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**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, 2006

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

Name Paul Higgins	Title Assistant Controller
Address P.O. Box 2562	City Tampa State FL 33601-2562
Telephone No. (813) 228-4111	PSC/ECR 020-G (12/03)

**Report of Independent Certified Public Accountants**

To the Board of Directors of  
Tampa Electric Company:

We have audited the accompanying balance sheets of Peoples Gas System (a wholly-owned subsidiary of Tampa Electric Company) as of December 31, 2006 and 2005 and the related statements of income and of retained earnings for the years then ended, included on pages 6 through 11 of the accompanying Federal Energy Regulatory Commission Form 2. These financial statements are the responsibility of the Peoples Gas System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, these 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 accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peoples Gas System as of December 31, 2006 and 2005, and the results of its operations for the years then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the board of directors and management of Peoples Gas System and for filing with the Florida Public Service Commission and should not be used for any other purpose.

*PricewaterhouseCoopers LLP*

February 27, 2007

**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. <sup>2</sup>) 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 2006
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 Paul Higgins	06 Title of Contact Person Assistant Controller
07 Address of Contact Person (Street, City, State, Zip Code) P.O. Box 2562 Tampa, Florida 33602-2562	
08 Telephone of Contact Person, Including Area Code (813) 228-4111	09 Date of Report (Mo., Day, Yr) Dec. 31, 2006

## 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, 2006 to December 31, 2006, 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

4/27/2007  
Date

Paul Higgins  
Name

Assistant Controller  
Title

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2006

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Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006
<b>CONTROL OVER RESPONDENT</b>	
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.	

<b>CORPORATIONS CONTROLLED BY RESPONDENT</b>			
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.
<b>DEFINITIONS</b>			
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 Gas Services	Natural Gas Marketing	100.00%	
TECO Partners	Marketing Services	100.00%	

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**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, Peoples Gas System	W. N. Cantrell	\$345,000
Vice-President, Peoples Gas System	B. Narzissenfeld effective August 20, 2006	\$59,615

**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	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**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 compiled 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**

Name (Title) and Address of Security Holder (a)	Number of votes as of (date):			
	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 are held by its parent, TECO Energy, Inc.				

**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 Effective January 1, 2006 ownership of TECO Partners and TECO Gas Services transferred from TECO Solutions to Tampa Electric Company on behalf of its gas Division, Peoples Gas System.

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Name of Respondent		For the Year Ended		
Peoples Gas System		Dec. 31, 2006		
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	839,782,673	877,924,794
3	Construction Work in Progress (107)	12	12,437,597	19,384,045
4	TOTAL Utility Plant Total of lines 2 and 3)		852,220,270	897,308,839
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	324,131,981	351,113,687
6	Net Utility Plant (Total of line 4 less 5)		528,088,289	546,195,152
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)	-		1,113,522
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)			1,113,522
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	1,184,493	(682,596)
19	Special Deposits (132-134)	-	34,546	34,546
20	Working Funds (135)	-	8,650	7,650
21	Temporary Cash Investments (136)	-		588,639
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	49,470,092	35,911,638
24	Other Accounts Receivable (143)	-	5,172,513	6,022,993
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	(685,343)	(432,326)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Associated Companies (146)	-		
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)	-	847,868	1,116,819
32	Merchandise (155)	-		
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-	73,066	102,553
36	Prepayments (165)	18	1,289,064	1,154,194
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-	4,410	3,974
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	24,247,426	20,881,829
41	Miscellaneous Current and Accrued Assets (174)	-	14,440,130	18,400
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		96,086,915	64,728,313
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	2,418,462	2,021,334
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	19,643,142	31,645,560
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	682,591	113,796
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20	2,279,503	1,935,154
55	Accumulated Deferred Income Taxes (190)	24		15,226,958
56	Unrecovered Purchased Gas Costs (191)	-	(6,474,426)	16,712,141
57	TOTAL Deferred Debits (Total of lines 44 through 56)		18,549,272	67,654,943
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		642,724,476	679,691,930

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**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	<b>PROPRIETARY CAPITAL</b>			
2	Common Stock (201, 202, 203, 205, 206, 207)	-		
3	Preferred Stock Issued (204)	-		
4	Other Paid-In Capital (208-214)	-	155,550,169	155,550,169
5	Retained Earnings (215, 216)	10		
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	112,931,830	113,345,102
7	(Less) Reacquired Capital Stock (217)	-		
8	<b>TOTAL Proprietary Capital (Total of lines 2 through 7)</b>		<b>268,481,999</b>	<b>268,895,271</b>
9	<b>LONG-TERM DEBT</b>			
10	Bonds (221)	21		
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21		
13	Other Long-Term Debt (224)	21	168,700,000	162,800,000
14	Unamortized Premium on Long-Term Debt (225)	21		
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21	(499,957)	(409,351)
16	<b>TOTAL Long-Term Debt (Total of lines 10 through 15)</b>		<b>168,200,043</b>	<b>162,390,649</b>
17	<b>OTHER NONCURRENT LIABILITIES</b>			
18	Obligations Under Capital Leases - Noncurrent (227)	-		
19	Accumulated Provision for Property Insurance (228.1)	-		
20	Accumulated Provision for Injuries and Damages (228.2)	-		
21	Accumulated Provision for Pensions and Benefits (228.3 and 263)	-	5,648,141	25,380,662
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-		
24	<b>TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)</b>		<b>5,648,141</b>	<b>25,380,662</b>
25	<b>CURRENT AND ACCRUED LIABILITIES</b>			
26	Notes Payable (231)	-	34,900,000	43,720,000
27	Accounts Payable (232)	-	50,586,294	35,656,714
28	Notes Payable to Associated Companies (233)	-		
29	Accounts Payable to Associated Companies (234)	-	1,236,382	2,472,151
30	Customer Deposits (235)	-	30,212,173	34,090,997
31	Taxes Accrued (236)	-	1,977,273	3,829,680
32	Interest Accrued (237)	-	4,458,975	4,240,254
33	Dividends Declared (238)	-		
34	Matured Long-Term Debt (239)	-		
35	Matured Interest (240)	-		
36	Tax Collections Payable (241)	-	3,103,828	1,908,902
37	Miscellaneous Current and Accrued Liabilities (242)	22	12,381,482	11,840,887
38	Obligations Under Capital Leases-Current (243)	-		
39	Derivative Instrument - Liabilities (245)	-	310,350	20,099,450
40	<b>TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)</b>		<b>139,166,757</b>	<b>157,859,035</b>
41	<b>DEFERRED CREDITS</b>			
42	Customer Advances for Construction (252)	-	3,578,186	5,180,876
43	Other Deferred Credits (253)	22	4,359,455	4,534,226
44	Other Regulatory Liabilities (254)	22	14,309,506	13,096,715
45	Accumulated Deferred Investment Tax Credits (255)	23	98,484	55,097
46	Deferred Gains from Disposition of Utility Plant (256)	-		
47	Unamortized Gain on Reacquired Debt (257)	20		
48	Accumulated Deferred Income Taxes (281-283)	24	38,881,905	42,299,399
49	<b>TOTAL Deferred Credits (Total of lines 42 through 48)</b>		<b>61,227,536</b>	<b>65,166,313</b>
50				
51	<b>TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)</b>		<b>642,724,476</b>	<b>679,691,930</b>

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**STATEMENT OF INCOME**

- |  |   |
|--|---|
| <p>1. Use page 11 for important notes regarding the statement of income or any account thereof.</p> <p>2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.</p> <p>3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year</p> | <p>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.</p> <p>4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.</p> |
|--|---|

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	571,907,223	549,461,974
3	Operating Expenses			
4	Operation Expenses (401)	27-29	436,127,335	419,711,225
5	Maintenance Expenses (402)	27-29	4,134,880	3,723,322
6	Depreciation Expense (403)	15-16	34,313,246	33,118,795
7	Amortization & Depletion of Utility Plant (404-405)	-	1,310,966	1,108,547
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	156,372	156,372
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)	-	639,996	639,996
12	(Less) Regulatory Credits (407.4)	-		
13	Taxes Other Than Income Taxes (408.1)	23	34,284,151	28,022,444
14	Income Taxes - Federal (409.1)	-	20,560,242	15,434,451
15	- Other (409.1)	-	3,401,230	2,579,354
16	Provision for Deferred Income Taxes (410.1)	24	(6,382,267)	386,349
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24		
18	Investment Tax Credit Adjustment - Net (411.4)	23	(43,387)	(43,387)
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)	-		
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		528,502,764	504,837,468
23	Net Utility Operating Income (Total of line 2 less 22)			
24	(Carry forward to page 9, line 25)		43,404,459	44,624,506

Name of Respondent		For the Year Ended		
Peoples Gas System		Dec. 31, 2006		
STATEMENT OF INCOME (Continued)				
Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 8)		43,404,459	44,624,506
26	<b>Other Income and Deductions</b>			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	91,230	(16,361)
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-		
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	1,738,497	
35	Interest and Dividend Income (419)	-	424,606	338,268
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-	2,783	(974)
38	Gain on Disposition of Property (421.1)	-	135,417	
39	TOTAL Other Income (Total of lines 29 through 38)		2,392,533	320,933
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	143,249	120,245
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		143,249	120,245
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-	165,427	66,376
48	Income Taxes - Other (409.2)	-	27,508	11,038
49	Provision for Deferred Income Taxes (410.2)	24		
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)		192,935	77,414
54	Net Other Income and Deductions (Total of lines 39,44,53)		2,056,349	123,274
55	<b>Interest Charges</b>			
56	Interest on Long-Term Debt (427)	-	11,294,696	11,830,753
57	Amortization of Debt Discount and Expense (428)	21	832,083	832,075
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	3,628,136	2,467,299
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		15,754,915	15,130,127
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		29,705,893	29,617,653
66	<b>Extraordinary Items</b>			
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)		29,705,893	29,617,653

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**STATEMENT OF RETAINED EARNINGS**

- |  |   |
|--|---|
| <p>1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.</p> <p>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).</p> <p>3. State the purpose and amount for each reservation or appropriation of retained earnings.</p> <p>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.</p> | <p>5. Show dividends for each class and series of capital stock.</p> <p>6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.</p> <p>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.</p> <p>8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.</p> |
|--|---|

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>			
1	Balance - Beginning of Year		112,931,830
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)		27,967,396
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		29,292,622
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		1,738,498
15	FAS 133 Other Comprehensive Income		0
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		113,345,102
<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>			
	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)			

**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.

The 2006 financial statements filed with the Securities and Exchange Commission in Tampa Electric Company's Annual Report on the Form 10-K included the financial results of the electric division of Tampa Electric Company and Peoples Gas System. Attached are the Notes to the Financial Statements relevant to Peoples Gas System.

## NOTES TO FINANCIAL STATEMENTS

### A. Summary of Significant Accounting Policies

#### Principles of Consolidation

Tampa Electric Company is a wholly-owned subsidiary of TECO Energy, Inc, and is comprised of the Electric division, generally referred to as Tampa Electric, and the Natural Gas division, generally referred to as Peoples Gas System (PGS). All significant intercompany balances and intercompany transactions have been eliminated in consolidation.

#### Basis of Accounting

Peoples Gas System's regulated gas operations maintain their accounts in accordance with recognized policies prescribed or permitted by the Florida Public Service Commission (FPSC). In addition, Peoples Gas System maintains its accounts in accordance with recognized policies prescribed or permitted by the Federal Energy Regulatory Commission (FERC). These policies conform with generally accepted accounting principles in all material respects.

The impact of Financial Accounting Standard (FAS) No. 71, Accounting for the Effects of Certain Types of Regulation, has been minimal in the experience of the regulated utilities, but when cost recovery is ordered over a period longer than a fiscal year, costs are recognized in the period that the regulatory agency recognizes them in accordance with FAS 71.

The use of estimates is inherent in the preparation of financial statements in accordance with generally accepted accounting principles. Actual results could differ from these estimates.

