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 Public Service Commission
 100 N. DuSable Ave. 10th Floor

**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, 2007

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, 2007 and 2006 and the related statements of income, and 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 People 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, 2007 and 2006, 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, 2008

**INSTRUCTIONS FOR FILING THE
ANNUAL REPORT OF NATURAL GAS UTILITIES**

GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.
- II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.
- V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.
- VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.
- VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

DEFINITIONS

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

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent Peoples Gas System, a Division of Tampa Electric Company		02 Year of Report 2007
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 33601		
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, 2007	

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, 2007 to December 31, 2007, 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

4/29/2008
Date

J. Paul Higgins
Name

Assistant Controller
Title

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Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2007

CONTROL OVER RESPONDENT

- | | |
|--|--|
| <p>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</p> | <p>organization. If control was held by a trustee(s), state name of trustee(s).</p> <p>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.</p> |
|--|--|

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

CORPORATIONS CONTROLLED BY RESPONDENT

- | | |
|--|--|
| <p>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.</p> <p>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.</p> | <p>3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.</p> <p>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.</p> |
|--|--|

DEFINITIONS

- | | |
|---|--|
| <p>1. See the Uniform System of Accounts for a definition of control.</p> <p>2. Direct control is that which is exercised without interposition of an intermediary.</p> <p>3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.</p> <p>4. Joint control is that in which neither interest can effectively</p> | <p>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.</p> |
|---|--|

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, 2007
OFFICERS		
<p>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.</p> <p>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.</p>		
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	\$171,750

DIRECTORS			
<p>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.</p>		<p>2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.</p>	
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.			

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 None
- 2 None
- 3 None
- 4 None
- 5 None

Name of Respondent				For the Year Ended
Peoples Gas System				Dec. 31, 2007
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	877,924,794	917,635,305
3	Construction Work in Progress (107)	12	19,384,045	17,044,165
4	TOTAL Utility Plant Total of lines 2 and 3)		897,308,839	934,679,470
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	351,113,687	378,578,735
6	Net Utility Plant (Total of line 4 less 5)		546,195,152	556,100,735
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	955,206
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	955,206
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	(682,596)	1,392,879
19	Special Deposits (132-134)	-	34,546	25,000
20	Working Funds (135)	-	7,650	6,050
21	Temporary Cash Investments (136)	-	588,639	622,677
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	35,911,638	38,676,672
24	Other Accounts Receivable (143)	-	6,022,993	5,228,564
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	(432,326)	(637,769)
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)	-	1,116,819	1,345,066
32	Merchandise (155)	-		
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-	102,553	390,572
36	Prepayments (165)	18	1,154,194	1,062,503
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-	3,974	4,058
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	20,881,829	19,651,905
41	Miscellaneous Current and Accrued Assets (174)	-	18,400	434,610
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		64,728,313	68,202,787
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	2,021,334	2,215,547
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	31,645,560	23,689,659
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	113,796	209,080
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20	1,935,154	1,590,805
55	Accumulated Deferred Income Taxes (190)	24	15,226,958	7,003,144
56	Unrecovered Purchased Gas Costs (191)	-	16,712,141	2,191,084
57	TOTAL Deferred Debits (Total of lines 44 through 56)		67,654,943	36,899,319
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		679,691,930	662,158,047

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock (201, 202, 203, 205, 206, 207)	-		
3	Preferred Stock Issued (204)	-		
4	Other Paid-In Capital (208-214)	-	155,550,169	155,550,169
5	Retained Earnings (215, 216)	10		
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	113,345,102	112,735,480
7	(Less) Reacquired Capital Stock (217)	-		
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		268,895,271	268,285,649
9	LONG-TERM DEBT			
10	Bonds (221)	21		
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21		
13	Other Long-Term Debt (224)	21	162,800,000	191,700,000
14	Unamortized Premium on Long-Term Debt (225)	21		
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21	(409,351)	(660,079)
16	TOTAL Long-Term Debt (Total of lines 10 through 15)		162,390,649	191,039,921
17	OTHER NONCURRENT LIABILITIES			
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)	-	25,380,662	18,623,346
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-		
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		25,380,662	18,623,346
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-	43,720,000	24,630,000
27	Accounts Payable (232)	-	35,656,714	37,993,121
28	Notes Payable to Associated Companies (233)	-		
29	Accounts Payable to Associated Companies (234)	-	2,472,151	498,409
30	Customer Deposits (235)	-	34,090,997	34,630,842
31	Taxes Accrued (236)	-	3,829,680	2,506,081
32	Interest Accrued (237)	-	4,240,254	3,961,468
33	Dividends Declared (238)	-		
34	Matured Long-Term Debt (239)	-		
35	Matured Interest (240)	-		
36	Tax Collections Payable (241)	-	1,908,902	1,697,709
37	Miscellaneous Current and Accrued Liabilities (242)	22	11,840,887	15,444,495
38	Obligations Under Capital Leases-Current (243)	-		
39	Derivative Instrument - Liabilities (245)	-	20,099,450	6,290,960
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		157,859,035	127,653,085
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	-	5,180,876	6,606,127
43	Other Deferred Credits (253)	22	4,534,226	4,182,050
44	Other Regulatory Liabilities (254)	22	13,096,715	12,407,393
45	Accumulated Deferred Investment Tax Credits (255)	23	55,097	11,710
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	42,299,399	33,348,766
49	TOTAL Deferred Credits (Total of lines 42 through 48)		65,166,313	56,556,046
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		679,691,930	662,158,047

Name of Respondent		For the Year Ended		
Peoples Gas System		Dec. 31, 2007		
STATEMENT OF INCOME				
1. Use page 11 for important notes regarding the statement of income or any account thereof.		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.		
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.		4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.		
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year				
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	593,029,854	571,907,223
3	Operating Expenses			
4	Operation Expenses (401)	27-29	458,694,408	436,127,335
5	Maintenance Expenses (402)	27-29	4,550,245	4,134,880
6	Depreciation Expense (403)	15-16	37,976,428	34,313,246
7	Amortization & Depletion of Utility Plant (404-405)	-	1,181,467	1,310,966
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	34,256,471	34,284,151
14	Income Taxes - Federal (409.1)	-	13,306,833	20,560,242
15	- Other (409.1)	-	2,231,055	3,401,230
16	Provision for Deferred Income Taxes (410.1)	24	(841,183)	(6,382,267)
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)		552,108,705	528,502,764
23	Net Utility Operating Income (Total of line 2 less 22)			
24	(Carry forward to page 9, line 25)		40,921,149	43,404,459

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)		40,921,149	43,404,459
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	(7,884)	91,230
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	2,028,992	1,738,497
35	Interest and Dividend Income (419)	-	885,219	424,606
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-		2,783
38	Gain on Disposition of Property (421.1)	-	381,510	135,417
39	TOTAL Other Income (Total of lines 29 through 38)		3,287,837	2,392,533
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	182,058	143,249
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		182,058	143,249
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-	352,852	165,427
48	Income Taxes - Other (409.2)	-	58,673	27,508
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)		411,525	192,935
54	Net Other Income and Deductions (Total of lines 39,44,53)		2,694,254	2,056,349
55	Interest Charges			
56	Interest on Long-Term Debt (427)	-	12,479,565	11,294,696
57	Amortization of Debt Discount and Expense (428)	21	822,450	832,083
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	3,804,619	3,628,136
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		17,106,634	15,754,915
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		26,508,769	29,705,893
66	Extraordinary Items			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	-		
71	Extraordinary Items After Taxes (Total of line 69 less line 70)			
72	Net Income (Total of lines 65 and 71)		26,508,769	29,705,893

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2007

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)
UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance - Beginning of Year		113,345,102
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)		24,479,777
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		27,263,296
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		2,028,992
15	Other Comprehensive Income		144,905
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		112,735,480
APPROPRIATED RETAINED EARNINGS (Account 215)			
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		112,735,480

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2007

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.

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

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) and the Federal Energy Regulatory Commission (FERC). These policies conform with generally accepted accounting principles in all material respects except for those disclosed in Note A. Certain footnotes are not reflective of Peoples Gas System's Financial Statements contained herein.

The impact of Statement of Financial Accounting Standard (FAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*, has been minimal in the company's experience, 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 company's retail and wholesale businesses are regulated by the FPSC. Prices allowed are generally based on recovery of prudent costs incurred plus a reasonable return on invested capital.

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.

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

Depreciation

The company provides for depreciation primarily by the straight-line method at annual rates (approved by the state regulatory agency) 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 4.3% for 2007 and 4.1% for 2006.

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

Construction work-in progress is not depreciated until the asset is completed or placed in service.

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.

