Service	629,205	315,226	880,660	447,592	1	1
17	481 Interruptible Lg. Vol - 1	216,881	75,921	780,163	200,826		
18	481 Interruptible Lg. Vol - 2	(510,514)	(460,833)	479,697	541,185		
19	Off System Sales Service						
20	481 Mutually Beneficial	425,981	400,176	1,041,440	1,137,530	4	2
21	481 Off System Sales	72,277,057	49,421,862	244,095,670	165,292,820	9	10
22	Firm Transportation Service						
23	489 Res-General Svc 1	683,970	550,805	1,843,783	1,456,675	363	329
24	489 Res-General Svc 2	1,352,176	1,186,980	4,862,650	4,361,408	237	226
25	489 Res-General Svc 3	693,964	711,478	2,815,576	3,027,339	41	42
26	489 Commercial Street Lighting	102,368	110,537	523,111	552,637	27	27
27	489 Natural Gas Vehicles	25,332	42,997	102,980	179,473	4	9
28	489 Small General Service	2,560,037	2,385,087	3,934,783	3,872,240	3,613	3,266
29	489 General Service 1	23,523,280	21,798,043	64,238,078	60,413,496	11,958	11,308
30	489 General Service 2	34,293,442	32,152,886	121,504,077	117,636,723	6,567	6,400
31	489 General Service 3	17,873,548	17,237,787	75,771,556	75,921,541	749	753
32	489 General Service 4	11,305,530	10,420,760	69,153,992	62,639,247	167	160
33	489 General Service 5	14,295,000	13,413,841	119,098,516	112,229,851	129	121
34	Interruptible Transportation Serv.						
35	489 Small Interruptible Transp	5,277,433	5,270,098	65,677,031	50,659,375	30	30
36	489 Interruptible Transp LG - 1	8,043,897	8,000,245	217,912,749	206,749,381	15	15
37	489 Interruptible Transp LG - 2	5,295,187	6,975,310	794,706,081	788,658,753	5	5
38	482 Other Sales to Public Authorities						
39	484 Flex Rate - Refund						
40	TOTAL Sales to Ultimate Consumers	372,713,365	344,605,713	1,887,986,007	1,755,981,772	370,258	361,163
41	483 Sales for Resale	1,353,766	1,217,736	3,542,681	3,374,905	15	15
42	Off-System Sales						
43	TOTAL Nat. Gas Service Revenues	374,067,131	345,823,449				
44	TOTAL Gas Service Revenues	374,067,131	345,823,449				
45	Other Operating Revenues						
46	485 Intracompany Transfers	942,280	882,389				
47	487 Forfeited Discounts	4,409,440	4,662,259				
48	488 Misc. Service Revenues						
49	488	550,512	548,928				
50	488 Individual Transp Charge						
51	489 Rev. from Trans. of Gas of Others						
52	not included in above rate schedules)	379,811	365,487				
53	493 Rent from Gas Property						
54	494 Interdepartmental Rents						
55	495 Other Gas Revenues						
56	Gross Recpts Tax/Franch Fee Coll	23,121,777	22,254,830				
57	Reconnect for Cause						
58	Collection in lieu of disconnect						
59	Returned Check						
60	Other	18,516,016	20,070,771				
61	495.1 Overrecoveries Purchased Gas						
62	TOTAL Other Operating Revenues	47,919,836	48,784,664				
63	TOTAL Gas Operating Revenues	420,633,201	393,390,377				
64	(Less) 496 Provision for Rate Refunds						
65	TOTAL Gas Operating Revenues						
66	Net of Provision for Refunds	420,633,201	393,390,377				
67	Sales for Resale	1,353,766	1,217,736				
68	Other Sales to Public Authority						
69	Interdepartmental Sales						
70	TOTAL	421,986,967	394,608,113				