#### Basis of Reporting

The financial statements are presented in accordance with the reporting requirements of the Federal Energy Regulatory Commission. This is a comprehensive basis of accounting consistent with GAAP, except for:

- the balance sheet classification of cost of removal collections from customers
- the omission of the statement of retained earnings from the prior year
- the omission of the statement of cash flows for the current and prior year
- the classification of the current portion of long term debt of \$31.1 million and \$5.9 million at December 31, 2006 and 2005 respectively

Peoples Gas System does not publish an annual report for distribution to any security holders; Peoples Gas System is a division of Tampa Electric Company whose annual report includes the accounts of Peoples Gas System in published consolidated financial statements.

#### Revenues and Fuel Costs

Peoples Gas System's retail business and the prices charged to customers are regulated by the FPSC.

Revenues include amounts resulting from cost recovery clauses which provide for monthly billing charges to reflect increases or decreases in purchased gas, interstate pipeline capacity and conservation costs for Peoples Gas System. These adjustment factors are based on costs projected for a specific recovery period. Any over-recovery 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 deferred credits and under-recoveries of costs are recorded as deferred debits.

Certain other costs incurred by the regulated utilities are allowed to be recovered from customers through prices approved in the regulatory process.

The company accrues base revenues for services rendered but unbilled to provide a closer matching of revenues and expenses.

### **Base Rate – PGS**

As a result of a base rate proceeding effective January 16, 2003, PGS's allowable ROE range is 10.25% to 12.25% with an 11.25% midpoint.

### **Cost Recovery – PGS**

In September 2006, PGS filed its annual request with the FPSC to change its Purchased Gas Adjustment (PGA) cap factor for 2007. The PGA rate can vary monthly due to changes in actual fuel costs but is not expected to exceed the FPSC approved annual cap. In November 2006, the FPSC approved the cap factor under PGS's PGA for the period January 2007 through December 2007.

### **Depreciation**

The company provides for depreciation primarily by the straight-line method at annual rates that amortize the original cost, less net salvage, of depreciable property over its estimated service life. The provision for utility plant in service, expressed as a percentage of the original cost of depreciable property, was 4.1% for 2006 and 4.1% for 2005.

The original cost of utility plant retired or otherwise disposed of and the cost of removal less salvage are charged to accumulated depreciation.

### **Asset Impairments**

Peoples Gas System has adopted FAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which supersedes FAS 121, *Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of*. FAS 144 addresses accounting and reporting for the impairment or disposal of long-lived assets including the disposal of a component of a business.

In accordance with FAS 144, the company assesses whether there has been impairment of its long-lived assets and certain intangibles held and used by the company when such impairment indicators exist. As of December 31, 2006, the carrying value of all long lived assets was determined to be recoverable. No adjustments for asset impairments were necessary. There were no asset impairments recorded in the years ended December 31, 2005 or 2004.

### **Receivables and Allowance for Uncollectible Accounts**

Receivables consist of services billed to residential, commercial and other customers. An allowance for doubtful accounts is established based on PGS's collection experience. Circumstances that could affect 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.

### **Deferred Income Taxes**

The liability method is utilized in the measurement of deferred income taxes. Under the 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. Peoples Gas System is regulated, and the books and records reflect approved regulatory treatment, including certain adjustments to accumulated deferred income taxes and the establishment of a corresponding net regulatory tax liability reflecting the amount payable to customers through future rates.

### **Derivatives and Hedging**

From time to time, Peoples Gas System enters into swaps and option contracts to limit the exposure to price fluctuations for physical purchases and sales of natural gas in the course of normal operations. The company uses derivatives only to reduce normal operating and market risks, not for speculative purposes. The company's primary objective is to reduce the impact of market price volatility on ratepayers.

The risk management policies adopted by the company 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.

The company applies the provisions of FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by FAS 138, *Accounting for Certain Derivative Instruments and Hedging Activities* and FAS 149, *Amendment on Statement 133 on 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 other comprehensive income (OCI) or in net income, depending on the designation of those instruments. 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 the loss on the related hedging instrument must be reclassified from OCI to earnings based on its value at the time of its reclassification. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the amount paid or received on the underlying physical transaction. Additionally, amounts deferred in OCI related to an effective designated cash flow hedge must be reclassified to current earnings if the anticipated hedged transaction is no longer probable of occurring.

At Dec. 31, 2006 and 2005, respectively, the company had net derivative assets (liabilities) of \$(20.1) million and \$14.1 million. As a result of applying the provision of FAS 71, the change in value of these derivatives is recorded as regulatory assets or liabilities as of Dec. 31, 2006 and 2005, respectively, to reflect the impact of the purchased gas adjustment clause on the risks of hedging activities.

## **B. New Accounting Pronouncements**

### **Asset Retirement Obligations**

FASB Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligation, an Interpretation of FASB Statement No. 143*, was issued in March 2005 and became effective as of Dec. 31, 2005. FIN 47 clarifies the term “conditional asset retirement obligation” as a legal obligation to perform an asset retirement activity in which the timing and method of settlement are conditional on a future event that may or may not be within the control of the entity, and clarifies when an entity has sufficient information to reasonably estimate the fair value of an asset retirement obligation. The company implemented FIN 47 during the fourth quarter of 2005.

### **Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans**

In September 2006, the Financial Accounting Standards Board (FASB) issued FAS No.158, *Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. This statement of financial accounting standards requires the recognition in the statement of financial position the over-funded or under-funded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the projected benefit obligation in the case of a defined benefit plan, or the accumulated postretirement benefit obligation in the case of other postretirement benefit plans. Compared to the current recognition of pension and other postretirement obligations on the balance sheet, this standard requires the recognition of: 1) the impact of future salary increases to the pension obligation and 2) the unamortized post-retirement benefit costs that are currently being expensed over the service lives of the participants. This standard also requires recognition in other comprehensive income certain benefit cost components that are not part of net periodic benefit cost, and that the defined benefit plan assets and obligations be measured as of the balance sheet date. For Tampa Electric Company, amounts required to be recorded in “Other comprehensive income” are reflected as a regulatory asset, as pension obligations will be recovered through rates. FAS 158 is effective for publicly-held companies for fiscal years ending after Dec. 15, 2006. The company has adopted the balance sheet recognition provisions of FAS 158 at Dec. 31, 2006 and will adopt the year-end measurement date in 2008. This standard has increased benefit liabilities on the balance sheet by approximately \$19.4 million and regulatory assets by approximately

\$19.4 million. This standard does not affect the results of operations.

### **Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements**

In September 2006, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements* (SAB 108). SAB 108 addresses the diversity in practice by registrants when quantifying the effect of an error on the financial statements and provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements. The company has adopted the provisions of SAB No. 108 effective Dec. 31, 2006. The adoption of SAB 108 did not have an impact on the company's consolidated financial statements.

### **Fair Value Measurements**

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. FAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. FAS 157 applies under other accounting pronouncements that require or permit fair value measurements. The effective date is for fiscal years ending after Nov. 15, 2007. The company is currently assessing, however, it does not believe implementation will be material to its results of operations, statement of position or cash flows.

### **Income Statement Presentation of Taxes Collected on Behalf of Governmental Authorities**

In June 2006, the FASB ratified EITF Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* (EITF 06-3). EITF 06-3 provides guidance on disclosing the accounting policy for the income statement presentation of any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer on either a gross (included in revenues and costs) or a net (excluded from revenues) basis. In addition, EITF 06-3 requires disclosure of any such taxes that are reported on a gross basis as well as the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented. EITF 06-3 will be effective for the company as of Jan. 1, 2007. As EITF 06-3 provides only disclosure requirements, the adoption of this standard will not have an impact on the results of operations, statement of position or cash flows.

### **Amendment to Derivatives Accounting**

In February 2006, the FASB issued FAS No. 155, *Accounting for Certain Hybrid Financial Instruments* (FAS 155), which amends FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and FAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. FAS 155 simplifies the accounting for certain derivatives embedded in other financial instruments by permitting fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after Sep. 15, 2006. The company adopted FAS 155 effective Jan. 1, 2007 and it does not materially impact the company.

### **Accounting for Uncertainty in Income Taxes**

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties,

accounting in interim periods, disclosure, and transition. Application involves a two-step approach where recognition occurs if the position exceeds a “more likely than not” threshold and the measurement is based on the tax benefit being greater than 50 percent likely of being realized upon settlement with the tax agencies involved. FIN 48 is effective for fiscal years beginning after Dec. 15, 2006. Based on the company’s assessment to date of the tax positions as of Jan. 1, 2007, the company believes that the implementation of Fin 48 during the first quarter of 2007 will have no impact on retained earnings.

### C. Regulatory Assets and Liabilities

PGS maintains the accounts in accordance with recognized policies of the FPSC. These policies conform with GAAP in all material respects.

PGS applies the accounting treatment permitted by FAS 71, *Accounting for the Effects of Certain Types of Regulation*. Areas of applicability include deferral of revenues under approved regulatory agreements; revenue recognition resulting from cost recovery clauses that provide for monthly billing charges to reflect increases or decreases in fuel; conservation and environmental costs; and deferral of costs as regulatory assets, when cost recovery is ordered over a period longer than a fiscal year, to the period that the regulatory agency recognizes them. Details of the regulatory assets and liabilities as of Dec. 31, 2006 and 2005 are presented in the following table:

#### Regulatory Assets and Liabilities

<i>(millions) Dec. 31,</i>	<i>2006</i>	<i>2005</i>
<b>Regulatory assets:</b>		
Regulatory tax asset	\$ —	\$ —
Other:		
Cost recovery clauses	20.1	.3
Post-retirement benefit asset	19.4	—
Deferred bond refinancing costs <sup>(2)</sup>	1.9	2.3
Environmental remediation	12.3	14.2
Competitive rate adjustment	5.5	5.6
Other <sup>(4)</sup>	—	—
Total other	59.2	22.4
Total regulatory assets	59.2	22.4
Less current portion	25.9	6.0
Long-term regulatory assets	\$ 33.3	\$ 16.4
<b>Regulatory liabilities:</b>		
Regulatory tax liability <sup>(1)</sup>	\$ —	\$ —
Other:		
Recovery clause related	4.5	8.0
Environmental remediation	12.3	14.2
Deferred gain on property sales <sup>(3)</sup>	.6	—
Accumulated reserve – cost of removal	77.1	72.0
Other	0.2	0.1
Total other	94.7	94.3
Total regulatory liabilities	94.7	94.3
Less current portion	4.7	6.4
Long-term regulatory liabilities	\$ 90.0	\$ 87.9

(1) Related to plant life and derivative positions.

(2) Amortized over the term of the related debt instrument.

(3) Amortized over a 4-year period.

(4) Prior year balance reclassified to conform to current year presentation.

All regulatory assets are being recovered through the regulatory process. The following table further details our regulatory assets and the related recovery periods:

**Regulatory assets**

<i>(millions)</i>	<i>Dec. 31, 2006</i>	<i>Dec. 31, 2005</i>
Clause recoverable (1)	\$ 25.6	\$ 5.9
Earning a rate of return (2)	19.4	0.1
Regulatory tax assets (3)	-	-
Capital structure and other (3)	14.2	16.4
<b>Total</b>	<b>\$ 59.2</b>	<b>\$ 22.4</b>

- (1) To be recovered through cost recovery clauses approved by the FPSC on a dollar for dollar basis within approximately one year.
- (2) Primarily reflects allowed working capital, which is included in rate base and earns an 8.83 % rate of return as permitted by the FPSC.
- (3) "Regulatory tax assets" and "Capital structure and other" regulatory assets have a recoverable period longer than a fiscal year and are recognized over the period authorized by the regulatory agency. Also included are unamortized loan costs which are amortized over the life of the related debt instruments. See footnotes 1 and 2 in the prior table for additional information.

**D. Retained Earnings**

Certain of Peoples Gas System's long-term debt issues contain provisions that limit the dividend payment on the company's common stock. At Dec. 31, 2006, substantially all of the company's retained earnings were available for dividends on its common stock.

**E. Retirement Plan**

Peoples Gas System is a participant in the comprehensive retirement plans of TECO Energy (multi-employer plans), including a non-contributory defined benefit retirement plan which covers substantially all employees. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to Tampa Electric Company are presented. Otherwise, such amounts presented reflect the amount allocable to all participants of the TECO Energy retirement plans. Benefits are based on employees' age, years of service and final average earnings. In 2006, Peoples Gas System made contributions totaling \$3.8 million to this non-contributory defined benefit plan.