Revenue Recognition

Peoples Gas System recognizes revenues consistent with the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) 104, *Revenue Recognition in Financial Statements*. Except as discussed below, Peoples Gas System recognizes revenues on a gross basis when earned for the physical delivery of products or services and the risks and rewards of ownership have transferred to the buyer.

Peoples Gas System's retail businesses and the prices charged to customers are regulated by the FPSC. See Note C for a discussion of significant regulatory matters and the applicability of Financial Accounting Standard No. (FAS) 71, *Accounting for the Effects of Certain Types of Regulation*, to the company.

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 incurred and 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 charges.

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

The company accrues base revenues for services rendered but unbilled to provide a closer matching of revenues and expenses. As of Dec. 31, 2007 and 2006, unbilled revenues of \$14.3 million and \$15.4 million, respectively are included in the "Accrued Utility Revenue" line item on the balance sheet.

Accounting for Excise Taxes, Franchise Fees and Gross Receipts

Peoples Gas System is allowed to recover certain costs incurred from customers through prices approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. The amounts totaled \$23.7 million and \$22.7 million for the years ended Dec. 31, 2007 and 2006 respectively. Franchise fees and gross receipt taxes payable by the regulated utilities are included as an expense on the Consolidated Statements of Income in "Taxes, other than income". These amounts totaled \$23.7 million and \$22.7 million for the years ended Dec. 31, 2007 and 2006 respectively. Excise taxes paid by the regulated utilities are not material and are expensed as incurred.

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, 2007, the carrying value of all long lived assets was determined to be recoverable. No adjustments for asset impairments were recorded.

Restrictions on Dividend Payments and Transfer of Assets

Certain of Peoples Gas System's long-term debt issues contain provisions that limit the payment of dividends and distributions on the company's common stock. At Dec. 31, 2007, substantially all of the company's retained earnings were available for dividends on its common stock.

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 Peoples Gas System's collection experience. Circumstances that could affect the company'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.

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 associated with potential asset retirement obligations
- 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 \$ 5.7 million and \$31.1 million at December 31, 2007 and 2006 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.

B. New Accounting Pronouncements

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (FAS 160). FAS 160 was issued to improve the relevance, comparability and transparency of the financial information provided by requiring: ownership interests be presented in the consolidated statement of financial position separate from parent equity; the amount of net income attributable to the parent and the noncontrolling interest be identified and presented on the face of the consolidated statement of income; changes in the parent's ownership interest be accounted for consistently; when deconsolidating, that any retained equity interest be measured at fair value; and that sufficient disclosures identify and distinguish between the interests of the parent and noncontrolling owners. The guidance in FAS 160 is effective for fiscal years beginning on or after Dec. 15, 2008. The company is currently assessing the impact of FAS 160, but does not believe it will be material to its results of operations, statement of position or cash flows.

Business Combinations (Revised)

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (FAS 141R). FAS 141R was issued to improve the relevance, representational faithfulness, and comparability of information disclosed in financial statements about business combinations. The Statement establishes principles and requirements for how the acquirer: 1) recognizes and measures the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree; 2) recognizes and measures the goodwill acquired; and 3) determines what information to disclose for users of financial statements to evaluate the effects of the business combination. The guidance in FAS 141R is effective prospectively for any business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after Dec. 15, 2008. The company will assess the impact of FAS 141R in the event it enters into a business combination whose expected acquisition date is subsequent to the required adoption date.

Offsetting Amounts Related to Certain Contracts

In April 2007, the FASB issued FASB Staff Position (FSP) FIN 39-1. This FSP amends FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* by allowing an entity to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement. The guidance in this FSP is effective for fiscal years beginning after Nov. 15, 2007. The company adopted this FSP effective Jan. 1, 2008 without any effect on its results of operations, statement of position or cash flows.

Fair Value Option For Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115* (FAS 159). FAS 159 permits entities to

choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective of FAS 159 is to provide opportunities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply hedge accounting provisions. FAS 159 is effective for fiscal years beginning after Nov. 15, 2007. The company adopted FAS 159 effective Jan. 1, 2008, but did not elect to measure any financial instruments at fair value. Accordingly, its adoption did not have any effect on its results of operations, statement of position or cash flows.

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.

FAS 157, among other things, requires the company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the company's market assumptions. SFAS 157 defines the following fair value hierarchy, based on these two types of inputs:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

The effective date is for fiscal years beginning after Nov. 15, 2007. In November of 2007, the FASB granted a one year deferral for non-financial assets and liabilities. As a result, the company adopted FAS 157 effective Jan. 1, 2008 for financial assets and liabilities. Financial assets and liabilities of the company measured at fair value include derivatives and certain investments, for which fair values are primarily based on observable inputs.

During 2008, the company will continue to evaluate FAS 157 for the remaining non-financial assets and liabilities to be included effective Jan. 1, 2009. The company does not believe the impact of adoption for the remaining non-financial assets and liabilities will be material to its results of operations, statement of position or cash flows.

C. Regulatory

Base Rate – PGS

People Gas System's rates and allowed (ROE) range of 10.25% to 12.25% with a midpoint of 11.25% are in effect until such time as changes are occasioned by an agreement approved by the FPSC or other FPSC actions resulting from rate or proceedings initiated by Peoples Gas System, FPSC staff or other interested parties. The company's current base rates have been in effect since 2003.

Cost Recovery – PGS

In September 2007, PGS filed its annual request with the FPSC to change its Purchased Gas Adjustment (PGA) cap factor for 2008. 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 2007, the FPSC approved the cap factor under PGS's PGA for the period January 2008 through December 2008.

Regulatory Assets and Liabilities

Peoples Gas System maintains its accounts in accordance with recognized policies of the FPSC. The company 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 the 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, 2007 and 2006 are presented in the following table:

Regulatory Assets and Liabilities

<i>(millions) Dec. 31,</i>	<i>2007</i>	<i>2006</i>
Regulatory assets:		
Cost recovery clauses	2.6	20.1
Post-retirement benefit asset	\$ 12.3	\$ 19.4
Deferred bond refinancing costs ⁽¹⁾	1.6	1.9
Environmental remediation	11.4	12.3
Competitive rate adjustment	5.4	5.5
Total	33.3	59.2
Total regulatory assets	33.3	59.2
Less current portion	9.3	25.9
Long-term regulatory assets	\$ 24.0	\$ 33.3
Regulatory liabilities:		
Recovery clause related	\$ 6.3	\$ 4.5
Environmental remediation	11.4	12.3
Deferred gain on property sales ⁽²⁾	.6	.6
Accumulated reserve – cost of removal	94.2	77.1
Other	0.4	0.2
Total	112.9	94.7
Total regulatory liabilities	112.9	94.7
Less current portion	6.3	4.7
Long-term regulatory liabilities	\$ 106.6	\$ 90.0

- (1) Amortized over the term of the related debt instrument.
(2) Amortized over a 4-year period.

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, 2007</i>	<i>Dec. 31, 2006</i>
Clause recoverable (1)	\$ 8.0	\$ 25.6
Earning a rate of return (2)	12.3	19.4
Capital structure and other (3)	13.0	14.2
Total	\$ 33.3	\$ 59.2

- (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) "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. Income Tax Expense

The company is included in the filing of a consolidated Federal income tax return with TECO Energy and its affiliates. The company's income tax expense is based upon a separate return computation.

The Internal Revenue Service (IRS) concluded its examination of federal income tax returns for the years 2005 and 2006 during the year ended 2007. The U.S. federal statute of limitations remains open for the year 2007 and onward. Year 2007 is currently under examination by the IRS under the Compliance Assurance Program, a program in which TECO Energy is a participant. State jurisdictions have statutes of limitations generally ranging from 3 to 5 years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by tax authorities in major state jurisdictions include 2002 and onward.