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2016	

GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account	Amount for Current Year	Amount for Previous Year
1	**1. Production Expenses**		
2	A. TOTAL Manufactured Gas Production (Total of Accounts 700-742)		
3	B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Total of Accts. 795 through 798)		
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases	96,594,129	80,333,268
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	58,321,924	62,767,658
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases		
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)	6,908,757	(4,072,332)
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	161,824,810	139,028,594
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses		
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)		
26	808.1 Gas Withdrawn from Storage--Debit	(106,848)	379,263
27	(Less) 808.2 Gas Delivered to Storage--Credit	(110,946)	(537,889)
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit	(254,164)	(134,856)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(254,164)	(134,856)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	161,352,852	138,735,112
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	161,352,852	138,735,112
38	**2. Natural Gas Storage, Terminaling and Processing Expenses**		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	-	-
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)	-	-
41	C. TOTAL Liquefied Nat Gas Terminaling & Processing Expenses (Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)	-	-
43	**3. Transmission Expenses**		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)	-	-
45			
46			

Name of Respondent			For the Year Ended
Peoples Gas System			Dec. 31, 2016

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	**4. Distribution Expenses**		
48	Operation		
49	870 Operation Supervision and Engineering	723,176	557,584
50	871 Distribution Load Dispatching	457,226	431,852
51	872 Compressor Station Labor and Expenses	891	1,746
52	873 Compressor Station Fuel and Power	4,517	5,123
53	874 Mains and Services Expenses	8,068,944	7,050,396
54	875 Measuring and Regulating Station Expenses--General	32,207	72,688
55	876 Measuring and Regulating Station Expenses--Industrial	50,796	37,303
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	74,147	64,884
57	878 Meter and House Regulator Expenses	4,639,507	4,270,073
58	879 Customer Installations Expenses	1,991,979	1,946,069
59	880 Other Expenses	1,758,688	1,515,913
60	881 Rents	250,300	205,731
61	TOTAL Operation (Total of lines 49 through 60)	18,052,378	16,159,362
62	Maintenance		
63	885 Maintenance Supervision and Engineering	36,016	3,137
64	886 Maintenance of Structures and Improvements	161,208	142,858
65	887 Maintenance of Mains	4,605,713	4,476,846
66	888 Maintenance of Compressor Station Equipment	145,434	109,922
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	644,191	728,828
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	599,577	593,151
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	1,585,514	1,488,693
70	892 Maintenance of Services	1,689,939	1,740,647
71	893 Maintenance of Meters and House Regulators	679,913	587,575
72	894 Maintenance of Other Equipment	55,377	100,729
73	TOTAL Maintenance (Total of Lines 63 through 72)	10,202,882	9,972,386
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	28,255,260	26,131,748
75	**5. Customer Accounts Expenses**		
76	Operation		
77	901 Supervision		
78	902 Meter Reading Expenses	1,208,631	1,105,277
79	903 Customer Records and Collection Expenses	7,168,296	6,285,326
80	904 Uncollectible Accounts	(71,406)	806,613
81	905 Miscellaneous Customer Accounts Expenses		
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	8,305,521	8,197,216
83	**6. Customer Service and Informational Expenses**		
84	Operation		
85	907 Supervision		
86	908 Customer Assistance Expenses	12,226,630	11,214,015
87	909 Informational and Instructional Expenses	1,119,087	1,119,500
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	13,345,717	12,333,515
90	**7. Sales Expenses**		
91	Operation		
92	911 Supervision		
93	912 Demonstrating and Selling Expenses	7,827,333	7,529,580
94	913 Advertising Expenses	269,417	451,320
95	916 Miscellaneous Sales Expenses	63,075	133,698
96	TOTAL Sales Expenses (Total of lines 92 through 95)	8,159,825	8,114,598
97			

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
98	**8. Administrative and General Expenses**		
99	Operation		
100	920 Administrative and General Salaries	8,678,969	6,833,177
101	921 Office Supplies and Expenses	3,633,659	3,328,065
102	(Less) (922) Administrative Expenses Transferred--Credit	(3,399,996)	(3,399,996)
103	923 Outside Services Employed	3,095,253	2,566,991
104	924 Property Insurance	124,024	135,729
105	925 Injuries and Damages	3,321,769	2,928,605
106	926 Employee Pensions and Benefits	9,033,856	8,638,086
107	927 Franchise Requirements		
108	928 Regulatory Commission Expenses		
109	(Less) (929) Duplicate Charges--Credit		
110	930.1 General Advertising Expenses	20,017	13,420
111	930.2 Miscellaneous General Expenses	18,211,400	18,525,941
112	931 Rents	473,403	545,571
113	TOTAL Operation (Total of lines 100 through 112)	43,192,354	40,115,589
114	Maintenance		
115	935 Maintenance of General Plant	400,715	288,722
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	43,593,069	40,404,311
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	263,012,244	233,916,500
119			
120			