Amounts disclosed for pension benefits also include the unfunded obligations for the supplemental executive retirement plans. These are non-qualified, non-contributory defined benefit retirement plans available to certain members of senior management. In 2006, Peoples Gas System made a contribution of \$1.2 million to these plans.

Peoples Gas System recorded regulated assets totaling \$12.1 million related to the additional minimum pension liability adjustment at Dec. 31, 2006 and \$6.2 million related to the unfunded pension liability related to the adoption of FAS 158. There were no additional minimum pension liability adjustments recorded at Peoples Gas System in 2005.

Components of net pension expense, reconciliation of the funded status and the accrued pension liability for TECO Energy, Inc. are presented on the next page:

**TECO Energy Consolidated****Obligations and Funded Status**

(millions)

**Pension Benefits****2006 2005****Change in benefit obligation**

Net benefit obligation at prior measurement date (1)	\$ 562.1	\$ 545.4
Service cost	15.8	16.2
Interest cost	30.7	32.6
Plan participants' contributions	-	-
Actuarial (gain) loss	(4.5)	7.1
Settlement	-	(3.1)
Gross benefits paid	(34.2)	(36.1)
Federal subsidy on benefits paid	n/a	n/a
<b>Net benefit obligation at measurement date (1)</b>	<b>\$ 569.9</b>	<b>\$ 562.1</b>

**Change in plan assets**

Fair value of plan assets at prior measurement date (1)	\$ 434.7	\$ 407.6
Actual return on plan assets	27.0	44.4
Employer contributions	7.7	21.9
Plan participants' contributions	-	-
Settlement	-	(3.1)
Gross benefits paid	(34.2)	(36.1)
<b>Fair value of plan assets at measurement date (1)</b>	<b>\$ 435.2</b>	<b>\$ 434.7</b>

**Funded status**

Fair value of plan assets	\$ 435.2	\$ 434.7
Benefit obligation	569.9	562.1
Funded status at measurement date (1)	(134.7)	(127.4)
Net contributions after measurement date	30.8	0.3
Unrecognized net actuarial loss	138.8	143.3
Unrecognized prior service (benefit) cost	(4.5)	(4.9)
Unrecognized net transition (asset) obligation	n/a	-
<b>Accrued liability at end of year</b>	<b>\$ 30.4</b>	<b>\$ 11.3</b>

**Amounts Recognized in Balance Sheet**

Long-term regulatory assets	\$ 99.1	n/a
Prepaid benefit cost	n/a	28.6
Intangible assets	n/a	1.9
Accrued benefit costs and other current liabilities	(1.3)	n/a
Deferred credits and other liabilities	(103.3)	(17.3)
Additional minimum liability	-	(85.9)
Accumulated other comprehensive (income) loss pretax	35.9	84.0
<b>Net amount recognized at end of year</b>	<b>\$ 30.4</b>	<b>\$ 11.3</b>

(1) The measurement date was Sept. 30, 2006 and 2005.

	<b>Pension Benefits</b>	
<b>Peoples Gas System</b>	<b>2006</b>	<b>2005</b>
<b>Amounts Recognized in Balance Sheet</b>		
Long-term regulatory assets	\$ 18.3	n/a
Prepaid benefit cost	-	-
Intangible assets	-	-
Accrued benefit costs and other current liabilities	(0.8)	-
Deferred credits and other liabilities	(17.3)	(1.9)
<b>Net amount recognized at end of year</b>	<b>\$ 0.2</b>	<b>\$ (1.9)</b>

The accumulated benefit obligation for all defined benefit pension plans was \$508.3 million and \$509.7 million at Sep. 30, 2006 and 2005 (the measurement dates), respectively.

Information for the TECO Energy consolidated pension plans with an accumulated benefit obligation in excess of plan assets:

Accumulated benefit in excess of plan assets (millions)	<u>2006</u>	<u>2005</u>
Project benefit obligation, measurement date	\$ 569.9	\$ 562.1
Accumulated benefit obligation, measurement date	508.3	509.7
Fair Value of plan assets, measurement date	435.2	434.7

Components of TECO Energy consolidated Net Periodic Benefit Cost:

(millions)	<u>Pension Benefits</u>	
<u>Net periodic benefit cost:</u>	<u>2006</u>	<u>2005</u>
Service cost	\$ 15.8	\$ 16.2
Interest cost	30.7	32.7
Expected return on plan assets	(35.7)	(37.2)
Amortization of:		
Actuarial loss	8.8	4.3
Prior service (benefit) cost	(0.5)	(0.5)
Transition (asset) obligation	-	(0.2)
Curtailment (gain) loss	-	-
Settlement (gain) loss	-	1.4
Net periodic benefit cost	<u>\$ 19.1</u>	<u>\$ 16.7</u>

Peoples Gas System's portion of the net periodic benefit costs was \$3.1 million and \$1.9 million for 2006 and 2005, respectively.

The estimated net loss and prior service net (benefits) for the defined benefit pension plans that will be amortized by Peoples Gas System from regulatory assets into net periodic benefit cost over the next fiscal year are \$1.2 million and \$(0.1) million, respectively.

## F. Postretirement Benefits

TECO Energy and its subsidiaries currently provide certain postretirement health care and life insurance benefits for substantially all employees retiring after age 50 meeting certain service requirements. TECO Energy's contribution toward health care coverage for most employees who retired after the age of 55 between Jan. 1, 1990 and Jun. 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 Jul. 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2007, the Peoples Gas System expects to make a contribution of about \$0.5 million to this program. 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.

On Dec. 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the MMA) was signed into law. Beginning in 2006, the new law 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 to be offered under Medicare Part D.

On May 19, 2004, the FASB issued FSP 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (FSP 106-2). The guidance in FSP 106-2 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. TECO Energy and its subsidiaries adopted FSP 106-2 retroactive for the second quarter of 2004.

In 2006, TECO Energy received its first subsidy payment under Part D and has filed and is awaiting approval for its 2007 Part D subsidy application with the Centers for Medicare and Medicaid Services (CMS).

The following charts summarize the income statement and balance sheet impact for Peoples Gas System, as well as the benefit obligations, assets, funded status:

<b>Obligations and Funded Status-Other Postretirement Benefits</b> (millions)	<b>2006</b>	<b>2005</b>
<b>Change in benefit obligation</b>		
Net benefit obligation at prior measurement date	\$ 11.7	\$ 10.8
Service cost	0.4	0.4
Interest cost	0.7	0.7
Plan participants' contributions	0.3	0.3
Actuarial loss	(0.6)	0.2
Settlement	-	-
Gross benefits paid	(0.7)	(0.7)
Federal subsidy on benefits paid	-	n/a
<b>Net benefit obligation at measurement date (Sept. 30)</b>	<b>\$ 11.8</b>	<b>\$ 11.7</b>
<b>Change in plan assets</b>		
Employer contributions	0.4	0.4
Plan participants' contributions	0.3	0.3
Gross benefits paid	(0.7)	(0.7)
<b>Fair value of plan assets at measurement date (Sept. 30)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Funded status</b>		
Fair value of plan assets	\$ -	\$ -
Benefit obligation	11.8	11.7
Funded status at measurement date	(11.8)	(11.7)
Net contributions after measurement date	0.1	0.1
Unrecognized net actuarial loss	(2.6)	(2.1)
Unrecognized prior service (benefit) cost	1.8	2.0
Unrecognized net transition (asset) obligation	1.7	1.9
<b>Accrued liability at end of year</b>	<b>\$ (10.8)</b>	<b>\$ (9.8)</b>
<b>Amounts Recognized in Balance Sheet</b>		
Long-term regulatory assets	\$ 1.1	n/a
Current Liabilities	(0.5)	n/a
Non-current liabilities	(11.4)	(9.8)
Prepaid benefit cost	n/a	n/a
Accrued benefit cost	n/a	n/a
Additional minimum liability	n/a	n/a
Intangible assets	n/a	n/a
Accumulated other comprehensive income	n/a	n/a
<b>Net amount recognized at end of year</b>	<b>\$ (10.8)</b>	<b>\$ (9.8)</b>

Components of Net Periodic Other Postretirement Benefit Cost :

<u>Net periodic benefit cost (millions):</u>	<u>2006</u>	<u>2005</u>
Service cost	\$ 0.4	\$ 0.4
Interest cost	0.7	0.7
Amortization of:		
Actuarial loss	(0.1)	-
Prior service (benefit) cost	0.2	0.2
Transition (asset) obligation	0.3	0.2
Net periodic benefit cost	<u>\$ 1.5</u>	<u>\$ 1.5</u>

Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets:

(millions)	<u>2006</u>	<u>2005</u>
Net actuarial loss (gain)	\$ (2.4)	n/a
Prior service cost (credit)	1.8	n/a
Transition obligation (asset)	1.7	n/a
Total recognized in regulatory assets	<u>\$ 1.1</u>	<u>n/a</u>

The estimated prior service cost and transition obligation for the other postretirement benefit plans that will be amortized at Peoples Gas System from regulatory assets into net periodic benefit cost over the next fiscal year is \$0.4 million.

Other Postretirement Benefit Plan Assets.

There are no assets associated with Peoples Gas System's other postretirement benefit plan.

Additional Information for Pensions and Other Postretirement Benefits :

(millions)	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Increase in minimum liability included in regulatory assets	\$ 12.1	\$ -	\$ -	\$ -

The following table presents the incremental effect of adopting SFAS 158 on individual line items on Peoples Gas System's balance sheets as of Dec. 31, 2006:

(millions)	<u>Before application of SFAS 158</u>	<u>SFAS 158 Adjustments</u>	<u>After application of SFAS 158</u>
<b>Increase (decrease)</b>			
Regulatory asset	\$ 24.3	\$ 7.3	\$ 31.6
Deferred income tax asset	12.4	2.8	15.2
Total assets	669.6	10.1	679.7
Accumulated Provision for Pension & Benefits	18.1	7.3	25.4
Non-current deferred income taxes	39.5	2.8	42.3
Total liabilities	400.7	10.1	410.8
Total capital	268.9	-	268.9
Total liabilities and capital	669.6	10.1	679.7



Weighted-average assumptions used to determine benefit obligations at Sep. 30, (the measurement date):

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Discount Rate	5.85%	5.50%	5.85%	5.50%
Rate of compensation increase	4.00%	3.75%	4.00%	3.75%

Weighted-average assumptions used to determine net periodic benefit cost for years ended Dec. 31:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Discount Rate	5.50%	6.00%	5.50%	6.00%
Expected long-term return on plan assets	8.50%	8.75%	n/a	n/a
Rate of compensation increase	3.75%	4.25%	3.75%	4.25%

The expected return on assets assumption was based on expectations of long-term inflation, real growth in the economy, fixed income spreads and equity premiums consistent with our portfolio, with provision for active management and expenses paid. The salary 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. The discount rate assumption was based on a cash flow matching technique developed by our outside actuaries and a review of current economic conditions. This technique matches the yields from high-quality (Aa-graded, non-callable) corporate bonds to the company's projected cash flows for the pension plan to develop a present value that is converted to a discount rate.

<b>Healthcare cost trend rate</b>	<b>2006</b>	<b>2005</b>
Initial rate	9.50%	9.50%
Ultimate rate	5.00%	5.00%
Year rate reaches ultimate	2014	2013

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(millions)	<u>Increase</u>	<u>Decrease</u>
Effect on total service and interest cost	\$ 0.01	\$ -
Effect on postretirement benefit obligation	\$ 0.01	\$ 0.01

## Contributions

On Aug. 17, 2006, the President signed the Pension Protection Act of 2006 (the Act). While TECO Energy expects the Internal Revenue Service to issue regulations clarifying various terms of the Act, it generally introduces new minimum funding requirements beginning Jan. 1, 2008. TECO Energy's policy is to fund the 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. TECO Energy contributed \$36.3 million to the plan in 2006, which included a \$30 million contribution in addition to the \$6.3 million minimum contribution required. TECO Energy expects to make a \$30 million contribution in 2007 and average annual contributions of \$22 million in 2008 – 2011. Peoples Gas System's portion of the pension contribution in 2007 is estimated at \$3.2 million.