The company does not currently have any uncertain tax positions and does not anticipate that the total amount of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

Income tax expense consists of the following components:

<i>(millions)</i>	<i>Federal</i>	<i>State</i>	<i>Total</i>
2007			
Currently payable	\$ 14.7	\$ 2.5	\$ 17.2
Deferred	(0.7)	(0.1)	(0.8)
Total income tax expense	\$ 14.0	\$ 2.4	\$ 16.4
Included in other income, net			(0.4)
Included in operating expenses			\$ 16.0
2006			
Currently payable	\$ 21.6	\$ 3.6	\$ 25.2
Deferred	(5.5)	(0.9)	(6.4)
Total income tax expense	\$ 16.1	\$ 2.7	\$ 18.8
Included in other income, net			(0.2)
Included in operating expenses			\$ 18.6

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:

Deferred Income Tax Assets and Liabilities

<i>(millions) As of Dec. 31,</i>	<i>2007</i>	<i>2006</i>
----------------------------------	-------------	-------------

Deferred income tax assets ⁽¹⁾		
Hedging Activities (FAS 133)	\$ 2.3	\$ 7.7
Pension and Post-retirement benefits (FAS 158)	4.7	7.5
Other	0.0	1.0
Total deferred income tax assets	\$ 7.0	\$ 16.2
Deferred income tax liabilities ⁽¹⁾		
Property related	\$ (52.3)	\$ (52.6)
Hedging Activities (FAS 133)	(2.4)	(7.7)
Pension and Post-retirement benefits (FAS 158)	(4.7)	(7.5)
Medical benefits	3.3	3.1
Other	22.7	22.3
Total deferred income tax liabilities	\$ (33.4)	\$ (42.4)
Accumulated deferred income taxes	\$ (26.4)	\$ (26.2)

(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:

<i>(millions)</i>	<i>2007</i>	<i>2006</i>
Net income	\$ 26.5	\$ 29.6
Total income tax provision	16.5	18.8
Income before income taxes	\$ 43.0	\$ 48.5
Income taxes on above at federal statutory rate of 35%	\$ 15.0	\$ 17.0
Increase (decrease) due to		
State income tax, net of federal income tax	1.5	1.7
Amortization of investment tax credits	---	0.1
Other	---	0.1
Total income tax provision	\$ 16.5	\$ 18.8
Provision for income taxes as a percent of income from continuing operations, before income taxes	38.4%	38.7%

E. Employee Postretirement Plan

In September 2006, the 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)*. The company adopted FAS 158 on Dec. 31, 2006. This standard 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 benefit obligation in the case of a defined benefit plan, or the accumulated postretirement benefit obligation in the case of other postretirement benefit plans. As a result of the application of FAS 71 to the impacts of FAS 158, Peoples Gas recorded approximately \$19.4 million in both benefit liabilities and regulatory assets as of Dec. 31, 2006. This standard did not affect the results of operations.

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 Peoples Gas System 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 2007, Peoples Gas System made contributions totaling \$3.6 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 2007, Peoples Gas System made a contribution of \$0.8 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 next:

TECO Energy Consolidated Obligations and Funded Status (millions)	Pension Benefits	
	2007	2006
Change in benefit obligation		
Net benefit obligation at prior measurement date	\$ 569.9	\$ 562.1
Service cost	16.0	15.8
Interest cost	33.0	30.7
Plan participants' contributions	-	-
Actuarial (gain) loss	(21.9)	(4.5)
Special termination benefits	0.6	-
Gross benefits paid	(34.6)	(34.2)
Federal subsidy on benefits paid	n/a	n/a
Net benefit obligation at measurement date (1)	\$ 557.2	\$ 569.9

Change in plan assets		
Fair value of plan assets at prior measurement date	\$ 435.2	\$ 434.7
Actual return on plan assets	56.6	27.0
Employer contributions	35.5	7.7
Plan participants' contributions	-	-
Settlement	-	-
Gross benefits paid	(34.6)	(34.2)
Fair value of plan assets at measurement date (1)	\$ 492.7	\$ 435.2

Funded status		
Fair value of plan assets	\$ 492.7	\$ 435.2
Benefit obligation	557.2	569.9
Funded status at measurement date	(64.5)	(134.7)
Net contributions after measurement date	26.1	30.8
Unrecognized net actuarial loss	81.9	138.8
Unrecognized prior service (benefit) cost	(3.2)	(4.5)
Unrecognized net transition (asset) obligation	-	-
Accrued liability at end of year	\$ 40.3	\$ 30.4

Amounts Recognized in Balance Sheet		
Long-term regulatory assets	\$ 57.2	\$ 99.1
Prepaid benefit cost	n/a	n/a
Intangible assets	n/a	n/a
Accrued benefit costs and other current liabilities	(4.5)	(1.3)
Deferred credits and other liabilities	(34.0)	(103.3)
Accumulated other comprehensive (income) loss pretax	21.6	35.9
Net amount recognized at end of year	\$ 40.3	\$ 30.4

Peoples Gas System	Pension Benefits	
	2007	2006
Amounts recognized in balance sheet		
Long-term regulatory assets	\$ 12.5	\$ 18.3
Prepaid benefit cost	-	-
Intangible assets	-	-
Accrued benefit costs and other current liabilities	(0.8)	(0.8)
Deferred credits and other liabilities	(10.0)	(17.3)
Net amount recognized at end of year	\$ 1.7	\$ 0.2

(1) The measurement date was Sept. 30, 2007 and 2006.

The accumulated benefit obligation for all defined benefit pension plans was \$493.0 million and \$508.3 million at Sep. 30, 2007 and 2006 (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>2007</u>	<u>2006</u>
Project benefit obligation, measurement date	\$ 557.2	\$ 569.9
Accumulated benefit obligation, measurement date	493.0	508.3
Fair value of plan assets, measurement date	492.7	435.2

Components of TECO Energy consolidated Net Periodic Benefit Cost:

(millions)	<u>Pension Benefits</u>	
<u>Net periodic benefit cost:</u>	<u>2007</u>	<u>2006</u>
Service cost	\$ 16.0	\$ 15.8
Interest cost	33.0	30.7
Expected return on plan assets	(36.3)	(35.7)
Amortization of:		
Actuarial loss	9.1	8.8
Prior service (benefit) cost	(0.5)	(0.5)
Transition (asset) obligation	-	-
Curtailment (gain) loss	(0.4)	-
Settlement (gain) loss	-	-
Net periodic benefit cost	<u>\$ 20.9</u>	<u>\$ 19.1</u>

In addition to the costs shown above, \$0.6 million of special termination benefit costs were recognized in 2007. Peoples Gas System's portion of the net periodic benefit costs was \$2.8 million and \$3.1 million for 2007 and 2006, 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 \$0.5 million.

F. Other 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 2008, 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.

In 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.

In 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:

Obligations and Funded Status-Other Postretirement Benefits (millions)	2007	2006
Change in benefit obligation		
Net benefit obligation at prior measurement date	\$ 11.8	\$ 11.7
Service cost	0.4	0.4
Interest cost	0.7	0.7
Plan participants' contributions	0.3	0.3
Actuarial loss	(0.6)	(0.6)
Plan amendments	-	-
Curtailment	(0.1)	-
Settlement	-	-
Gross benefits paid	(0.9)	(0.7)
Federal subsidy on benefits paid	-	-
Net benefit obligation at measurement date (Sept. 30)	\$ 11.6	\$ 11.8
Change in plan assets		
Employer contributions	0.6	0.4
Plan participants' contributions	0.3	0.3
Gross benefits paid	(0.9)	(0.7)
Fair value of plan assets at measurement date (Sept. 30)	\$ -	\$ -
Funded status		
Fair value of plan assets	\$ -	\$ -
Benefit obligation	11.6	11.8
Funded status at measurement date	(11.6)	(11.8)
Net contributions after measurement date	0.1	0.1
Unrecognized net actuarial loss	(2.7)	(2.6)
Unrecognized prior service (benefit) cost	1.4	1.8
Unrecognized net transition (asset) obligation	1.2	1.7
Accrued liability at end of year	\$ (11.6)	\$ (10.8)
Amounts Recognized in Balance Sheet		
Long-term regulatory assets	\$ (0.2)	\$ 1.1
Current Liabilities	(0.5)	(0.5)
Non-current liabilities	(10.9)	(11.4)
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
Net amount recognized at end of year	\$ (11.6)	\$ (10.8)

Components of Net Periodic Other Postretirement Benefit Cost:

<u>Net periodic benefit cost (millions):</u>	<u>2007</u>	<u>2006</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	0.3
Net periodic benefit cost	<u>\$ 1.6</u>	<u>\$ 1.5</u>

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

(millions)	<u>2007</u>	<u>2006</u>
Net actuarial loss (gain)	\$ (2.8)	\$ (2.4)
Prior service cost (credit)	1.4	1.8
Transition obligation (asset)	1.2	1.7
Total recognized in regulatory assets	<u>\$ (0.2)</u>	<u>\$ 1.1</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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Increase in minimum liability included in regulatory assets	\$ -	\$ 12.1	\$ -	\$ -

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

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Discount Rate	6.20%	5.85%	6.20%	5.85%
Rate of compensation increase	4.25%	4.00%	4.25%	4.00%

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

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Discount Rate	5.85%	5.50%	5.85%	5.50%
Expected long-term return on plan assets	8.25%	8.50%	n/a	n/a
Rate of compensation increase	4.00%	3.75%	4.00%	3.75%

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.