NUMBER OF GAS DEPARTMENT EMPLOYEES

1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

1		
2	1. Payroll Period Ended (Date)	12/31/2016
3	2. Total Regular Full-Time Employees	539
4	3. Total Part-Time and Temporary Employees	
5	4. Total Employees	
6		
7		
8		
9		
10		
11		
12		
13		

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1, 808.1, 808.2)

1. Provide totals for the following accounts:
   - 800 - Natural Gas Well Head Purchases
   - 800.1- Natural Gas Well Head Purchases Intracompany Transfers
   - 801 - Natural Gas Field Line Purchases
   - 802 - Natural Gas Gasoline Plant Outlet Purchases
   - 803 - Natural Gas Transmission Line Purchases
   - 804 - Natural Gas City Gate Purchases
   - 804.1- Liquefied Natural Gas Purchases
   - 805 - Other Gas Purchases
   - 805.1- Purchases Gas Cost Adjustments
   - 808.1- Gas Withdrawn from Storage-Debit
   - 808.2 Gas Delivered to Storage-Credit

The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.
2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.
3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).
4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)

Line No.	Account Title (a)	Gas Purchased-Therms (14.73 psia 60 F) (b)	Cost of Gas (In dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	801 - Natural Gas Field Line Purchases		$96,594,129	
2	808.1 - Gas Withdrawn from Storage-Debit		$344,177	
3	808.2 - Gas Delivered to Storage-Credit		($561,971)	
4	804 - Natural Gas City Gate Purchases-Commodity		$58,321,924	
5	805.1 - Purchased Gas Cost Adjustments		$6,908,757	
6				
7				
8				
9				
10				
11	TOTAL (Total of lines 1 through 10)	370,531,655	$161,607,016	$43.61

Notes to Gas Purchases

The amounts reflected on lines 2 and 3 are the gas injected and withdrawn from storage. These amounts vary from the postings in FERC accounts 808.1 and 808.2 due to system posting issues. The net amount in these two accounts is $(217,794.15).

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.
4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas Amount of Credit (d)
1	812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.)			
2				
3	Operations Expense	880	34,194	29,774
4				
5	Transportation Clearing Account CNG	184	10,376	8,761
6				
7	Other Income Deductions	426	17,615	14,383
8				
9	Administrative Use	921	-	-
10				
11	Sales Tax Account	241	N/A	(1,908)
12				
13	Gas Lost - Damaged Facilities	143	N/A	203,153
14				
15				
16				
17				
18	TOTAL		62,185	254,163

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

REGULATORY COMMISSION EXPENSES (Account 928)

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
3. The totals of columns (c), (f), (h), and (i) must agree with the totals shown at the bottom of page 19 for Account 186
4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than $25,000) may be grouped.

Line No.	Description (Name of regulatory commission, the docke number, and a description of the case.) (a)	Total Expenses to Date (b)	Deferred in Account 186 Beginning of Year (c)	Expenses Incurred During Year: Charged Currently to: Account No. (d)	Expenses Incurred During Year: Charged Currently to: Amount (e)	Expenses Incurred During Year: Deferred to Account 186 (f)	Amortized During Year: Contra Account (g)	Amortized During Year: Amount (h)	Deferred in Account 186 End of Year (i)
1	Florida Public Service Commission								
2	Docket 080318-GU - rate case.								
3	Four year amortization of $684,500								
4	beginning June 2009 - fully amortized 2014	-	-					-	-
5	N/A								
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17	TOTAL								