## Defined Contribution Plan

TECO Energy has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries (the Employers) 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. From January 1, 2004 to June 30, 2004, the matching contribution was 55% of eligible participant payroll savings deductions made in the form of TECO Energy common stock. Effective July 1, 2004, employer matching contributions were 30% of eligible participant contributions with additional incentive match of up to 70% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended Dec. 31, 2006 and 2005, Peoples Gas System recognized expense totaling \$0.9 million and \$1.0 million, respectively, related to the matching contributions made to this plan.

**G. Income Tax Expense**

The company is included in the filing of a consolidated Federal income tax return with its parent and affiliates. The company's income tax expense is based upon a separate return computation. Income tax expense consists of the following components:

<b>(millions of dollars)</b>	<b><u>Federal</u></b>	<b><u>State</u></b>	<b><u>Total</u></b>
<b>2006</b>			
Currently payable	\$21.6	\$3.6	\$25.2
Deferred	(5.5)	(0.9)	(6.4)
Total income tax expense	<u>\$16.1</u>	<u>\$2.7</u>	<u>18.8</u>
Included in other income, net			<u>0.2</u>
Included in operating expenses			<u>\$18.6</u>
<b>2005</b>			
Currently payable	\$15.6	\$2.6	\$18.2
Deferred	0.3	0.0	0.3
Total income tax expense	<u>\$15.9</u>	<u>\$2.6</u>	<u>18.5</u>
Included in other income, net			<u>0.1</u>
Included in operating expenses			<u>\$18.4</u>

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

<b>(millions of dollars)</b>	<b>Dec. 31, 2006</b>	<b>Dec. 31, 2005</b>
Deferred tax assets(1)		
FAS 133	7.7	--
FAS 158	7.5	--
Other	1.0	--
Total deferred income tax assets	<u>16.2</u>	<u>0.0</u>
Deferred income tax liabilities(1)		
Property related	\$(52.6)	\$(52.1)
FAS 133	(7.7)	(5.5)
FAS 158	(7.5)	
Medical benefits	3.1	2.6
Other	22.3	16.2
Total deferred income tax liabilities	<u>(42.4)</u>	<u>(38.8)</u>
Accumulated deferred income taxes	<u>\$(26.2)</u>	<u>\$(38.8)</u>

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

The total income tax provisions differ from amounts computed by applying the federal statutory tax rate to income before income taxes for the following reasons:

<b>(millions of dollars)</b>	<b>2006</b>	<b>2005</b>
Net income	\$29.7	\$29.6
Total income tax provision	<u>18.8</u>	<u>18.4</u>
Income before income taxes	<u>\$48.5</u>	<u>\$48.0</u>
Income taxes on above at federal statutory rate of 35%	\$17.0	\$16.8
Increase (decrease) due to		
State income tax, net of federal income tax	1.7	1.7
Amortization of investment tax		
Other	0.1	0.0
Total income tax provision	<u>\$18.8</u>	<u>\$18.5</u>
Provision for income taxes as a percent of income before		
Income taxes	<u>38.7%</u>	<u>38.5%</u>

## H. Short-term Debt

The weighted average interest rate on outstanding notes payable at Dec. 31, 2006 was 5.45%. Credit facilities of \$475 million exist of which \$48 million was drawn at Dec. 31, 2006, with an allocated amount of \$43.7 million to Peoples Gas System.

## I. Commitments and Contingencies

### Former Manufactured Gas Plant Sites

Peoples Gas System is a potentially responsible party (PRP) for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of Dec. 31, 2006, PGS has estimated its ultimate financial liability to be approximately \$12.3 million, and this amount has been accrued in the company's financial statements. The environmental remediation costs associated with these sites, which are expected to be paid over many years, are not expected to have a significant impact on customer prices.

The estimated amounts represent only the estimated portion of the cleanup costs attributable to PGS. The estimates to perform the work are based on actual estimates obtained from contractors, or PGS'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.

Allocation of the responsibility for remediation costs among PGS and other PRPs is based on each party's relative ownership interest in or usage of a site. Accordingly, PGS's share of remediation costs varies with each site. In virtually all instances where other PRPs are involved, those PRPs are considered creditworthy.

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. These costs are recoverable through customer rates established in subsequent base rate proceedings.

## J. Related Party Transactions (millions)

Net transactions with affiliates are as follows:

	<u>2006</u>	<u>2005</u>
Administrative and general, net	\$4.5	\$8.3

Amounts due from or to affiliates of the company at year-end are as follows:

	<u>2006</u>	<u>2005</u>
Accounts receivable	\$1.6	\$2.0
Accounts payable	\$4.1	\$1.0

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

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**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)	839,653,371	839,653,371
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified	32,793,797	32,793,797
7	103 Experimental Plant Unclassified		
8	104 Leased to Others		
9	105 Held for Future Use	228,955	228,955
10	114 Acquisition Adjustments	5,248,671	5,248,671
11	TOTAL Utility Plant (Total of lines 3 through 10)	877,924,794	877,924,794
12	107 Construction Work in Progress	19,384,045	19,384,045
13	Accum. Provision for Depreciation, Amortization, & Depletion	351,113,687	351,113,687
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	546,195,152	546,195,152
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	347,999,711	347,999,711
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)	347,999,711	347,999,711
22	Leased to Others		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	TOTAL Leased to Others (Total of lines 23 and 24)		
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	3,113,975	3,113,975
32	TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31)	351,113,687	351,113,687

**Annual Status Report  
Analysis of Plant in Service Accounts**

**Company: Peoples Gas System  
For the Year Ended December 31, 2006**

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
374-00	Land-Distribution		2,336,530	814,032				(0)	3,150,562
	Amortizable General Plant Assets:								
301-00	Organization		12,620						12,620
302-00	Franchises and Consents		427,466						427,466
303-00	Misc Intangible Plant		815,325				(28)		815,325
303-01	Customized Software		14,642,070	1,504,156	(11,520)				16,134,678
374-02	Land Rights / Easements		1,162,793	42,444	(51,942)				1,205,236
386-02	Other Prop Cust Prem-Desi		51,942						-
386-08	Other Prop Cust Prem-CNG								
390-02	Structures&improvement-Leas		39,043	8,754	(39,043)				8,754
<b>Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.</b>									
375-00	Land/Building Struct&Imp		14,469,931	1,106,503	(47,704)				15,528,730
376-00	Mains - Other than Plastic		233,063,117	8,372,633	(399,265)		(0)		241,036,486
376-02	Mains - Plastic		192,075,534	18,048,274	(130,237)		(0)		209,993,571
378-00	Regulator Stations-Meas&		4,944,594	222,053	(40,483)				5,126,163
379-00	City Gate Stations-Meas&		8,278,124	81,931	(25,710)				8,334,346
380-00	Service Lines - Steel		36,375,807	796,212	(584,933)			2,924	36,590,011
380-02	Service Lines - Plastic		146,821,009	11,218,298	(877,404)			(2,924)	157,158,977
381-00	Meters - All Types		31,003,491	3,981,690	(716,585)				34,268,596
382-00	Meter Installations		32,100,082	1,727,987					33,828,069
383-00	House Regulators		9,257,787	465,723	(85,790)				9,637,720
384-00	House Regulator Installa		11,924,320	1,723,631					13,647,951
385-00	Industrial Cust Regulator		9,166,917	426,246	(31,947)				9,561,217
387-00	Other Equipment-Distrib		1,644,879	393,261	(41,928)				1,996,213
390-00	Structures& Improvement-U		1,176,285						1,176,285
391-00	Office Furniture		2,976,916	61,381	(102,624)				2,935,674
391-01	Computer Equipment		8,232,844	1,047,148	(1,659,588)		1,298		7,621,703
391-02	Office Equipment/Machine		651,777	5,685	(57,077)				600,385
392-01	Auto&Truck less than 1/2		6,230,501	1,373,705	(784,816)		(1,905)		6,817,484
392-02	Auto&Truck 3/4 - 1 ton		3,620,698	685,003	(90,006)		(762)		4,214,933
392-03	Airplanes		6,029,716	61,302					6,091,018
392-04	Trailers, Other		271,562	6,913	(9,935)				268,540
392-05	Trucks over 1 ton		1,038,784	261,877	(115,142)				1,185,519
393-00	Stores Equipment		56,473		(710)				55,763
394-00	Tools, Shop, & Garage Eq		3,510,807	107,319	(48,810)				3,569,316

**Annual Status Report**  
**Analysis of Plant in Service Accounts**

Company: Peoples Gas System  
For the Year Ended December 31, 2006

Page 2 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
395-00	Laboratory Equipment		129,578		(79,289)				50,289
396-00	Power Operated Equipment		1,751,114	51,109	(196,129)				1,606,093
397-00	Communication Equipment		4,738,563	32,140	(193,901)				4,576,802
398-00	Misc Equipment-Gas		388,487	35,325	(2,934)				420,877
<b>Capital Recovery Schedules:</b>									
118	Other Utility Plant								
<b>Total Account 101*</b>			791,417,488	54,662,733	(6,425,454)	-	(1,397)	(0)	839,653,371
<b>Amortizable Assets:</b>									
114	Acquisition Adjustment		5,248,671						5,248,671
105	Property Held for Future Use		228,955						228,955
	<b>Total Utility Plant</b>		796,895,113	54,662,733	(6,425,454)		(1,397)	(0)	845,130,996

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

# Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System  
For the Year Ended December 31, 2006

Page 1 of 2

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
Amortizable General Plant Assets:										
301-20	Organization	(3,116)								(3,116)
302-20	Franchises & Consents	(361,647)	(15,651)							(377,298)
303-20	Misc Intangible Plant	(387,887)	(32,610)							(420,497)
303-51	Customized Software	(10,578,496)	(1,156,456)		11,520					(11,723,432)
374-22	Land Rights / Easements	(726,933)	(77,604)			(16,928)	1,206			(820,259)
386-22	Othr Prop Cust Prem-Desi	(15,149)	(36,793)		51,942					0
390-02	Structure & Improvements-Leased	(30,148)	(851)		390,428.81					8,043
Items necessary to reconcile the total amortization accrual amount to Acct. 404.3, Amortization Expense, shown on page 8.										
303-51	Customized Software ***		8,999							8,999
	<b>SUB-TOTAL</b>	<b>(12,103,376)</b>	<b>(1,310,966)</b>		<b>102,505</b>	<b>(16,928)</b>	<b>1,206</b>			<b>(13,327,559)</b>
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
374-50	Land	3,603						2,416		3,603
375-50	Land/Building Struct&Imp	(3,172,512)	(406,657)		47,704	(3,588)	1,173			(3,522,406)
376-50	Mains - Other than Plastic	(124,277,697)	(9,154,427)		399,265	(4,102)	13,161			(132,167,525)
376-52	Mains - Plastic	(52,666,908)	(6,507,367)		130,237	2,000	863,334			(58,848,382)
378-50	Regulator Stations-Meas&	(1,328,071)	(196,255)		23,785	(10,000)	205,657			(1,477,326)
378-51	Regulator Stations-Do no	(138,284)	(4,069)		16,699					(125,655)
379-50	City Gate Stations-Meas&	(2,307,018)	(252,117)		25,710	(797)	45,893			(2,488,330)
379-51	City Gate Stations-Do no	(31,555)	(904)							(32,458)
380-50	Service Lines - Steel	(31,834,774)	(2,399,721)		584,933	(79,890)	868,366			(32,861,086)
380-52	Service Lines - Plastic	(47,082,921)	(6,630,422)		877,404	(84,016)	646,922			(52,273,032)
381-50	Meters - All Types	(6,416,147)	(1,723,853)		716,585	(282,594)	30,732			(7,675,277)
381-51	Meters - Do not use	(2,667)	(164)							(2,831)
382-50	Meter Installations	(10,511,715)	(1,410,261)							(11,921,976)
383-50	House Regulators	(4,173,425)	(431,496)		85,790	(30,974)	(240)			(4,550,344)
384-50	House Regulator Installa	(3,385,807)	(555,439)		31,947					(3,941,246)
385-50	Industrial Cust Regulator	(3,155,196)	(279,400)		41,928					(3,402,650)
387-50	Other Equipment-DistribS	(800,734)	(153,690)							(912,496)
390-50	Structures& Improvemen-U	(201,029)	(31,760)							(232,789)
391-50	Office Furniture	(1,000,177)	(288,311)		102,624					(1,185,864)
391-51	Computer Equipment	(6,878,700)	(1,392,278)		1,659,588					(6,611,391)
391-52	Office Equipment/Machine	(284,485)	(42,333)		57,077					(269,741)
391-53	Office Furniture/Equip									
392-51	Auto&Truck less than 1/2	(3,013,439)	(982,498)		784,816	(49,560)	7,811			(3,252,869)
392-52	Auto&Truck 3/4 - 1 ton	(1,183,702)	(436,884)		90,006	(8,000)	431			(1,538,148)
392-53	Airplanes	(328,692)	(103,528)							(432,220)
392-54	Trailers, Other	(138,431)	(10,530)		9,935	(2,609)	114			(141,520)
392-55	Trucks over 1 ton	(558,528)	(82,886)		145,142	(11,517)	552			(537,237)
393-50	Stores Equipment	(54,008)	(493)		710					(53,791)



## Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2006

Page 2 of 2

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)										
394-50	Tools, Shop. & Garage Eq	(2,064,944)	(229,453)		48,810	(500)	121			(2,245,966)
394-51	Tools, Shop. & Garage-CNG	(126,785)	(11,321)		79,289					(138,107)
395-50	Laboratory Equipment	(50,482)	(5,116)		196,129	(25,531)	1,599			23,691
396-50	Power Operated Equipment	(1,289,356)	(103,945)		193,901					(1,221,103)
397-50	Communication Equipment	(1,618,761)	(463,369)		2,934					(1,888,229)
398-50	Misc Equipment-Gas	(226,082)	(13,300)							(236,448)
303-51	Customized Software ***		(8,999)							(8,999)
*** Division 55 Book Depreciation Entity (BDE) set up incorrectly on report structure as 403.1. Should have been 404.3 as on journal.										
Capital Recovery Schedules:										
<b>Subtotal</b>		(310,299,428)	(34,313,246)	-	6,322,949	(591,677)	2,708,840	2,416		(336,170,147)
List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8.										
Retirement Work in Progress (108)		1,228,427					269,568			1,497,994
115	Acquisition Adjustment	(2,957,604)						(156,371)		(3,113,975)
<b>Subtotal</b>		(1,729,177)	-	-	-	-	269,568	(156,371)		(1,615,981)
<b>Grand Total</b>		(324,131,981)	(35,624,212)	-	6,425,454	(608,605)	2,979,614	(153,955)		(351,113,687)

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

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)**

- |   |   |
|---|---|
| 1. Report below descriptions and balances at end of year of projects in process of construction (107).        | Development, and Demonstration (see Account 107 of the Uniform System of Accounts). |
| 2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, | 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	Service Lines	71,744	0
2	Revenue Main - SR 7 / US 441 Expansion Phase 1	516,978	55,139
3	Revenue Main	4,630,306	17,032,857
4	Main Replacements	521,314	1,076,158
5	Distribution System Improvement - St Aug / Palatka	5,046,755	3,074,826
6	Distribution System Improvements	165,678	582,369
7	Government Improvements	1,935,266	2,525,788
8	Cathodic Protection	14,823	11,696
9	Transportation Vehicles	1,466,199	490,471
10	Communication Equipment	633,143	184,000
11	Office Equipment - GIS Digital Mapping - Phase 1	828,519	28,551
12	Office Equipment	415,483	3,017,780
13	Tools, Shop & Garage Equipment	344,871	199,071
14	Power Operated Equipment	4,058	5,848
15	<b>TOTAL Continued on 17b</b>		

**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. | and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.   |
| 2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed  | 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	Plant Accounting Dept. Costs and Supervision	670,901	48,339,992
2	(These costs are allocated to CWIP as outlined		
3	in Instruction 3 above.)		
4			
5	Corporate G & A	3,649,751	48,339,992
6			
7			
8			
9			
10			
11			
12	<b>TOTAL</b>	4,320,652	96,679,984

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2006	
<b>CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)</b>			
1. Report below descriptions and balances at end of year of projects in process of construction (107).		Development, and Demonstration (see Account 107 of the Uniform System of Accounts).	
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,		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	Testing, Measuring & Detection Equipment	180,486	68,778
2	Improvements to Property - Panama City Building	874,676	38,324
3	Improvements to Property	108,187	46,377
4	Improvements to Leased Property	9,436	52,764
5	Industrial Installations	30,027	14,873
6	Meas & Reg Station - Baldwin / Brandy Branch	921,883	0
7	Measuring & Regulating Station Equipment	596,439	2,518,560
8	Reimbursable Construction - Net	47,259	253,796
9	Miscellaneous - Non Revenue Producing	4,986	198,685
10	Miscellaneous - Revenue Producing	15,529	0
11			
12			
13			
14			
15	<b>TOTAL</b>	<b>19,384,045</b>	<b>31,476,711</b>

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 2006
<b>PREPAYMENTS (Account 165)</b>		
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	499,242
2	Line of Credit	235,865
3	Postage	100,000
4	Service/Maint. Agreements	306,727
5		
6	Miscellaneous Prepayments	12,360
7		
8	TOTAL	1,154,194

<b>EXTRAORDINARY PROPERTY LOSSES (Account 182.1)</b>						
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	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						

<b>UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)</b>						
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	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

Name of Respondent						For the Year Ended
Peoples Gas System						Dec. 31, 2006
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		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	Other Regulatory - Env Remediation	14,192,581		254	1,939,612	12,252,969
2	Regulatory Tax Asset	5,450,561	32,893,173	282	38,343,734	
3	FAS 158 Pension Current			228		
4	FAS 158 Pension		12,897,202	228		12,897,202
5	FAS 158 SERP Current		832,523	228		832,523
6	FAS 158 SERP		4,601,321	228		4,601,321
7	FAS 158 re FAS 106 current		522,740	228		522,740
8	FAS 158 re FAS 106		538,805	228		538,805
9						
10						
11						
12						
13						
14						
15						
16						
17	TOTAL	19,643,142	52,285,764		40,283,346	31,645,560

MISCELLANEOUS DEFERRED DEBITS (Account 186)						
1. Report below the particulars (details) called for concerning miscellaneous deferred debits.			3. Minor items (amounts less than \$25,000) may be grouped by classes.			
2. For any deferred debit being amortized, show period of amortization in column (a).						
Line No.	Description of Miscellaneous Deferred Debit (a)	Balance Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
2				131	574,821	
3						0
4						
5	Unbundling Transition	0	33	142	33	0
6						
7						
8	Other Work in Progress	595,071		Various	481,275	113,796
9						
10						
11	Rate Case	87,500		928	87,500	0
12						
13						
14						
15						
16						
17	Misc. Work in Progress					
18	Deferred Regulatory Comm. Expenses					
19	TOTAL	682,591				113,796

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**SECURITIES ISSUED AND  
SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

- |  |  |
|--|--|
| <p>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.</p> <p>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.</p> | <p>and gains or losses relating to securities retired or refunded.</p> <p>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.</p> <p>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.</p> |
|--|--|

**Securities Retired**

Long-Term Note 10.35%	Due 2007	800,000
Long-Term Note 10.33%	Due 2008	1,000,000
Long-Term Note 10.30%	Due 2009	1,000,000
Long-Term Note 9.93%	Due 2010	1,000,000
Long-Term Note 8.00%	Due 2012	2,100,000
		<u>5,900,000</u>

**Securities Issued**

None

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

- |   |  |
|---|--|
| <p>1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Recquired 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.</p> <p>2. In column (c) show the principal amount of bonds or other long-term debt reacquired.</p> <p>3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with</p> | <p>General Instruction 17 of the Uniform Systems of Accounts</p> <p>4. Show loss amounts by enclosing the figures in parentheses.</p> <p>5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Recquired Debt, or credited to Account 429.1, Amortization of Gain on Recquired Debit-Credit.</p> |
|---|--|

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	31-Note/Tampa Elec 5.94%	07-01	12,000,000	(232,811)	79,344	
3	---Amortization				(14,325)	65,019
4	30-Note/Tampa Elec 7.375%	09-02	50,000,000	(3,542,552)	2,200,159	
5	---Amortization				(330,024)	1,870,135
6						
7						
8	Total Amortization - Acct 428				(344,349)	
9						
10						
11						
12	Loss on Reacquired Debt					1,935,154
13						

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**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		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1	Other Long Term Debt - Acct 224						
2							
3	Long Term Note 10.35%	06/26/87	07/02/07	10,000,000	10.35	145,130	1,000,000
4	Long Term Note 10.33%	06/29/88	07/02/08	10,000,000	10.33	258,537	2,000,000
5	Long Term Note 10.30%	06/28/89	07/02/09	10,000,000	10.30	443,186	3,800,000
6	Long Term Note 9.93%	12/20/90	07/02/10	10,000,000	9.93	447,126	4,000,000
7	Long Term Note 8.00%	12/03/92	07/02/12	35,000,000	8.00	1,444,467	17,000,000
8	Note Issued by Tampa Electric	06/20/01	06/15/12	40,000,000	6.875	2,750,000	40,000,000
9	Note Issued by Tampa Electric	08/15/02	08/15/07	25,000,000	5.375	1,343,750	25,000,000
10	Note Issued by Tampa Electric	08/15/02	08/15/12	70,000,000	6.375	4,462,500	70,000,000
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	<b>TOTAL</b>			<b>210,000,000</b>		<b>11,294,696</b>	<b>162,800,000</b>

**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		Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	Unamortized Debt Exp - Acct 181							
2	26-Long term Note 10.35%	10,000,000	23,604	09-87	07-07	1,781	(1,187)	594
3	28-Long term Note 10.33%	10,000,000	11,350	08-88	07-08	1,429	(572)	857
4	29-Long term Note 10.30%	10,000,000	13,131	08-89	07-09	2,310	(660)	1,650
5	32-Long term Note 9.93%	10,000,000	88,318	03-91	07-10	2,329	(517)	1,812
6	33-Long term Note 8.00%	35,000,000	976,684	01-93	07-12	325,855	(50,132)	275,723
7	34-Note/Tampa Electric 6.875%	40,000,000	308,507	06-01	06-12	169,853	(26,130)	143,723
8	35-Note/Tampa Electric 6.375%	70,000,000	2,839,136	08-02	08-12	1,858,495	(282,303)	1,576,192
9	27-Note/Tampa Electric 5.375%	25,000,000	180,839	08-02	08-07	56,410	(35,627)	20,783
10						<b>2,418,462</b>	<b>(397,128)</b>	<b>2,021,334</b>
11								
12								
13	Unamortized Debt Disc - Acct 226							
14	34-Note/Tampa Electric 6.875%	40,000,000	168,800	06-01	06-12	99,745	(15,345)	84,400
15	35-Note/Tampa Electric 6.375%	70,000,000	562,100	08-02	08-12	370,049	(56,210)	313,839
16	27-Note/Tampa Electric 5.375%	25,000,000	95,250	08-02	08-07	30,163	(19,051)	11,112
17						<b>499,957</b>	<b>(90,606)</b>	<b>409,351</b>
18	<b>Total of Acct 428</b>						<b>(487,734)</b>	

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 2006
<b>MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)</b>		
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	Pension & Benefits	(3,936,571)
2	Insurance & Litigation Reserves	4,598,299
3	Post Retirement Benefits	9,606,734
4	Conservation Cost True Up	1,058,599
5	Other	513,826
6		
7		
8		
9		
10		
11		
12		
13	TOTAL	11,840,887

<b>OTHER DEFERRED CREDITS (Account 253)</b>						
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		Credits (e)	Balance End of Year (f)
			Contra Account (c)	Amount (d)		
1	Environ Insurance Recovery	4,359,455	186		174,771	4,534,226
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	4,359,455		-	174,771	4,534,226