Healthcare cost trend rate	<u>2007</u>	<u>2006</u>
Initial rate	9.25%	9.50%
Ultimate rate	5.25%	5.00%
Year rate reaches ultimate	2015	2014

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)	\$ 0.02

Contributions

On Aug. 17, 2006, the President signed the Pension Protection Act of 2006 which 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 \$30.0 million to the plan in 2007, which included a \$25.8 million contribution in addition to the \$4.2 million minimum contribution required. TECO Energy expects to make a \$9.0 million contribution in 2008 and average annual contributions of \$11 million in 2009 – 2012. Peoples Gas System's portion of the pension contribution in 2008 is estimated at \$1.2 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. 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. In April 2007, the employer matching contributions were changed to 50% of eligible participant contributions with an additional incentive match of up to 50%. For the years ended Dec. 31, 2007 and 2006, Peoples Gas System recognized expense totaling \$0.5 million and \$0.9 million, respectively, related to the matching contributions made to this plan.

G. Short-term Debt

The weighted average interest rate on outstanding notes payable at Dec. 31, 2007 and 2006 was 4.76% and 5.45% respectively. Credit facilities of \$475 million exist of which \$25 million was drawn at Dec. 31, 2007, with an allocated amount of \$24.6 million to Peoples Gas System.

H. 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, 2007, PGS has estimated its ultimate financial liability to be approximately \$11.4 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.

I. Related Party Transactions (millions)

Net transactions with affiliates are as follows:

(millions)	<u>2007</u>	<u>2006</u>
Administrative and general, net	\$4.7	\$4.5

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

	<u>2007</u>	<u>2006</u>
Accounts receivable	\$0.8	\$1.6
Accounts payable	\$1.3	\$4.1

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

J. Asset Retirement Obligations

Peoples Gas System accounts for asset retirement obligations under FAS 143, *Accounting for Asset Retirement Obligations*. An asset retirement obligation (ARO) for a long-lived asset is recognized at fair value at inception of the obligation if there is a legal obligation under an existing or enacted law or statute, a written or oral contract, or by legal construction under the doctrine of promissory estoppel. Retirement obligations are recognized only if the legal obligation exists in connection with or as a result of the permanent retirement, abandonment or sale of a long-lived asset.

When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its estimated future value. The corresponding amount capitalized at

inception is depreciated over the remaining useful life of the asset. The liability must be revalued each period based on current market prices.

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

K. 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 and it uses derivative instruments primarily to optimize the value of natural gas delivery. 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, 2007 and 2006, respectively, the company had net derivative assets (liabilities) of \$(5.9) million and \$(20.1) million. As a result of applying the provision of FAS 71 in accordance with the FPSC, the change in value of these derivatives is recorded as regulatory assets or liabilities to reflect the impact of the purchased gas adjustment clause on the risks of hedging activities.

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2007	
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)	868,283,711	868,283,711
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified	43,873,968	43,873,968
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)	917,635,305	917,635,305
12	107 Construction Work in Progress	17,044,165	17,044,165
13	Accum. Provision for Depreciation, Amortization, & Depletion	378,578,735	378,578,735
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	556,100,735	556,100,735
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	375,308,388	375,308,388
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)	375,308,388	375,308,388
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	3,270,347	3,270,347
32	TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31)	378,578,735	378,578,735

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

For the Year Ended December 31, 2007

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Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
374-00	Land-Distribution		3,150,562	1	(394)				3,150,169
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						815,325
303-01	Customized Software		16,134,678	14,031	(5,011)				16,143,698
374-02	Land Rights / Easements		1,205,236	16,821				93,846	1,315,903
386-02	Other Prop Cust Prem-Desi								
386-08	Other Prop Cust Prem-CNG								
390-02	Structures&Improvem-Leas		8,754						8,754
Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
375-00	Land/Building Struct&Imp		15,528,730	1,086,804	(107,654)				16,507,880
376-00	Mains - Other than Plastic		241,036,486	3,730,075	(1,121,402)				243,645,158
376-02	Mains - Plastic		209,993,571	8,821,029	(685,402)				218,129,197
378-00	Regulator Stations-Meas&		5,126,163	339,696	(35,202)				5,430,658
379-00	City Gate Stations-Meas&		8,334,346	982,474	(1,185)			(93,846)	9,221,790
380-00	Service Lines - Steel		36,590,011	1,157,285	(492,903)				37,254,393
380-02	Service Lines - Plastic		157,158,977	9,849,516	(1,000,686)		(2,377)		166,005,430
381-00	Meters - All Types		34,268,596	3,603,082	(986,293)				36,885,385
382-00	Meter Installations		33,828,069	2,294,052	(1,096,852)				35,025,269
383-00	House Regulators		9,637,720	508,658	(84,798)				10,061,581
384-00	House Regulator Installa		13,647,951	916,243	(369,613)				14,194,581
385-00	Industrial Cust Regulato		9,561,217	12,083					9,573,299
387-00	Other Equipment-DistribS		1,996,213	276,180	(21,823)				2,250,569
390-00	Structures& Improvemen-U		1,176,285						1,176,285
391-00	Office Furniture		2,935,674	104,656	(212,091)				2,828,239
391-01	Computer Equipment		7,621,703	530,442	(177,909)				7,974,236
391-02	Office Equipment/Machine		600,385	112,165	(166,618)				545,931
392-01	Auto&Truck less than 1/2		6,817,484	998,818	(1,418,712)		(2,700)		6,394,890
392-02	Auto&Truck 3/4 - 1 ton		4,214,933	917,752	(506,219)				4,626,466
392-03	Airplanes		6,091,018						6,091,018
392-04	Trailers, Other		268,540	11,865	(1,137)				279,268
392-05	Trucks over 1 ton		1,185,519	394,577	(42,687)				1,537,409
393-00	Stores Equipment		55,763		(6,850)				48,913
394-00	Tools, Shop, & Garage Eq		3,569,316	117,346	(38,735)				3,647,928

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

Company:

For the Year Ended December 31, 2007

Acct. No.	Account Description	Dept. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
395-00	Laboratory Equipment		50,289		(3,844)				46,445
396-00	Power Operated Equipment		1,606,093	52,599	(56,504)				1,602,189
397-00	Communication Equipment		4,576,802	508,066	(97,245)				4,987,623
398-00	Misc Equipment-Gas		420,877	16,870					437,747
Capital Recovery Schedules:									
118	Other Utility Plant								
Total Account 101*			839,653,371	37,373,186	(8,737,769)	-	(5,077)	-	868,283,711
Amortizable Assets:									
114	Acquisition Adjustment		5,248,671						5,248,671
105	Property Held for Future Use		228,955						228,955
Total Utility Plant			845,130,996	37,373,186	(8,737,769)		(5,077)	-	873,761,336

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:

For the Year Ended December 31, 2007

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	(377,298)	(15,651)							(392,949)
303-20	Misc Intangible Plant	(420,497)	(32,610)							(453,107)
303-51	Customized Software	(11,723,432)	(1,068,755)		5,011					(12,787,176)
374-22	Land Rights / Easements	(820,259)	(64,215)						(8,329)	(892,803)
386-22	Other Prop Cust Prem-Desi	0								0
390-02	Structure & Improvements-Leased	8,043	(236)							7,807
Items necessary to reconcile the total amortization accrual amount to Acct. 404.3, Amortization Expense, shown on page 8.										
SUB-TOTAL		(13,336,558)	(1,181,467)		5,011	0	0	0	(8,329)	(14,521,344)
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
374-50	Land	3,603			394	(1,128,234)		1,127,840		3,602
375-50	Land/Building Struct&Imp	(3,522,406)	(458,616)		107,654	(46,766)	14,948			(3,905,186)
376-50	Mains - Other than Plastic	(132,167,525)	(10,215,179)		1,121,402		484,426	(509,008)		(141,285,884)
376-52	Mains - Plastic	(58,848,382)	(6,881,102)		685,402		202,999			(64,841,084)
378-50	Regulator Stations-Meas&	(1,477,326)	(179,455)		35,202		8,441	231,324		(1,381,815)
378-51	Regulator Stations-Do no	(125,655)	(3,499)							(129,154)
379-50	City Gate Stations-Meas&	(2,488,330)	(314,723)		1,185			300,330	8,329	(2,493,209)
379-51	City Gate Stations-Do no	(32,458)	(904)							(33,362)
380-50	Service Lines - Steel	(32,861,086)	(2,935,317)		492,903	(650)	1,163,317			(34,140,832)
380-52	Service Lines - Plastic	(52,273,032)	(8,042,239)		1,000,686	(200)	810,935	0		(58,503,850)
381-50	Meters - All Types	(7,675,277)	(2,309,663)		986,293	(119,444)	36,159	(647,670)		(9,729,601)
381-51	Meters - Do not use	(2,831)	(164)							(2,995)
382-50	Meter Installations	(11,921,976)	(1,697,551)		1,096,852	(43,043)	262,646			(12,303,073)
383-50	House Regulators	(4,550,344)	(360,562)		84,798	(1,414)		625,024		(4,202,499)
384-50	House Regulator Installa	(3,941,246)	(699,172)		369,613	(13,324)	92,255			(4,191,873)
385-50	Industrial Cust Regulator	(3,402,650)	(325,606)		21,823		(446)			(3,728,256)
387-50	Other Equipment-DistribS	(912,496)	(129,656)							(1,020,774)
390-50	Structures& Improvemen-U	(232,789)	(32,169)							(264,958)
391-50	Office Furniture	(1,185,864)	(225,448)		212,091					(1,199,222)
391-51	Computer Equipment	(6,611,391)	(578,953)		177,909					(7,012,435)
391-52	Office Equipment/Machine	(269,741)	(46,735)		166,618					(149,858)
391-53	Office Furniture/Equip									
392-51	Auto&Truck less than 1/2	(3,252,869)	(739,149)		1,418,712	(68,483)				(2,641,788)
392-52	Auto&Truck 3/4 - 1 ton	(1,538,148)	(639,097)		506,219	(25,874)				(1,696,899)
392-53	Airplanes	(432,220)	(115,705)							(547,925)
392-54	Trailers, Other	(141,520)	(11,286)		1,137	(150)				(151,820)
392-55	Trucks over 1 ton	(537,237)	(143,495)		42,687	(2,200)				(640,245)
393-50	Stores Equipment	(53,791)	2,422		6,850	(2,500)				(47,019)

Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company:
For the Year Ended December 31, 2007

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	(2,245,966)	(211,397)		34,017					(2,423,345)
394-51	Tools, Shop, & Garage-CNG	(138,107)	(11,071)		4,718					(144,460)
395-50	Laboratory Equipment	23,691	(3,744)		3,844					23,792
396-50	Power Operated Equipment	(1,221,103)	(85,507)		56,504	(4,700)				(1,254,807)
397-50	Communication Equipment	(1,888,229)	(564,644)		97,245					(2,355,628)
398-50	Misc Equipment-Gas	(236,448)	(17,043)							(253,491)
Capital Recovery Schedules:										
	Subtotal	(336,161,148)	(37,976,428)	-	8,732,758	(1,456,982)	3,075,680	1,127,840	8,329	(362,649,951)
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)	1,497,994					364,913			1,862,907
	115 Acquisition Adjustment	(3,113,975)						(156,372)		(3,270,347)
	Subtotal	(1,615,981)	-	-	-	-	364,913	(156,372)	-	(1,407,440)
	Grand Total	(351,113,687)	(39,157,895)	-	8,737,769	(1,456,982)	3,440,593	971,468	-	(378,578,735)

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, 2007	
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	74,011	0
2	Revenue Main - Hydro Aluminum Plant	1,111,488	0
3	Revenue Main - 20" Pipeline to FMFA Plant	1,237,088	0
4	Revenue Main	2,067,677	26,363,982
5	Main Replacements	572,618	1,415,286
6	Dist System Improvements - St Aug / Palatka	646,227	1,180,848
7	Dist System Improvements - CR484 to I-75	891,386	0
8	Distribution System Improvements	451,776	581,922
9	Government Improvements	3,027,309	3,217,146
10	Cathodic Protection	10,727	39,801
11	Transportation Vehicles	316,536	745,677
12	Communication Equipment	58,431	606,278
13	Office Equipment - Call Center IVR Replacement	834,032	425,968
14	Office Equipment - GIS Digital Mapping - Phase 1	857,656	0
15	TOTAL Continued on 17b		

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	634,304	43,308,362
2	(These costs are allocated to CWIP as outlined		
3	in instruction 3 above)		
4			
5	Corporate G & A	3,380,795	43,308,362
6			
7			
8			
9			
10			
11			
12	TOTAL		

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2007	
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	Office Equipment - UAI GIS Data Conversion	1,019,698	433,901
2	Office Equipment	258,581	812,475
3	Tools, Shop & Garage Equipment	187,861	469,758
4	Power Operated Equipment	18,245	4,036
5	Testing, Measuring & Detection Equipment	176,626	77,692
6	Improvements to Property	348,290	201,896
7	Improvements to Leased Property	12,016	0
8	Industrial Installations - Bayside Meter Station	0	1,589,646
9	Meas & Reg Station - Gate station - FMPA Plant	1,047,903	143,051
10	Measuring & Regulating Station Equipment	696,709	1,546,633
11	Reimbursable Construction - D.O.T. I-275	1,017,847	0
12	Reimbursable Construction - Net	20,935	0
13	Miscellaneous - Non Revenue Producing	82,492	248,656
14			
15	TOTAL	17,044,165	40,104,652

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 2007
PREPAYMENTS (Account 165)		
1. Report below the particulars (details) on each prepayment.		
Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	Prepaid Insurance	543,481
2	Line of Credit	253,954
3	Service/Maint. Agreements	252,708
4		
5		
6	Miscellaneous Prepayments	12,360
7		
8	TOTAL	1,062,503

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)						
Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10	TOTAL	0	0	0	0	0

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)						
Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL					

Name of Respondent						For the Year Ended
Peoples Gas System						Dec. 31, 2007
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	12,252,969		254	859,568	11,393,401
2	Regulatory Tax Asset					
3	FAS 158 Pension Current					
4	FAS 158 Pension	12,897,202	2,619,782	228	7,527,298	7,989,686
5	FAS 158 SERP Current	832,523		228		832,523
6	FAS 158 SERP	4,601,321		228	925,959	3,675,362
7	FAS 158 re FAS 106 Current	522,740		228		522,740
8	FAS 158 re FAS 106	538,805		228	1,262,858	(724,053)
9						
10						
11						
12						
13						
14						
15						
16						
17	TOTAL	31,645,560	2,619,782		10,575,683	23,689,659

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	272,446	
3						0
4						
5	Other Work in Progress	113,796	53,423	Various		167,219
6						
7						
8	Rate Case	0	41,861			41,861
9						
10						
11						
12						
13						
14						
15						
16						
17	Misc. Work in Progress					
18	Deferred Regulatory Comm. Expenses					
19	TOTAL	113,796				209,080

**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	1,000,000
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
Note Issued by Tampa Electric 5.375%	Due 2007	<u>25,000,000</u>
Total Retired		<u>\$31,100,000</u>

Securities Issued

Note Issued by Tampa Electric 6.15%	Due 2037	<u>60,000,000</u>
Total Issued		<u>60,000,000</u>

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

- | | |
|--|--|
| <p>1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.</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 Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired 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	31-Note/Tampa Elec 5.94%	07-01	12,000,000	(232,811)	65,019	
2	---Amortization				(14,325)	50,694
3						
4	30-Note/Tampa Elec 7.375%	09-02	50,000,000	(3,542,552)	1,870,135	
5	---Amortization				(330,024)	1,540,111
6						
7	Total Amortization - Acct 428				(344,349)	
8						
9	Loss on Reacquired Debt					1,590,805
10						
11						
12						
13						

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

<p>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.</p> <p>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</p>	<p>companies from which advances were received.</p> <p>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.</p> <p>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.</p>
--	---

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 Deb - Acct 224						
2							
3	Long Term Note 10.35%	06/26/87	07/02/07	10,000,000	10.35	52,038	0
4	Long Term Note 10.33%	06/29/88	07/02/08	10,000,000	10.33	155,237	1,000,000
5	Long Term Note 10.30%	06/28/89	07/02/09	10,000,000	10.30	340,186	2,800,000
6	Long Term Note 9.93%	12/20/90	07/02/10	10,000,000	9.93	347,826	3,000,000
7	Long Term Note 8.00%	12/03/92	07/02/12	35,000,000	8.00	1,276,933	14,900,000
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	839,845	0
10	Note Issued by Tampa Electric	08/15/02	08/15/12	70,000,000	6.375	4,462,500	70,000,000
11	Note Issued by Tampa Electric	05/15/07	05/15/37	60,000,000	6.15	2,255,000	60,000,000
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			270,000,000		12,479,564	191,700,000

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

<p>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.</p> <p>2. Show premium amounts by enclosing the figures in parentheses.</p> <p>3. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p>	<p>5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.</p> <p>6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.</p> <p>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.</p>
---	---

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	594	(594)	0
3	28-Long term Note 10.33%	10,000,000	11,350	08-88	07-08	857	(572)	285
4	29-Long term Note 10.30%	10,000,000	13,131	08-89	07-09	1,650	(660)	990
5	32-Long term Note 9.93%	10,000,000	88,318	03-91	07-10	1,812	(518)	1,294
6	33-Long term Note 8.00%	35,000,000	976,684	01-93	07-12	275,723	(50,131)	225,592
7	34-Note/Tampa Electric 6.875%	40,000,000	308,507	06-01	06-12	143,723	(26,131)	117,592
8	35-Note/Tampa Electric 6.375%	70,000,000	2,839,136	08-02	08-12	1,576,192	(282,303)	1,293,889
9	27-Note/Tampa Electric 5.375%	25,000,000	180,839	08-02	08-07	20,783	(20,783)	0
10	* 36-Note/Tampa Electric 6.15%	60,000,000	584,849	05-07	05-37	0	575,904	575,904
11								
12								
13								
14								
15								
16								
17								
18								
						2,021,334	194,213	2,215,547

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							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			0		0	0

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

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.