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	394,677
2	Experimental and General Research Expenses:	45,616
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent.	-
4	Other expenses (items of $5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than $5,000 may be grouped by classes if the number of items so grouped is shown.)	
5	Compliance Charge	1,000,000
6	Direct Software/Hardware Maintenance	1,520,218
7	Registration Fees	9,069
8	Bank Fees	108,333
9	PGS charges to TECO Partners and SeaCoast	(349,000)
10	Net Tampa Electric and TECO Services Intercompany activity	2,471,680
11	New Mexico Gas Company (NMGC) - I.T. charges	114,446
12	Tampa Electric (TEC) - Telecom	626,907
13	Tampa Electric (TEC) - Facilities Charge	457,793
14	TECO Services (TSI) - A&G Allocation	4,506,011
15	TECO Services (TSI) - Human Resources	1,013,691
16	TECO Services (TSI) - I.T.	4,428,911
17	TECO Services (TSI) - Procurement Department	574,583
18	TECO Services (TSI) - Services	1,132,262
19	Tampa Electric (TEC) - Asset Usage	156,204
20	TOTAL	18,211,400

Name of Respondent

Peoples Gas System

For the Year Ended

Dec. 31, 2016

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	**Electric**			
2	TOTAL Operation and Maintenance - Electric			
3	**Gas**			
4	Operation			
5	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
6	Transmission			
7	Distribution	11,571,672		
8	Customer Accounts	3,223,071		
9	Customer Service and Informational	202,759		
10	Sales			
11	Administrative and General	8,785,261		
12	TOTAL Operation (Total of lines 5 through 11)	23,782,762		
13	Maintenance			
14	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	-		
15	Transmission	-		
16	Distribution	4,773,858		
17	Administrative and General	35,311		
18	TOTAL Maintenance (Total of lines 14 through 17)	4,809,169		
19	Total Operation and Maintenance	28,591,931		
20	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
21	Transmission (Enter Total of lines 6 and 15)	-		
22	Distribution (Total of lines 7 and 16)	16,345,530		
23	Customer Accounts (Transcribe from line 8)	3,223,071		
24	Customer Service and Informational (Transcribe from line 9)	202,759		
25	Sales (Transcribe from line 10)	-		
26	Administrative and General (Total of lines 11 and 17)	8,820,572		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	28,591,931		28,591,931
28	**Other Utility Departments**			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	28,591,931	-	28,591,931
31	**Utility Plant**			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	6,974,201		6,974,201
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)	6,974,201	-	6,974,201
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	920,861		920,861
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)	920,861	-	920,861
42				
43	Other Accounts (Specify):			
44				
45				-
46	Accounts Receivable - Associated Companies	1,808,040		1,808,040
47	Misc Deferred Debits/Credits	127,729		127,729
48	Merchandise / Jobbing	3,472		3,472
49		-		-
50				
51				
52				
53	TOTAL Other Accounts	1,939,241	-	1,939,241
54	TOTAL SALARIES AND WAGES	38,426,234	-	38,426,234

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than $25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.
 (a) Name of person or organization rendering services,
 (b) description of services received,
 (c) basis of charges,
 (d) total charges for the year, detailing account charged.
2. For any services which are of a continuing nature, give the date and term of contract.
3. Designate with an asterisk associated companies.

	Description		Amount
1	APC Workforce Solutions LLC	various A&G	398,771
2	Arcadis US Inc.	182-environmental services	608,640
3	Arrow Systems Integration	921 and 107	192,762
4	Bajocuva PA	925-legal services	813,685
5	Baker & Hostetler LLP	182/923-legal services	80,466
6	Berkeley Research Group LLC	923-legal services	88,761
7	Bowman Consulting Group LTD	various-engineering services	50,609
8	Brandmark Advertising, Inc.	913-advertising services	153,388
9	Brown and Caldwell Inc.	182-engineering services	26,042
10	C Edward Mills	921/923-consulting services	86,772
11	Career Consultants of America	925-legal services	63,169
12	Circadian Technologies Inc	921-workload assessment	25,028
13	ConnXus Inc.	921/923-consulting services	31,000
14	Cleveland Integrity Services, Inc.	various-engineering services	1,118,149
15	Deloitte Transactions and Business	923-business consultant	60,267
16	Daniels Engineering, Inc.	various-engineering services	337,328
17	Equifax Information Services LLC	903-Customer Records	30,869
18	Hatch Mott Macdonald	various-engineering services	47,100
19	FGE Engineering, Inc.	880/various-engineering services	403,087
20	George Young	various-engineering services	54,716
21	Geosyntec	182-environmental services	788,469
22	HCBeck LTD Total	various-engineering services	4,797,242
23	Heath Consultants	various-engineering services	497,349
24	J R Griese (JRGO)	887-various engineering/integrity mgmt	1,965,019
25	John D Cerrato	various-engineering services	183,482
26	Jones Day	804/multi-legal services	381,058
27	KPMG LLC	921-Audit service	439,451
28	Labor Sin Barreras LLC	921/923-union consulting services	48,305
29	Lau, Lane, Pieper, Conley & McCreadie PA	925-legal services	130,466
30	Macfarlane Ferguson	182/923-legal services	98,409