<b>OTHER REGULATORY LIABILITIES (Account 254)</b>						
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		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1	SFAS # 109 Implementation	22,987	282	10,116		12,871
2	West Florida Gas Tax Liab	30,029	282	13,248		16,781
3	Gas Technology Research	63,909	930	368,704	529,106	224,311
4	Amort Gain on Land	-	421	121,875	711,658	589,783
5	Environmental Remediation	14,192,581	182	1,939,612		12,252,969
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	14,309,506		2,453,555	1,240,764	13,096,715



Name of Respondent		For the Year Ended									
Peoples Gas System		Dec. 31, 2006									
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	Environmental, Excise	Franchise	Other*	Total	
1 Various FL counties	7,790,729									7,790,729	
2 Internal Revenue Service (FICA)				2,241,153						2,241,153	
3 FL Public Service Commission					1,908,440					1,908,440	
4 FI Department of Revenue					13,212,906		270			13,213,176	
5 Various FL municipalities								9,533,251		9,533,251	
6 Internal Revenue Service (FUTA)				34,796						34,796	
7 Internal Revenue Service (SUTA)				120,624						120,624	
8 Various FL Counties (tags)								35,115		35,115	
9 Various FL municipalities										-	
10 (occupational licenses)								14,363		14,363	
11 Department of State										-	
12 Other										-	
13 Less: charged to other revenue (495)						(42,715)				(42,715)	
14 Less: charged to construction				(405,432)						(405,432)	
15 Less: charged to clearing, jobbing, a/r				(44,773)						(159,349)	
16 TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	7,790,729	-	-	1,946,368	13,212,906	1,751,419	-	9,533,251	49,478	34,284,151	
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).											
Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Allocations to Current Year's Income		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)			
				Acct. No. (d)	Amount (e)						
1	Gas Utility										
2	3%	98,484		411	43,387		55,097				
3	4%										
4	7%										
5	10%										
6											
7											
8											
9											
10	TOTAL	98,484			43,387		55,097				
									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.	Description	Balance at Beginning of Year	Changes During Year		Adjustments		Balance at End of 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	
1	GAS						
2	FAS 133 and 158					15,226,958	15,226,958
3							
4							
5							
6							
7							
8							
9							
10							
11	TOTAL Gas (Lines 2 - 10)					15,226,958	15,226,958
12	Other (Specify)						
13	TOTAL (Account 190) (Total of lines 11 and 12)					15,226,958	15,226,958

Notes

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

Line No.	Description	Balance at Beginning of Year	Changes During Year		Adjustments		Balance at End of 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	
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	38,881,905	6,382,266			5,427,198	27,072,441
8	Gas						
9	Other						
10	TOTAL Account 282 (Lines 7 thru 9)	38,881,905	6,382,266			5,427,198	27,072,441
11	Account 283 - Other						
12	Electric						
13	Gas						
14	Other						
15	TOTAL Account 283 - Other (Lines 12 thru 14)						
16	GAS						
17	Federal Income Tax	33,604,828	5,472,291			4,650,060	36,538,384
18	State Income Tax	5,277,077	909,975			777,138	5,761,015
19							
20	TOTAL Gas (Lines 17 thru 19)	38,881,905	6,382,266			5,427,198	42,299,399
21	OTHER						
22	Federal Income Tax						
23	State Income Tax						
24	TOTAL Other (Lines 22 and 23)						
25	TOTAL (Total of lines 5, 10 and 15)						

Notes

Deferred income tax adjustment includes:

Federal	4,673,424	State	777,138
	(23,364)		
Total 282	4,650,060	Total 283	2,171,051
			15,226,958
			FAS 158 and FAS 133
			(23,364) Regulatory liability
			5,427,198

Total 282: 4,650,060  
 Total 283: 13,055,907

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**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)	29,705,893
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Federal Income Tax	20,725,669
6	CIAC and AIAC	3,445,000
7	ECCR revenue true up	-161,341
8	Competitive rate adjustment	129,627
9	Deductions Recorded on Books Not Deducted for Return	
10	Capitalized ECA costs	4,198,030
11	Reserves accrual	860,740
12	Natural gas cost adjustment	7,655,355
13	Interest during construction period capitalized	740,000
14	Restricted stock	405,974
15	Deferred taxes	-6,382,267
16	Bad debts	-253,017
17	Other	1,013,548
18	Income Recorded on Books Not Included in Return	
19	Gain/Loss on fixed assets	
20	Non taxable energy conservation revenue	
21	Amortization of investment tax credits	43,387
22		
23		
24		
25		
26	Deductions on Return Not Charged Against Book Income	
27	Depreciation of utility plant - excess over books	2,431,754
28	Cost of removal	2,710,046
29	Pension and property tax payments	
30	Environmental cleanup costs	465,224
31	Deferred compensation distributions	290,000
32		
33		
34	Federal Tax Net Income	56,142,800
35	Show Computation of Tax:	
36	Federal Tax Net Income - Less Income from Subsidiaries	54,404,301
37	Federal income tax @ 35%	19,041,505
38	Prior year true up provision to actual per return	1,684,164
39		20,725,669
40	Allocation to other income	165,427

NOTE: Peoples Gas System operates as a division of Tampa Electric Company (59-9475140). As such, its 2006 taxable income will be included in the consolidated income tax return of TECO Energy, Inc., parent company of Tampa Electric Company. Income tax is allocated to Peoples Gas based on the computation as if a separate return is filed. There is no intercompany elimination which affects taxable income.

**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		Therms of Natural Gas Sold		Avg. No. of Natural Gas Customers Per Mo.	
		Amount for Year (b)	Amount for Previous Year (c)	Current Year (d)	Previous Year (e)	Current Year (f)	Previous Year (g)
1	<b>Gas Service Revenues</b>						
2	<b>Firm Sales Service</b>						
3	480 Residential	144,594,991	138,541,182	69,465,883	69,813,438	299,944	289,488
4	481 Commercial Street Lighting	123,651	314,543	109,497	245,727	34	40
5	481 Small General Service	5,070,907	5,255,814	2,710,253	2,829,721	5,739	5,576
6	481 General Service 1	60,419,043	67,426,770	42,778,924	47,353,599	10,257	10,774
7	481 General Service 2	18,251,036	20,810,636	13,504,569	15,328,259	610	670
8	481 General Service 3	9,423,967	10,573,485	7,272,569	8,063,712	106	103
9	481 General Service 4	3,168,280	3,989,247	2,505,686	2,905,956	9	10
10	481 General Service 5	2,863,611	1,689,499	2,457,467	1,428,245	5	4
11	481 Natural Gas Vehicle Sales	47,988	66,577	37,160	49,209	7	8
12	481 Mutually Beneficial	50,717,236	38,348,529	66,483,870	41,926,770	4	6
13	481 Off System Sales	141,973,086	138,308,435	181,026,210	144,665,900	13	13
14	<b>Interruptible Sales Service</b>						
15	481 Small Interruptible Service	308,072	596,645	255,595	478,721	0	0
16	481 Interruptible Lg. Vol-1	1,447,118	852,664	1,298,126	804,534	0	0
17	481 Interruptible Lg. Vol-2	(625,688)	(532,029)	144,195	793,910	0	0
18	<b>Firm Transportation Service</b>						
19	489 Condominium	1,381,283	356,834	3,574,409	916,599	294	98
20	489 Commercial Street Lighting	88,457	93,857	631,427	671,037	32	34
21	489 Natural Gas Vehicles	86,028	79,578	467,021	428,111	12	11
22	489 Small General Service	273,531	215,921	561,267	417,172	445	376
23	489 General Service 1	18,456,126	17,996,297	63,440,823	61,648,755	8,222	7,918
24	489 General Service 2	15,112,595	15,434,980	60,110,250	61,416,278	2,356	2,323
25	489 General Service 3	13,995,207	14,188,714	65,914,208	67,038,475	666	656
26	489 General Service 4	8,534,921	8,449,193	45,033,324	45,090,264	136	130
27	489 General Service 5	6,964,064	6,681,770	66,269,527	64,509,959	93	91
28	<b>Interruptible Transportation Serv.</b>						
29	489 Small Interruptible Trans. Service	4,024,816	3,574,067	53,590,600	48,737,827	30	29
30	489 Interruptible Transp. LG-1	8,635,454	8,869,073	191,438,854	195,267,217	15	15
31	489 Interruptible Transp. LG-2	11,673,970	11,230,675	358,096,983	253,647,034	6	5
32	482 Other Sales to Public Authorities	0	0	0	0	0	0
33	484 Flex Rate - Refund	0	0	0	0	0	0
34	TOTAL Sales to Ultimate Consumers	527,009,750	513,412,956	1,299,178,697	1,136,476,429	329,035	318,378
35	483 Sales for Resale	1,546,909	565,848	1,869,915	864,118	9	7
36	Off-System Sales	0	0	0	0	0	0
37	TOTAL Nat. Gas Service Revenues	528,556,659	513,978,804				
38	TOTAL Gas Service Revenues	528,556,659	513,978,804				
39	<b>Other Operating Revenues</b>						Notes
40	485 Intracompany Transfers	0	0				
41	487 Forfeited Discounts	987,925	852,136				
42	488 Misc. Service Revenues	6,267,047	6,829,360				
43	488 Gross Recpts Tax/Franch Fee Coll	22,746,157	16,628,281				
44	488 Individual Transportation Charge	571,412	612,500				
45	489 Rev. from Trans. of Gas of Others	0	0				
46	not included in above rate schedules)	0	0				
47	493 Rent from Gas Property	311,130	549,167				
48	494 Interdepartmental Rents	0	0				
49	<b>495 Other Gas Revenues</b>						
50	Initial Connection	0	0				
51	Reconnect for Cause	0	0				
52	Collection in lieu of disconnect	0	0				
53	Returned Check	0	0				
54	Other Gas Revenues	9,406,282	6,929,986				
55	495.5 Overrecoveries Purchased Gas	(3,060,611)	(3,081,739)				
56	TOTAL Other Operating Revenues	43,350,564	35,483,169				
57	TOTAL Gas Operating Revenues	570,360,314	548,896,126				
58	(Less) 495.10 Provision / Rate Refunds	0	0				
59	TOTAL Gas Operating Revenues Net of Provision for Refunds	570,360,314	548,896,126				
60	Sales for Resale	1,546,909	565,848	0	0		
61	Other Sales to Public Authority	0	0	0	0		
62	Interdepartmental Sales	0	0	0	0		
63	<b>TOTAL</b>	<b>571,907,223</b>	<b>549,461,974</b>	<b>1,301,048,612</b>	<b>1,137,340,547</b>		

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2006	
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	<b>1. Production Expenses</b>		
2	A. TOTAL Manufactured Gas Production (Total of Accounts 700-742)	0	0
3	B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769)	0	0
4	C. TOTAL Products Extraction (Total of Accounts 770 through 791)	0	0
5	D. TOTAL Exploration and Development (Total of Accts. 795 through 798)	0	0
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		0
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		0
10	801 Natural Gas Field Line Purchases	295,971,306	289,470,950
11	802 Natural Gas Gasoline Plant Outlet Purchases		0
12	803 Natural Gas Transmission Line Purchases		0
13	804 Natural Gas City Gate Purchases	59,254,959	58,872,895
14	804.1 Liquefied Natural Gas Purchases		0
15	805 Other Gas Purchases		0
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)	10,437,294	1,891,237
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	365,663,559	350,235,082
18	806 Exchange Gas	0	0
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		0
21	807.2 Operation of Purchased Gas Measuring Stations		0
22	807.3 Maintenance of Purchased Gas Measuring Stations		0
23	807.4 Purchased Gas Calculations Expenses		0
24	807.5 Other Purchased Gas Expenses		0
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)		0
26	808.1 Gas Withdrawn from Storage--Debit	216,460	524,448
27	(Less) 808.2 Gas Delivered to Storage--Credit	(245,947)	(346,479)
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		0
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		0
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		0
32	811 Gas Used for Products Extraction--Credit		0
33	812 Gas Used for Other Utility Operations--Credit	(356,660)	(174,352)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(356,660)	(174,352)
35	813 Other Gas Supply Expenses		0
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	365,277,412	350,238,699
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	365,277,412	350,238,699
38	<b>2. Natural Gas Storage, Terminating and Processing Expenses</b>		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	0	0
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)	0	0
41	C. TOTAL Liquefied Nat Gas Terminating & Processing Expenses (Total of Accounts 844.1 through 847.8)	0	0
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)	0	0
43	<b>3. Transmission Expenses</b>		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)	0	0
45			
46			