2. Show premium amounts by enclosing the figures in parentheses.

3. In column (b) show the principal amount of bonds or other long-term debt originally issued.

4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.

6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		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 Disc - Acct 226							
2	34-Note/Tampa Electric 6.875%	40,000,000	168,800	06-01	06-12	84,400	(15,346)	69,054
3	35-Note/Tampa Electric 6.375%	70,000,000	562,100	08-02	08-12	313,839	(56,210)	257,629
4	27-Note/Tampa Electric 5.375%	25,000,000	95,250	08-02	08-07	11,112	(11,112)	0
5	* 36-Note/Tampa Electric 6.15%	60,000,000	340,200	05-07	05-37	0	333,396	333,396
6						409,351	250,728	660,079
7								
8	*30 yr bonds issued 05/2007:							
9	Issuing Costs Amortized 2007						(11,752)	
10	Discount Amortized 2007						(6,804)	
11	Interest Rate Settlement Amortized 2007						4,814	
12								
13	Acct 428 Debt Exp, Premium & Discount						(478,101)	
14								
15	Unamortized Debt Disc - OCI							
16	* 36-Note/Tampa Electric 6.15%	60,000,000	(240,720)	05-07	05-37	0	(235,906)	(235,906)
17	(Interest Rate Settlement)							
18								

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 2007
MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)		
1. Describe and report the amount of other current and accrued liabilities at the end of year.		2. Minor items (less than \$50,000) may be grouped under appropriate title.
Line No.	Item	Balance at End of Year
1	Pension & Benefits	(5,848,635)
2	Insurance & Litigation Reserves	4,146,418
3	Post Retirement Benefits	10,757,639
4	Conservation Cost True Up	5,911,426
5	Other	477,647
6		
7		
8		
9		
10		
11		
12		
13	TOTAL	15,444,495

OTHER DEFERRED CREDITS (Account 253)						
1. Report below the particulars (details) called for concerning other deferred credits.						
2. For any deferred credit being amortized, show the period of amortization.						
3. Minor Items (less than \$25,000) may be grouped by classes.						
Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance End of Year (f)
			Contra Account (c)	Amount (d)		
1	Environ Insurance Recovery	4,534,226	186	352,186	10	4,182,050
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	4,534,226		352,186	10	4,182,050

OTHER REGULATORY LIABILITIES (Account 254)						
1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).				2. For regulatory liabilities being amortized, show period of amortization in column (a).		
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.						
Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1	SFAS # 109 Implementation	12,871	282	10,116		2,755
2	West Florida Gas Tax Liab	16,781	282	13,248		3,533
3	Gas Technology Research	224,311	930	327,520	500,000	396,791
4	Amort Gain on Land	589,783	421	1,107,104	1,128,234	610,913
5	Environmental Remediation	12,252,969	182	859,568		11,393,401
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	13,096,715		2,317,556	1,628,234	12,407,393

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	7,014,167									7,014,167
2 Internal Revenue Service (FICA)				2,230,251						2,230,251
3 FL Public Service Commission					13,973,665	1,824,709	221			1,824,709
4 FI Department of Revenue								9,748,224		13,973,886
5 Various FL municipalities										9,748,224
6 Internal Revenue Service (FUTA)				35,237						35,237
7 Internal Revenue Service (SUTA)				74,439						74,439
8 Various FL Counties (tags)									43,931	43,931
9 Various FL municipalities										-
10 (occupational licenses)									14,987	14,987
11 Department of State										-
12 Other									(25,248)	(25,248)
13 Less: charged to other revenue (495)						(60,104)				(60,104)
14 Less: charged to construction										(60,104)
15 Less: charged to cleaning,jobbing,air										(424,897)
16 TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	7,014,167	-	-	1,841,169	13,973,665	1,645,577	(221)	9,748,224	33,670	34,256,472

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)	Acct. No. (d)	Allocations to Current Year's income		Adjustments (f)	Balance End of Year of (g)	Average Period of Allocation to Income (h)
					Amount (e)	Amount (e)			
1	Gas Utility								
2	3%	55,097		411	43,387			11,710	
3	4%								
4	7%								
5	10%								
6									
7									
8									
9									
10	TOTAL	55,097			43,387			11,710	

Notes

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. At Other (Specify): include deferrals relating to other income and deductions.
 2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Line No.	Balance at Beginning of Year	Changes During Year				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	15,226,958					15,226,958
2						7,003,144
3						
4						
5						
6						
7						
8						
9						
10	15,226,958					15,226,958
11						7,003,144
12						
13	15,226,958					15,226,958
TOTAL (Account 190) (Total of lines 11 and 12)						7,003,144

Notes:
 Federal: 6,004,637
 State: 998,507
 Total: 7,003,144 FAS 158

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

Line No.	Balance at Beginning of Year	Changes During Year				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						
2						
3						
4						
5						
6	27,072,441	-721,248		-119,935		26,254,622
7						23,364
8						
9						
10	27,072,441	-721,248		-119,935	0	26,254,622
11						
12						
13	15,226,958					15,226,958
14						
15	15,226,958					15,226,958
16						
17	36,538,384	-721,248		-119,935		35,717,199
18	5,761,015					5,761,015
19						
20	42,299,399	-721,248		-119,935		41,478,216
21						
22						
23						
24	36,538,384					36,538,384
25	5,761,015					5,761,015
TOTAL (Total of lines 5, 10 and 15)						33,348,766

Notes:
 Federal: 6,004,637
 State: 998,507
 Total: 7,003,144 FAS 158

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2007

**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)	26,508,769
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Federal Income Tax	13,659,685
6	CIAC and AIAC	3,605,000
7	ECCR revenue true up	4,648,777
8	Competitive rate adjustment	124,159
9	Gain/Loss on fixed assets	1,127,840
10	Deductions Recorded on Books Not Deducted for Return	
11	Interest during construction period capitalized	605,000
12	Restricted stock	457,261
13	Bad debts	205,443
14	Other	868,417
15		
16		
17		
18		
19	Income Recorded on Books Not Included in Return	
20	Gain/Loss on fixed assets	381,512
21	Amortization of investment tax credits	43,387
22	Deferred taxes	841,183
23		
24		
25		
26	Deductions on Return Not Charged Against Book Income	
27	Depreciation of utility plant - excess over books	1,228,572
28	Cost of removal	3,072,026
29	Reserves accrual	321,935
30	Environmental cleanup costs	992,172
31	Deferred compensation distributions	560,000
32	Capitalized ECA costs	1,797,306
33		
34	Federal Tax Net Income	42,572,258
35	Show Computation of Tax:	
36	Federal Tax Net Income - Less Income from Subsidiaries	40,543,266
37	Federal income tax @ 35%	14,190,143
38	Prior year true up provision to actual per return	-530,458
39		13,659,685
40	Allocation to other income	352,852

NAME OF RESPONDENT:
Peoples Gas System

This Report is An Original

YEAR OF REPORT:
December 31, 2007

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

Additional information in response to Question 2, Page 25:

The consolidated federal income tax liability is currently being apportioned in Accordance with Internal Revenue Service Regulations Section 1.1552-1(a)(2) and Section 1.1502-33(d)(2)(ii). These regulations provide for allocation of the Consolidated tax liability on the basis of the percentage of the total tax to the Tax which each member would bear if the tax were computed on a separate return basis. The tax liability allocated to each company cannot exceed the tax liability computed as if each had filed a separate return.