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.
(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.
(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities: and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $25,000 may be grouped by classes within the above accounts.
(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

	Item	Amount
1		
2	Account 426.1 - Donations	342,277
3	Account 426.3 - FPSC Penalty	1,000,000
4	Account 426.4 - Lobbying	195,061
5		1,537,338
6		
7		
8		
9	Account 431 - Other Interest Expense	
10	Energy Conservation Cost Recovery Clause	7,262
11	Other	4
12	Credit Facility	39,259
13	Customer Deposits	885,645
14	Miscellaneous	
15	Cast Iron Bare Steel Rider	5,200
16	PGA True - Up	19,229
17		956,599
18		
19		
20		
21		
22		
23		
24		

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than $25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.
   (a) Name of person or organization rendering services,
   (b) description of services received,
   (c) basis of charges,
   (d) total charges for the year, detailing account charged.
2. For any services which are of a continuing nature, give the date and term of contract.
3. Designate with an asterisk associated companies.

	Description		Amount
1	continued from page 33a		
1	Macfarlane Ferguson	923/various - legal services	390,341
2	Magnolia River Services	various-engineering/inspection svcs	3,699,071
3	Mai Engineering Services, Inc.	various-engineering services	336,317
4	McKim&Creed	various-engineering services	81,158
5	NDT and Inspections Inc.	various-engineering services	71,256
6	Nopetro-CH4 Holdings LLC	413-lease eqmt maint.	190,431
7	Processmap Corporation	925-safety database	126,520
8	Quorum Business Solutions Inc.	921/923-consulting services	28,548
9	Renegade Testing & Inspection Inc	various-engineering services	37,071
10	Atmospheric Corrosion Specialists (ACS)	various-engineering services	224,764
11	Smoak & Chistolini LLC	925-legal services	30,546
12	The Paradigm Alliance, Inc	925-pipeline awareness	284,641
13	Southern Cathodic Protection	887-engineering services	258,899
14	StrategiTech, LLC	various-operations services	1,118,452
15	Trustar Energy	413-lease eqmt maint.	46,730
16	The Ash Group	various-engineering services	93,242
17	Thompson Sizemore & Gonzalez PS	923/various - legal services	29,736
18	Trial Consulting Services	923/various - legal services	29,260
19	Veriforce LLC	921/923-OQ consulting services	65,870
20	Teco Partners*	912/107-marketing	8,850,250
21	Tampa Electric*	930- various	7,701,497
22	Teco Services*	930- various	12,467,764
23	New Mexico Gas Company*	930-I.T. Support services	111,796
24	William J Greer	various-construction management	177,351
25	XDD LLC	182-environmental services	150,901
26	Yuro and Associates LLC	various-engineering services	295,285
27			
28			

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.
(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.
(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities: and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $25,000 may be grouped by classes within the above accounts.
(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

	Item	Amount
1		
2		
3		
4		
5	Blank section - see 33a	
6		
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Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

Reconciliation of Gross Operating Revenues
Annual Report versus Regulatory Assessment Fee Return

For the current year, reconcile the gross operating revenues as reported on Page 26 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