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2006	
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account	Amount for Current Year	Amount for Previous Year
47	<b>4. Distribution Expenses</b>		
48	Operation		
49	870 Operation Supervision and Engineering	304,338	247,116
50	871 Distribution Load Dispatching	5,361	28,740
51	872 Compressor Station Labor and Expenses	18,048	6,660
52	873 Compressor Station Fuel and Power		34
53	874 Mains and Services Expenses	6,279,345	6,139,035
54	875 Measuring and Regulating Station Expenses--General	141,326	142,240
55	876 Measuring and Regulating Station Expenses--Industrial	65,229	56,231
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	43,617	55,661
57	878 Meter and House Regulator Expenses	1,841,043	2,569,571
58	879 Customer Installations Expenses	2,316,290	2,016,821
59	880 Other Expenses	1,432,577	1,482,809
60	881 Rents	133,027	108,508
61	TOTAL Operation (Total of lines 49 through 60)	12,580,201	12,853,426
62	Maintenance		
63	885 Maintenance Supervision and Engineering		0
64	886 Maintenance of Structures and Improvements	349,841	205,136
65	887 Maintenance of Mains	1,496,600	1,212,822
66	888 Maintenance of Compressor Station Equipment		0
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	240,909	233,415
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	374,347	457,246
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	437,652	432,622
70	892 Maintenance of Services	544,582	503,310
71	893 Maintenance of Meters and House Regulators	390,953	361,421
72	894 Maintenance of Other Equipment	60,292	79,413
73	TOTAL Maintenance (Total of Lines 63 through 72)	3,895,176	3,485,385
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	16,475,377	16,338,811
75	<b>5. Customer Accounts Expenses</b>		
76	Operation		
77	901 Supervision		0
78	902 Meter Reading Expenses	2,385,597	1,969,114
79	903 Customer Records and Collection Expenses	5,032,721	4,883,263
80	904 Uncollectible Accounts	1,428,449	2,057,866
81	905 Miscellaneous Customer Accounts Expenses		0
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	8,846,767	8,910,243
83	<b>6. Customer Service and Informational Expenses</b>		
84	Operation		
85	907 Supervision		0
86	908 Customer Assistance Expenses	8,051,969	8,458,262
87	909 Informational and Instructional Expenses	883,000	938,840
88	910 Miscellaneous Customer Service and Informational Expenses		0
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	8,934,969	9,397,102
90	<b>7. Sales Expenses</b>		
91	Operation		
92	911 Supervision		0
93	912 Demonstrating and Selling Expenses	5,408,304	5,768,578
94	913 Advertising Expenses	33,623	25,816
95	916 Miscellaneous Sales Expenses	218,040	163,420
96	TOTAL Sales Expenses (Total of lines 92 through 95)	5,659,967	5,957,814
97			

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2006	
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account	Amount for Current Year	Amount for Previous Year
98	<b>8. Administrative and General Expenses</b>		
99	Operation		
100	920 Administrative and General Salaries	8,702,469	7,566,074
101	921 Office Supplies and Expenses	17,432,154	15,572,711
102	(Less) (922) Administrative Expenses Transferred--Credit	(4,117,742)	(3,700,512)
103	923 Outside Services Employed	574,749	606,397
104	924 Property Insurance	108,309	32,965
105	925 Injuries and Damages	2,361,109	3,929,796
106	926 Employee Pensions and Benefits	8,266,141	6,696,742
107	927 Franchise Requirements		0
108	928 Regulatory Commission Expenses	87,500	87,500
109	(Less) (929) Duplicate Charges--Credit		0
110	930.1 General Advertising Expenses		0
111	930.2 Miscellaneous General Expenses	1,063,865	1,021,578
112	931 Rents	349,464	540,690
113	TOTAL Operation (Total of lines 100 through 112)	34,828,018	32,353,941
114	Maintenance		
115	935 Maintenance of General Plant	239,705	237,936
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	35,067,723	32,591,877
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	440,262,215	423,434,546
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) 12/31/2006
3	2. Total Regular Full-Time Employees 569
4	3. Total Part-Time and Temporary Employees 11
5	4. Total Employees 580
6	
7	
8	
9	
10	
11	
12	
13	

Name of Respondent For the Year Ended  
 Peoples Gas System Dec. 31, 2006

**GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1, 808.01, 808.2)**

<p>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- Purchased Gas Cost Adjustments          808.1-Gas Withdrawn from Storage-Debit          808.2-Gas Delivered to Storage-Credit</p>	<p>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.)</p>
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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	392,504,223	\$295,971,306	75.41
2	808.1 - Gas Withdrawn from Storage-Debit	437,480	\$216,460	49.48
3	808.2 - Gas Delivered to Storage-Credit	(468,350)	(\$245,948)	52.51
4	804.1 - Gas Accounting and Gas Control Expenses		\$1,412,151	
5	804.2 - Natural Gas City Gate Purchases-Commodity	3,022,822	\$695,648	23.01
6	804.3 - Natural Gas City Gate Purchases-Other		\$1,929,389	
7	804.4 - Legal Costs		\$873	
8	804.5 - Natural Gas City Gate		\$55,158,093	
9	804.6 - Natural Gas City Gate-Penalty Transportation System		\$58,806	
10	805.1 - Purchased Gas Cost Adjustments		\$10,437,294	
11	<b>TOTAL (Total of lines 1 through 10)</b>	<b>395,496,175</b>	<b>\$365,634,072</b>	<b>92.45</b>

**Notes to Gas Purchases**

**GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)**

<p>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.</p>	<p>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.</p>
---	---

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	880-01	91,940	108,432
4	Transportation Clearing Account (CNG)	184-01	5,888	7,476
5	Utilities clearing Account	184-90	14,474	16,431
6	Other Income Deductions	426-01	4,514	4,064
7	Sales Tax Account	241-50	N/A	(8,826)
8	Gas Lost-Damaged Facilities	143	N/A	229,083
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	<b>TOTAL</b>		<b>116,815</b>	<b>356,660</b>



Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**REGULATORY COMMISSION EXPENSES (Account 928)**

- |  |  |
|--|--|
| <p>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.</p> <p>2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.</p> | <p>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</p> <p>4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.</p> <p>5. Minor items (less than \$25,000) may be grouped.</p> |
|--|--|

Line No.	Description (Name of regulatory commission, the docket 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		Amortized During Year		Deferred in Account 186 End of Year (i)
				Charged Currently to Account No. (d)	Amount (e)	Deferred to Account 186 (f)	Contra Account (g)	
1	Florida Public Service Commission							
2	Docket 020384-GU - Rate case		87,500				928	87,500
3	Four year amortization							
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17	<b>TOTAL</b>	-	87,500		-	-	87,500	-

**MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)**

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	319,708
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	500,000
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		
6	Employee Moving Expenses	82,971
7	Economic Development	135,326
8	Miscellaneous	25,860
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11	<b>TOTAL</b>	\$ 1,063,865

Name of Respondent		For the Year Ended		
Peoples Gas System		Dec. 31, 2006		
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	<b>Electric</b>			
2	TOTAL Operation and Maintenance - Electric			
3	<b>Gas</b>			
4	Operation			
5	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminating & Processing			
6	Transmission			
7	Distribution	8,723,597		
8	Customer Accounts	3,355,642		
9	Customer Service and Informational	288,166		
10	Sales	3,438		
11	Administrative and General	8,623,600		
12	TOTAL Operation (Total of lines 5 through 11)	20,994,443		
13	Maintenance			
14	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminating & Processing			
15	Transmission			
16	Distribution	1,978,845		
17	Administrative and General	2,804,025		
18	TOTAL Maintenance (Total of lines 14 through 17)	4,782,870		
19	Total Operation and Maintenance			
20	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminating & Processing			
21	Transmission (Enter Total of lines 6 and 15)			
22	Distribution (Total of lines 7 and 16)	10,702,442		
23	Customer Accounts (Transcribe from line 8)	3,355,642		
24	Customer Service and Informational (Transcribe from line 9)	288,166		
25	Sales (Transcribe from line 10)	3,438		
26	Administrative and General (Total of lines 11 and 17)	11,427,625		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	25,777,313	36,961	25,814,274
28	<b>Other Utility Departments</b>			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	25,777,313	36,961	25,814,274
31	<b>Utility Plant</b>			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	3,693,914	119,781	3,813,695
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)	3,693,914	119,781	3,813,695
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	865,980	3,160	869,140
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)	865,980	3,160	869,140
42				
43	Other Accounts (Specify):			
44				
45	Accts Receivable - Associated Companies	272,057	-	272,057
46	Clearing	-	-	-
47	Other Work in Progress	55,591	16	55,607
48	Merchandise/Jobbing	69,729	541	70,270
49	Miscellaneous	-	-	-
50				
51				
52				
53	TOTAL Other Accounts	397,377	557	397,934
54	TOTAL SALARIES AND WAGES	30,734,584	160,459	30,895,043

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 2006
<b>CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES</b>		
<p>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</p> <p>payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.</p> <p>(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.</p> <p>2. For any services which are of a continuing nature, give the date and term of contract.</p> <p>3. Designate with an asterisk associated companies.</p>		
	Description	Amount
1	<b>The following were charged to O&amp;M or deferred debit accounts:</b>	
2	Akerman Senterfitt & Edison	186/923/925-legal services 420,101
3	Arcadis of New York Inc	186-environmental 142,334
4	Ash Engineering, Inc	146/874-engineering services 357,020
5	Blasland, Bouck & Lee Inc	186-legal services 26,417
6	Constangy, Brooks, & Smith LLC	923-legal services 48,024
7	George F Young Inc	146-software consultants 40,349
8	Environ International Corp	186-consulting 104,666
9	Host Communication	909-advertising services 148,700
10	Information Intellect	921-software/consulting 49,295
11	Lau, Lane, Pieper, Conley & McCreddie PA	925-legal services 182,518
12	Macfarlane Ferguson & McMullen	186/923/925-legal services 164,979
13	Marketing Talent	909-advertising services 432,616
14	Matrikon International Inc	891-software/consultants 239,917
15	Rivero, Gordimer	186-legal/environmental services 56,700
16	SSA Global	921-software/consulting 237,014
17	Sunera LLC	921-consulting/accounting services 154,725
18	Sungard Energy Systems	804-software/consulting 64,829
19	Sykes Enterprises	874-engineering services 46,737
20	The Retec Group, Inc	186-environmental/engineering 139,862
21	Tampa Electric*	various 7,040,534
22	Teco Energy*	various 4,815,544
23	Teco Partners*	912-selling expense 5,335,278
24	Thompson Hine	804-legal services 63,643
25	Vernis & Bowling of Broward PA	925-legal services 33,637
26		
27		
28		
29	<b>continued on next page</b>	
30		

<b>PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS</b>	
<p>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.</p> <p>(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.</p> <p>(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.</p> <p>(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.</p>	
	Item
1	
2	Account 426-01 - Donations
3	Account 426-04 - Political Related Activities
4	Account 426-05 - Other Deductions
5	
6	
7	Account 431 - Other Interest Charges
8	PGA True Up
9	Intercompany
10	Customer Deposits
11	ECCR
12	Syndicated Line of Credit
13	AR Facility
14	Fed Funds
15	Miscellaneous
16	
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24	

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 2006
<b>CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES</b>		
<p>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</p>		<p>payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.</p> <p>(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.</p> <p>2. For any services which are of a continuing nature, give the date and term of contract.</p> <p>3. Designate with an asterisk associated companies.</p>
	Description	Amount
1	<b>The following were charged to capital accounts:</b>	
2	Brand & Co	45,429
3	Carter & Burgess Inc	72,039
4	Duval Engineering	68,450
5	Faller, Davis & Assoc, Inc	34,181
6	GIS Utility Systems, Inc	111,820
7	Grant Ian Thrall, PHD	46,000
8	HNTB Corp	125,717
9	LMB Service Corp	41,756
10	Robert R Mumbauer	33,896
11	Tampa Electric*	1,619,611
12	Teco Partners*	500,052
13	Utility Automated	359,193
14	Ybor Engineering LLC	240,935
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Name of Respondent  
Peoples Gas System

For the Year Ended  
Dec. 31, 2006

**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).

	(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Gross Operating Revenues per Page 26	Interstate and Sales for Resale Adjustments	Adjusted Intrastate Gross Operating Revenues	Intrastate Gross Operating Revenues per RAF Return	Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	437,783,298		437,783,298	437,783,298	-
2	Sales for Resale (483)	1,546,909		1,546,909	1,546,909	-
3	Total Natural Gas Service Revenues	439,330,207		439,330,207	439,330,207	-
4	Total Other Operating Revenues (485-495)	132,576,984		132,576,984	132,576,984	-
5	Total Gas Operating Revenues	571,907,191		571,907,191	571,907,191	-
6	Provision for Rate Refunds (496)	-				
7	Other (Specify)					
8	Wholesale & Off System sales for resale				(194,237,231)	194,237,231
9	Unbilled Revenue Adjustment				3,235,970	(3,235,970)
10	True Up of Energy Conservation				(251,340)	251,340
11						
12	<b>Total Gross Operating Revenues</b>	571,907,191		571,907,191	380,654,590	191,252,601

Notes:

Difference due to RAF return adjustments for exempt revenue.