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

Affiliates included in the consolidated return are:

TECO Finance, Inc.
TECO Investments, Inc.
Tampa Electric Company
TECO Diversified, Inc.
TECO Properties Corporation
TECO Coal Corporation
Gatliff Coal Company
Rich Mountain Coal Company
TECO Transport Corporation
TECO Bulk Terminal LLC
TECO Ocean Shipping, Inc.
TECO Barge Line, Inc.
TECO Towing Company
TECO Coalbed Methane Florida, Inc.
TECO Wholesale Generation, Inc.
Clintwood Elkhorn Mining Company
H Power I, Inc.
H Power II, Inc.
TECO Fiber, Inc.
Premier Elkhorn Coal Company
Pike-Letcher Land Company
TPS Guatemala One, Inc.
TECO Oil & Gas, Inc.
TECO EnergySource, Inc.
Power Engineering & Construction, Inc.
TECO Gas Services, Inc.
Peoples Gas System (Florida), Inc.
Pasco Power GP, Inc.
Bear Branch Coal Company
Raven Rock Development Corporation
TECO Propane Ventures LLC
TECO Solutions, Inc.
TECO Partners, Inc.
TPS LP, Inc.
TPS GP, Inc.
Perry County Coal Corporation
Whitaker Coal Corporation
Ray Coal Company, Inc.
TPS McAdams Operations Company
TECO Synfuel Operations, LLC
TWG Merchant, Inc.
TECO Guatemala, Inc..
TEC Receivables Corporation
TECO Marine Services, LLC
TECO Global Logistics LLC
TECO Gemstone, Inc.
TECO Synfuel Administration, LLC

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	Gas Service Revenues						
2	Firm Sales Service						
3	480 Residential	138,729,630	144,594,991	66,422,516	69,465,883	304,674	299,944
4	481 Commercial Street Lighting	124,343	123,651	101,106	109,497	32	34
5	481 Small General Service	4,570,898	5,070,907	2,331,139	2,710,253	5,734	5,739
6	481 General Service 1	57,251,538	60,419,043	40,164,895	42,778,924	10,028	10,257
7	481 General Service 2	16,828,702	18,251,036	12,429,333	13,504,569	590	610
8	481 General Service 3	9,303,825	9,423,967	7,038,256	7,272,569	109	106
9	481 General Service 4	1,953,416	3,168,280	1,558,593	2,505,686	6	9
10	481 General Service 5	3,035,970	2,863,611	2,518,620	2,457,467	6	5
11	481 Natural Gas Vehicle Sales	30,742	47,988	23,157	37,160	5	7
12	481 Mutually Beneficial	53,559,021	50,717,236	68,874,390	66,483,870	4	4
13	481 Off System Sales	179,232,228	141,973,086	234,612,790	181,026,210	13	13
14	Interruptible Sales Service						
15	481 Small Interruptible Service	230,250	308,072	229,225	255,595	0	0
16	481 Interruptible Lg. Vol-1	635,745	1,447,118	717,849	1,298,126	0	0
17	481 Interruptible Lg. Vol-2	(729,971)	(625,688)	202,460	144,195	0	0
18	Firm Transportation Service						
19	489 Condominium	1,430,831	1,381,283	3,663,311	3,574,409	283	294
20	489 Commercial Street Lighting	93,150	88,457	667,235	631,427	32	32
21	489 Natural Gas Vehicles	79,849	86,028	444,798	467,021	11	12
22	489 Small General Service	296,164	273,531	601,454	561,267	485	445
23	489 General Service 1	19,335,498	18,456,126	65,983,716	63,440,823	8,889	8,222
24	489 General Service 2	15,297,800	15,112,595	60,433,057	60,110,250	2,460	2,356
25	489 General Service 3	13,974,082	13,995,207	65,532,323	65,914,208	689	666
26	489 General Service 4	8,543,562	8,534,921	45,074,537	45,033,324	139	136
27	489 General Service 5	6,773,983	6,964,064	64,587,310	66,269,527	93	93
28	Interruptible Transportation Serv.						
29	489 Small Interruptible Trans. Service	4,019,613	4,024,816	53,167,891	53,590,600	29	30
30	489 Interruptible Transp. LG-1	7,799,239	8,635,454	168,548,420	191,438,854	15	15
31	489 Interruptible Transp. LG-2	12,361,910	11,673,970	435,165,750	358,096,983	7	6
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	554,762,018	527,009,750	1,401,094,131	1,299,178,697	334,333	329,035
35	483 Sales for Resale	897,881	1,546,909	1,450,279	1,869,915	10	9
36	Off-System Sales	0	0	0	0	0	0
37	TOTAL Nat. Gas Service Revenues	555,659,899	528,556,659				
38	TOTAL Gas Service Revenues	555,659,899	528,556,659				
39	Other Operating Revenues						
40	485 Intra-company Transfers	0	0				
41	487 Forfeited Discounts	830,760	987,925				
42	488 Misc. Service Revenues	5,408,034	6,267,047				
43	488 Gross Receipts Tax/Franch Fee Coll	23,721,889	22,746,157				
44	488 Individual Transportation Charge	558,144	571,412				
45	489 Rev. from Trans. of Gas of Others						
46	not included in above rate schedules)	0	0				
47	493 Rent from Gas Property	384,408	311,130				
48	494 Interdepartmental Rents	0	0				
49	495 Other Gas Revenues						
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	2,142,262	9,406,282				
55	495.1 Overrecoveries Purchased Gas	(4,324,458)	(3,060,611)				
56	TOTAL Other Operating Revenues	37,369,955	43,350,564				
57	TOTAL Gas Operating Revenues	592,131,973	570,360,314				
58	(Less) 496 Provision for Rate Refunds	0	0				
59	TOTAL Gas Operating Revenues Net of Provision for Refunds	592,131,973	570,360,314				
60	Sales for Resale	897,881	1,546,909				
61	Other Sales to Public Authority	0	0				
62	Interdepartmental Sales	0	0				
63	TOTAL	593,029,854	571,907,223				

Notes

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2007	
GAS OPERATION AND MAINTENANCE EXPENSES			
If the amount for previous year is not derived from previously reported figures, explain in footnotes.			
Line No.	Account	Amount for Current Year	Amount for Previous Year
1	1. Production Expenses		
2	A. TOTAL Manufactured Gas Production (Total of Accounts 700-742)	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		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases	332,466,393	295,971,306
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	57,966,181	59,254,959
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases		
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)	(58,882)	10,437,294
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	390,373,692	365,663,559
18	806 Exchange Gas		0
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses		
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)		
26	808.1 Gas Withdrawn from Storage--Debit	186,897	216,460
27	(Less) 808.2 Gas Delivered to Storage--Credit	(474,915)	(245,947)
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit	(164,628)	(356,660)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(164,628)	(356,660)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	389,921,046	365,277,412
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	389,921,046	365,277,412
38	2. Natural Gas Storage, Terminating and Processing Expenses		
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	3. Transmission Expenses		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)	0	0
45			
46			

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	4. Distribution Expenses		
48	Operation		
49	870 Operation Supervision and Engineering	336,398	304,338
50	871 Distribution Load Dispatching	5,510	5,361
51	872 Compressor Station Labor and Expenses	1,939	18,048
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	6,095,589	6,279,345
54	875 Measuring and Regulating Station Expenses--General	164,862	141,326
55	876 Measuring and Regulating Station Expenses--Industrial	(3,887)	65,229
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	73,696	43,617
57	878 Meter and House Regulator Expenses	2,115,220	1,841,043
58	879 Customer Installations Expenses	2,287,594	2,316,290
59	880 Other Expenses	1,383,520	1,432,577
60	881 Rents	146,694	133,027
61	TOTAL Operation (Total of lines 49 through 60)	12,607,135	12,580,201
62	Maintenance		
63	885 Maintenance Supervision and Engineering		
64	886 Maintenance of Structures and Improvements	208,152	349,841
65	887 Maintenance of Mains	1,888,628	1,496,600
66	888 Maintenance of Compressor Station Equipment		
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	248,603	240,909
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	423,514	374,347
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	499,001	437,652
70	892 Maintenance of Services	582,191	544,582
71	893 Maintenance of Meters and House Regulators	423,987	390,953
72	894 Maintenance of Other Equipment	86,037	60,292
73	TOTAL Maintenance (Total of Lines 63 through 72)	4,360,113	3,895,176
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	16,967,248	16,475,377
75	5. Customer Accounts Expenses		
76	Operation		
77	901 Supervision		
78	902 Meter Reading Expenses	2,399,582	2,385,597
79	903 Customer Records and Collection Expenses	5,213,795	5,032,721
80	904 Uncollectible Accounts	1,172,153	1,428,449
81	905 Miscellaneous Customer Accounts Expenses		
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	8,785,530	8,846,767
83	6. Customer Service and Informational Expenses		
84	Operation		
85	907 Supervision		
86	908 Customer Assistance Expenses	6,418,266	8,051,969
87	909 Informational and Instructional Expenses	948,525	883,000
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	7,366,791	8,934,969
90	7. Sales Expenses		
91	Operation		
92	911 Supervision		
93	912 Demonstrating and Selling Expenses	5,376,196	5,408,304
94	913 Advertising Expenses	36,262	33,623
95	916 Miscellaneous Sales Expenses	7,085	218,040
96	TOTAL Sales Expenses (Total of lines 92 through 95)	5,419,543	5,659,967
97			