Line No.	(a) Description	(b) Gross Operating Revenues per Page 26	(c) Interstate and Sales for Resale Adjustments	(d) Adjusted Intrastate Gross Operating Revenues	(e) Intrastate Gross Operating Revenues per RAF Return	(f) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	247,388,200		247,388,200	247,388,200	-
2	Sales for Resale (483)	1,353,766		1,353,766	1,353,766	-
3	Total Natural Gas Service Revenues	248,741,966		248,741,966	248,741,966	-
4	Total Other Operating Revenues (485-495)	173,245,001		173,245,001	173,245,001	-
5	Total Gas Operating Revenues	421,986,967		421,986,967	421,986,967	-
6	Revenue from Property Leased to Other (412)				894,296	(894,296)
7	Provision for Rate Refunds (496)	-				
8	Wholesale Sales & Wholesale Transport Adj.				(1,353,766)	1,353,766
9	Mutually Beneficial Wholesale Adjustment				(425,981)	425,981
10	Unbilled Revenue Adjustment				(168,116)	168,116
11	Off System Sales for Resale Adjustment				(30,132,868)	30,132,868
12	**Total Gross Operating Revenues**	421,986,967		421,986,967	390,800,532	31,186,435

Notes:

Column F differences are due to RAF return adjustments for exempt revenue, and addition of revenue from property leased to others (CNG station).

CORPORATE STRUCTURE

Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

Effective Date: Dec. 31, 2016

- Emera US Holdings Inc.
  - TECO Energy, Inc.
    - TECO Services, Inc.
    - Tampa Electric Company
      - TEC Receivables Corp.
      - TECO Partners, Inc.
      - SLA 75, LLC
    - New Mexico Gas Intermediate, Inc.
      - New Mexico Gas Company, Inc.
    - TECO Finance, Inc.
    - TECO Oil & Gas, Inc.
    - TECO Diversified, Inc.
      - TECO Coalbed Methane Florida, Inc.
      - TECO Properties Corporation
        - 7116 Davis Island, LLC
      - TECO Gemstone, Inc.
    - Peoples Gas System (Florida), Inc.
    - TECO Energy Foundation, Inc.
    - TECO Pipeline Holding Company, LLC
      - SeaCoast Gas Transmission, LLC
    - TECO EnergySource, Inc.
    - TECO Wholesale Generation, Inc.
      - TECO Guatemala, Inc.
        - TECO Guatemala Holdings, LLC
        - TECO Guatemala Holdings II, LLC
    - TECO Clean Advantage Corporation

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of $300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.
(a) Enter name of affiliate.
(b) Give description of type of service, or name the product involved.
(c) Enter contract or agreement effective dates.
(d) Enter the letter "p" if the service or product is purchased by the Respondent: "s" if the service or product is sold by the Respondent.
(e) Enter utility account number in which charges are recorded.
(f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year: "p" or "s" (d)	Total Charge for Year: Account Number (e)	Total Charge for Year: Dollar Amount (f)
TECO Partners, Inc	Real property sublease		s	146	224,831
	G&A Allocation		s	146	231,000
	Labor services		s	146	23,928
	Marketing		p	912	8,348,474
	Marketing Service		p	107	500,000
	Other service/labor		p	930/multi	1,776
Tampa Electric Co.	Real property sublease		s	146	14,369
	Labor & Other Services		s	146	2,899,614
	Natural Gas sales		s	146	7,362,801
	Real property sublease		p	931	587,310
	Labor services		p	930/multi	4,057,935
	Natural Gas purchases		p	801	469,169
	Meter Reading		p	902	256,807
	IT, Telecom, Facilities		p	930/multi	2,330,276
TECO Energy Inc.	Labor services		s	146	287,620
TECO Services Inc.	Direct Services		p	930.2	1,259,770
	Overhead Allocation		p	930.2	4,506,011
	IT Services		p	930.2	4,116,773
	Other Indirect Services		p	930.2	983,314
	TSI Services		p	930.2	1,047,140
	Procurement Services		p	930.2	554,756
TECO Energy Source	Natural Gas Sales		s	146	44,093
	Natural Gas Purchases		p	801	79,412
SeaCoast Gas Transmission	Labor services		s	146	142,952
	G&A Allocation		s	146	118,000
	Natural Gas Sales		s	146	126,318
	Natural Gas Purchases		p	801	8,275
New Mexico Gas Company	Labor Services		s	146	11,841
	Labor - IT Services		p	930/multi	111,796
Emera Energy US Sub1	Labor-Services		p	930.2	20,664