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006
<b>CORPORATE STRUCTURE</b>	
Provide an updated organizational chart showing all affiliated companies, partnerships, etc.	
Effective Date: Dec. 31, 2006	
<p>TECO Energy, Inc.</p> <ul style="list-style-type: none"> <li>Tampa Electric Company <ul style="list-style-type: none"> <li>Power Engineering &amp; Construction</li> <li>TEC Receivables Corp.</li> <li>TECO Gas Services, Inc.</li> <li>TECO Partners, Inc.</li> </ul> </li> <li>TECO Investments, Inc.</li> <li>TECO Finance, Inc.</li> <li>TECO Oil &amp; Gas, Inc.</li> <li>TECO Diversified, Inc. <ul style="list-style-type: none"> <li>TECO Coal Corporation <ul style="list-style-type: none"> <li>Bear Branch Coal Company</li> <li>Raven Rock Development</li> <li>Clintwood Elkhorn Mining Company</li> <li>Gatliff Coal Company</li> <li>Pike-Letcher Land Company</li> <li>Premier Elkhorn Coal Company</li> <li>Rich Mountain Coal Company</li> <li>Perry County Coal Company</li> <li>Ray Coal Company</li> <li>Whitaker Coal Company</li> </ul> </li> <li>TECO Synfuel Operations, LLC</li> <li>TECO Synfuel Holdings, LLC <ul style="list-style-type: none"> <li>Pike Letcher Synfuel, LLC</li> </ul> </li> </ul> </li> <li>TECO Coalbed Methane Florida, Inc.</li> <li>TECO Properties Corporation <ul style="list-style-type: none"> <li>Walden Woods Business Center, Ltd.</li> </ul> </li> <li>TECO Solutions, Inc. <ul style="list-style-type: none"> <li>TECO Thermal Systems, Inc.</li> <li>TECO Fiber, Inc. <ul style="list-style-type: none"> <li>Litestream Technologies, LLC</li> </ul> </li> <li>TECO Propane Ventures, LLC</li> <li>Prior Energy Corporation</li> </ul> </li> <li>TECO Transport Corporation <ul style="list-style-type: none"> <li>TECO Bulk Terminal, LLC</li> <li>TECO Barge Line, Inc. <ul style="list-style-type: none"> <li>TECO Marine Services, LLC</li> </ul> </li> <li>TECO Ocean Shipping, Inc. <ul style="list-style-type: none"> <li>TECO Ocean Shipping, LLC</li> <li>TOS-II, LLC <ul style="list-style-type: none"> <li>Ocean Dry Bulk, LLC</li> </ul> </li> </ul> </li> <li>TECO Towing Company</li> <li>TECO Global Logistics, LLC</li> </ul> </li></ul>	

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006
<b>CORPORATE STRUCTURE</b>	
<ul style="list-style-type: none"> <li>Peoples Gas System (Florida), Inc.</li> <li>TECO Funding Company I, LLC</li> <li>TECO Funding Company II, LLC</li> <li>TECO Funding Company III, LLC</li> <li>TECO Energy Foundation, Inc.</li> <li>TECO Wholesale Generation, Inc. <ul style="list-style-type: none"> <li>TECO Guatemala, Inc. <ul style="list-style-type: none"> <li>Pasco Power GP, Inc. <ul style="list-style-type: none"> <li>Pasco Project Investment Partnership, Ltd. <ul style="list-style-type: none"> <li>Pasco Cogen, Ltd.</li> <li>Pasco Cogen Realty, L.P.</li> </ul> </li> </ul> </li> </ul> </li> <li>H Power I, Inc.</li> <li>H Power II, Inc.</li> <li>TPS Guatemala One, Inc. <ul style="list-style-type: none"> <li>Tampa Centro Americana de Electricidad, Limitada</li> </ul> </li> <li>TECO Guatemala Holdings, LLC <ul style="list-style-type: none"> <li>TECO Guatemala Services, Ltd</li> </ul> </li> <li>TPS San Jose International, Inc. <ul style="list-style-type: none"> <li>Tecnologia Maritima, S.A.</li> <li>TPS San Jose, LDC</li> <li>TPS Palmera, LDC <ul style="list-style-type: none"> <li>Palm Import and Export Corporation</li> <li>Triangle Finance Company, LLC</li> <li>San Jose Power Holding Company, Ltd. <ul style="list-style-type: none"> <li>Central Generadora Electrica San Jose, Limitada</li> </ul> </li> </ul> </li> </ul> </li> <li>Tasajero I, LDC <ul style="list-style-type: none"> <li>TPS Operaciones de Guatemala, Ltda.</li> </ul> </li> </ul> </li> <li>TPS International Power, Inc. <ul style="list-style-type: none"> <li>TPS De Ultramar, Ltd. <ul style="list-style-type: none"> <li>TPS De Ultramar Guatemala, S.A. <ul style="list-style-type: none"> <li>Distribuidora Electrica CentroAmericana II, S.A. <ul style="list-style-type: none"> <li>Inmobiliaria y Desarrolladora Empresarial de America, S.A.</li> <li>Empresa Electrica de Guatemala, S.A.</li> <li>Navega.com, S.A. <ul style="list-style-type: none"> <li>Navega.com, S.A. Sucursal El Salvador</li> </ul> </li> <li>MetroRed, S.A. de C.V.</li> <li>Totalcom, S.A.</li> <li>Almacenaje y Manejo de Materials Electricos, S.A.</li> <li>Inversiones Electricas Centroamericanas, S.A. <ul style="list-style-type: none"> <li>Credieegsa, S.A. <ul style="list-style-type: none"> <li>Commercializadora Electrica de Guatemala S.A.</li> <li>Energica, S.A.</li> <li>Transportista Electrica CentroAmericana, S.A.</li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> <li>TPS Escuintla I, LDC</li> <li>TPS Pavana, Ltd.</li> </ul> </li></ul></li></ul>	

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006
<b>CORPORATE STRUCTURE</b>	
<p>TWG Merchant, Inc. TPS Dell, LLC TM Power Ventures, LLC     TM Czech Power, LLC     TM ECK, LLC     TM Delmarva Power LLC TECO EnergySource, Inc. McAdams Holding, LLC     TPS McAdams Operations Company TPS Tejas GP, LLC TPS GP, Inc. TPS LP, Inc.     TPGC, LP TIE NEWCO Holdings, LLC</p>	



Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2006

**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)	Account Number (e)	Dollar Amount (f)
Teco Partners	Rent		s		212,197
	G&A Allocation		s		450,000
	Marketing Services - O&M		p		5,335,278
	Marketing Services - Capital		p		500,052
	Various Goods & Services - O&M/Rev		s		2,472
	Payroll		s		13,717
	Plant Transactions & Adj		p		31,890
Tampa Electric	Off System Sales		s		9,880,032
	Mutually Beneficial Sales		s		260,079
	Various Goods & Services - O&M		p		7,040,534
	Various Goods & Services - Capital		p		1,619,611
	Company Aircraft Allocation		s		68,424
	Net Imbalance Trade Bookouts		s		483,000
	Net Imbalance Trade Bookouts & Overages		p		-
	Various Goods & Services		s		7,555
	Payroll		s		222,092
	Gas Purchases		p		8,115,572
Teco Guatemala	Company Aircraft Allocation		s		22,440
Teco Energy	Payroll		s		108,400
	Company Aircraft Allocation		s		165,360
	Various Goods & Services		p		4,815,544
	Various Goods & Services - O&M/Rev		s		7,290
Teco Gas Services	Payroll		s		283,381
	G&A Allocation		s		18,000
Teco Solutions	Various Goods & Services - O&M/Rev		s		25,056
Teco Transport	Company Aircraft Allocation		s		6,840
	Various Goods & Services - O&M/Rev		s		583
Teco Thermal	Various Goods & Services - O&M/Rev		s		625

Name of Respondent Peoples Gas System		For the Year Ended Dec. 31, 2006
<b>NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES</b>		
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.		
<b>Name of Affiliate</b>	<b>Synopsis of Contract</b>	
TECO Partners	<p>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:</p> <ul style="list-style-type: none"> <li>- Energy Services</li> <li>- Energy Conservation Program Services</li> <li>- Developer Services</li> <li>- Service and Program Development</li> <li>- Promotional Services</li> </ul> <p>Payment to Partners under the agreement is targeted at \$5,750,000 annually. The agreement was entered into effective January 1, 2006 for a period of one year.</p> <p>One year agreements were entered into between Peoples and TECO Partners, whereby TECO Partners lease space in various Peoples buildings in Florida.</p>	
Tampa Electric Company	<p>An agreement was entered into between Peoples and Tampa Electric Company in January 2002 for a period of three years with automatic renewal, if dual consent, for Tampa Electric to provide gas meter reading, and related field services to Peoples. Peoples contracts with Tampa Electric to provide monthly gas meter readings at a price of .57 cents per reading in Tampa, and .80 cents in Lakeland. The applied per read rate follows a schedule of mutually agreed to volumes that may be adjusted twice annually to reflect changes in the service area.</p>	

<b>INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000</b>		
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.		
<b>Name of Affiliate</b>	<b>Description of Transaction</b>	<b>Dollar Amount</b>
Teco Partners	Monthly G&A Charged to Teco Partners	450,000
	Monthly Marketing Services (Costs) - O&M	5,335,278
	Monthly Marketing Services (Costs) - Capital	500,052
Tampa Electric	Off System Sales	9,880,032
	Mutually Beneficial Sales	260,079
	Monthly Various Products & Services (Costs) - O&M	7,040,534
	Monthly Various Products & Services (Costs) - Capital	1,619,611
	Gas Purchases	8,115,572
	Net Imbalance Trade Bookouts & Overages (Net Costs)	483,000
	Monthly Various Products & Services (Revenue)	95,823
Teco Energy	Monthly Various Products & Services (Costs) - O&M	4,815,544
	Monthly Various Products & Services (Revenue)	56,520

Name of Respondent		For the Year Ended					
Peoples Gas System		Dec. 31, 2006					
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:		\$	\$	\$	\$	\$	
TECO Partners	Vehicles (5)	109,787.06	83,943.34	25,843.72	31,890.00	31,890.00	Yes
Tampa Electric	Software	811,000.00		811,000.00	811,000.00	811,000.00	No
<b>Total</b>		920,787.06	83,943.34	836,843.72	842,890.00	842,890.00	
Sales to Affiliates:		\$	\$	\$	\$	Sales Price	
<b>Total</b>						\$	

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 System	Compensation Analyst	Human Resource Generalist	Permanent
Peoples Gas System	TECO Partners	Senior Engineering Tech	Account Mgr - Technical	Permanent
TECO Partners	Peoples Gas System	Mgr-Strategic Res Markets	Manager-Real Estate	Permanent
Peoples Gas System	TECO Partners	Comm/Industrial Rep	Acct Manager-Outside Sales	Permanent
TECO Partners	Peoples Gas System	Regional Sales Manager	Region Manager	Permanent