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2016

NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

Name of Affiliate	Synopsis of Contract
TECO Partners	An agreement entered into between Peoples Gas (Peoples) and TECO Partners (Partners) whereby Peoples retained Partners to market and sell services for and on behalf of Peoples to present and potential customers of Peoples, including but not limited to: Energy Services, Energy Conesrvation Program Services, Promotional Services Payment to Partners under the agreement is targeted at $6,500,000 annually - increasing by the previous year's CPI. The agreement was entered into effective January 1, 2008 for a period of six years, renewed for 2016. One year agreements were entered into between Peoples and TECO Partners, whereby TECO Partners lease space in various Peoples buildings in Florida.
Tampa Electric Company	Service agreements effective April 2016 through March 2017. Peoples Gas System contracted Tampa Electric to provide monthly gas meter reading at a price of $0.25 per reading in the Tampa division, $0.58 per reading in the Lakeland division. and $0.78 per reading in the Brooksville area. For 2016, both parties mutually agree to establish the volume for April 2016 - March 2017 at 68,765 meters for Tampa, for Lakeland a volume of 5,801, and for Brooksville a volume of 1,489 reads. An automatic review of billing volumes will occur should a 10% differential exist. Amended and Restated Services Agreement effective January 1, 2013 (renews annually).
TECO Services, Inc.	Services Agreement effective January 1, 2014 (renews annually).
New Mexico Gas Company, Inc.	Affiliate Addendum effective July 1, 2016 to Amended & Restated Service Agreement effective January 1, 2013. New Mexico Gas Company, Inc. provide selected services such as Information Technology Services to Peoples Gas.

INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF $25,000

Provide information regarding individual affiliated transactions in excess of $25,000. Recurring monthly affiliated transactions which exceed $25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

Name of Affiliate	Description of Transaction	Dollar Amount
TECO Partners, Inc.	Real property sublease	224,831
	G&A Allocation	231,000
	Marketing	(8,848,474)
Tampa Electric Co		
	Labor services	2,899,614
	Natural Gas sales	7,362,801
	Real property sublease	(587,310)
	Labor services	(4,057,935)
	Natural Gas purchases	(469,169)
	IT, Telecom, Facilities	(2,330,276)
	Meter Reading	(256,807)
TECO Energy Inc.	Labor services	287,620
TECO Services Inc.	Labor services	(1,259,770)
	Corporate Overhead/Allocation	(4,506,011)
	IT Services	(4,116,773)
	Other Indirect Services	(983,314)
	TSI Services	(1,047,140)
	TSI Procurement Services	(554,756)
TECO Energy Source	Natural Gas Sales	44,093
	Natural Gas Purchases	(79,412)
SeaCoast Gas Transmission	Labor services	142,952
	G&A Allocation	118,000
	Natural Gas Sales	126,318
New Mexico Gas Company	Labor services	(111,796)

Name of Respondent						For the Year Ended	
Peoples Gas System						Dec. 31, 2016	

ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
Purchases from Affiliates:		$	$	$	$	$	
None		-	0	-	N/A	-	
Total						-	
Sales to Affiliates:	None	$	$	$	$	Sales Price	
None							
Total						**$**	

EMPLOYEE TRANSFERS

List employees earning more than $50,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From	Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
Tampa Electric	Peoples Gas	Managing Dir. Regulatory	VP Gas Delivery	Permanent
TECO Services	Peoples Gas	Business Strategy Manager	Mgr Business Planning PGS	Permanent
TECO Services	Peoples Gas	Auditor Lead-Financial	Admtr Gas Ops Compliance	Permanent
TECO Services	Peoples Gas	Dir Corporate Audit Services	Dir Pipeline Safety&Op Supt	Permanent
TECO Services	Peoples Gas	Policy Analyst Sr.	Manager Business Develop	Permanent
Peoples Gas	Tampa Electric	Manager Business Develop.	Mgr Business Strategy&Policy	Permanent
Peoples Gas	TECO Services	Cust Billing Data Specialist II	SAP Configurator	Permanent
Peoples Gas	Tampa Electric	Utility Technician	Load Management Analyst	Permanent
Peoples Gas	Tampa Electric	Lead - Cust. Svc Prof (CSP)	Contract Center Perf Spec	Permanent
Peoples Gas	Tampa Electric	Cust. Service Prof (CSP) III	Energy Mgmt Specialist	Permanent