Name of Respondent		For the Year Ended	
		Dec. 31, 2007	
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account	Amount for Current Year	Amount for Previous Year
98	8. Administrative and General Expenses		
99	Operation		
100	920 Administrative and General Salaries	7,910,895	8,702,469
101	921 Office Supplies and Expenses	17,932,355	17,432,154
102	(Less) (922) Administrative Expenses Transferred--Credit	(3,852,795)	(4,117,742)
103	923 Outside Services Employed	660,240	574,749
104	924 Property Insurance	151,107	108,309
105	925 Injuries and Damages	1,632,601	2,361,109
106	926 Employee Pensions and Benefits	8,777,478	8,266,141
107	927 Franchise Requirements		
108	928 Regulatory Commission Expenses	0	87,500
109	(Less) (929) Duplicate Charges--Credit		
110	930.1 General Advertising Expenses		
111	930.2 Miscellaneous General Expenses	1,029,534	1,063,865
112	931 Rents	352,948	349,464
113	TOTAL Operation (Total of lines 100 through 112)	34,594,363	34,828,018
114	Maintenance		
115	935 Maintenance of General Plant	190,132	239,705
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	34,784,495	35,067,723
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	463,244,653	440,262,215
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) 12/31/2007
3	2. Total Regular Full-Time Employees 571
4	3. Total Part-Time and Temporary Employees 12
5	4. Total Employees 583
6	
7	
8	
9	
10	
11	
12	
13	

Name of Respondent		For the Year Ended		
Peoples Gas System		Dec. 31, 2007		
GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1, 808.01, 808.2)				
1. Provide totals for the following accounts: 800 - Natural Gas Well Head Purchases 800.1- Natural Gas Well Head Purchases Intracompany Transfers 801 - Natural Gas Field Line Purchases 802 - Natural Gas Gasoline Plant Outlet Purchases 803 - Natural Gas Transmission Line Purchases 804 - Natural Gas City Gate Purchases 804.1- Liquefied Natural Gas Purchases 805 - Other Gas Purchases 805.1- Purchased Gas Cost Adjustments 808.1-Gas Withdrawn from Storage-Debit 808.2-Gas Delivered to Storage-Credit		The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote. 2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years. 3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b). 4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)		
Line No.	Account Title (a)	Gas Purchased- Therms (14.73 psia 60 F) (b)	Cost of Gas (In dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	801 - Natural Gas Field Line Purchases	447,407,895	\$332,466,393	74.31
2	808.1 - Gas Withdrawn from Storage-Debit	289,260	\$186,896	64.61
3	808.2 - Gas Delivered to Storage-Credit	(666,350)	(\$474,915)	71.27
4	804.1 - Gas Accounting and Gas Control Expenses		\$1,191,428	
5	804.2 - Natural Gas City Gate Purchases-Commodity	3,259,064	\$583,063	20.96
6	804.3 - Natural Gas City Gate Purchases-Other		\$3,736,914	
7	804.4 - Legal Costs		\$852	
8	804.5 - Natural Gas City Gate		\$52,316,308	
9	804.6 - Natural Gas City Gate-Penalty Transportation System		\$37,616	
10	805.1 - Purchased Gas Cost Adjustments		(\$58,882)	
11	TOTAL (Total of lines 1 through 10)	450,289,869	\$390,085,673	86.63
Notes to Gas Purchases				

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)				
1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.		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).		
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.		5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.		
3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.				
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	70,269	78,973
4	Transportation Clearing Account (CNG)	184-01	2,747	3,205
5	Utilities	921-01	13,249	15,240
6	Other Income Deductions	426-01	10,704	12,381
7	Sales Tax Account	241-50	N/A	(7,097)
8	Gas Lost-Damaged Facilities	143	N/A	61,925
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	TOTAL		96,969	164,627

REGULATORY COMMISSION EXPENSES (Account 928)

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

Line No.	Description (Name of regulatory commission, the 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		Deferred to Account 186 (f)	Amortized During Year Contra Account (g)		Amount (h)
				Account No. (d)	Amount (e)				
1	None								
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17	TOTAL								

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	370,216
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.	1,080
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	Other Dues	1,825
7	Economic Development	156,412
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		1,029,533
20	TOTAL	

Peoples Gas System

Dec. 31, 2007

DISTRIBUTION OF SALARIES AND WAGES

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

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	TOTAL Operation and Maintenance - Electric			
3	Gas			
4	Operation			
5	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminating & Processing			
6	Transmission			
7	Distribution	8,316,722		
8	Customer Accounts	3,123,401		
9	Customer Service and Informational	306,489		
10	Sales	4,965		
11	Administrative and General	7,768,860		
12	TOTAL Operation (Total of lines 5 through 11)	19,520,437		
13	Maintenance			
14	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminating & Processing			
15	Transmission			
16	Distribution	2,152,995		
17	Administrative and General	3,026,087		
18	TOTAL Maintenance (Total of lines 14 through 17)	5,179,082		
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)	10,469,717		
23	Customer Accounts (Transcribe from line 8)	3,123,401		
24	Customer Service and Informational (Transcribe from line 9)	306,489		
25	Sales (Transcribe from line 10)	4,965		
26	Administrative and General (Total of lines 11 and 17)	10,794,947		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	24,699,519	32,935	24,732,454
28	Other Utility Departments			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	24,699,519	32,935	24,732,454
31	Utility Plant			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	3,966,486	181,645	4,148,131
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)	3,966,486	181,645	4,148,131
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	938,215	4,336	942,551
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)	938,215	4,336	942,551
42				
43	Other Accounts (Specify):			
44				
45	Accts Receivable - Associate Companies	525,763	84	525,847
46	Clearing	-	-	-
47	Other Work in Progress	25,296	-	25,296
48	Merchandise / Jobbing	85,258	207	85,465
49	Miscellaneous	-	-	-
50				
51				
52				
53	TOTAL Other Accounts	636,317	291	636,608
54	TOTAL SALARIES AND WAGES	30,240,537	219,207	30,459,744

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2007

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.

(a) Name of person or organization rendering services,
(b) description of services received,
(c) basis of charges,
(d) total charges for the year, detailing account charged.

2. For any services which are of a continuing nature, give the date and term of contract.

3. Designate with an asterisk associated companies.

	Description	Amount
1	Akerman Senterfitt & Edison	186/923/925-legal services 125,676
2	Arcadis of New York Inc	186-engineering services 176,515
3	Ash Engineering, Inc	146/874-engineering services 418,729
4	AUS Consultants Inc	186-consulting 30,336
5	Billy Brinson	146/capital-engineering services 61,422
6	Bracewell & Giuliani LLP	804/921-legal services 141,307
7	Constangy, Brooks, & Smith LLC	923-legal services 38,275
8	George F Young Inc	146-engineering services 197,110
9	Environ International Corp	186-engineering services 42,652
10	Environmental Systems	921-software/license 43,046
11	Heidt & Associates Inc	146-engineering services 43,445
12	Infor Global Solutions Inc	165/921-software/maintenance 266,651
13	Information Intellect	921-software/consulting 65,392
14	Lau, Lane, Pieper, Conley & McCreddie PA	925-legal services 274,092
15	Macfarlane Ferguson & McMullen	186/923/925-legal services 260,975
16	Marketing Talent	909-advertising services 558,885
17	Matrikon International Inc	891-software/maintenance 38,103
18	Pricewaterhouse Coopers	923-accounting services 224,833
19	Rivero, Gordimer	186-legal/environmental services 99,225
20	Southern Cathodic Protection	921-engineering services 186,816
21	SSA Global	165/921-software/maintenance 239,058
22	Sunera LLC	921-consulting/accounting services 45,235
23	Sungard Energy Systems	921-software/maintenance 63,072
24	Sykes Enterprises	874-engineering services 30,521
25	The Retec Group, Inc	186-environmental/engineering 193,426
26	Tampa Electric*	various 7,589,003
27	Teco Energy*	various 4,990,716
28	Teco Partners*	912-marketing 5,827,987
29		
30	continued on next page	

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.

(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.

(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts.

(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

	Item	Amount
1		
2	Account 426-01 - Donations	151,462
3	Account 426-04 - Political Related Activities	22,972
4	Account 426-05 - Other Deductions	7,624
5		182,058
6		
7	Account 431 - Other Interest Charges	
8	PGA True Up	355,239
9	Intercompany	162,882
10	ECCR	204,050
11	Syndicated Line of Credit	941
12	Customer Deposits	2,200,606
13	AR Facility	794,602
14	Fed Funds	70,601
15	Miscellaneous	15,698
16		3,804,619
17		
18		
19		
20		
21		
22		
23		
24		

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2007

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		212,196
	G&A Allocation		s		445,000
	Marketing Services - O&M		p		5,827,987
	Marketing Services - Capital		p		499,980
	Various Goods & Services - O&M/Rev		s		12,400
	Payroll		s		24,636
	Plant Transactions & Adj		p		5,000
Tampa Electric	Off System Sales		s		22,551,885
	Mutually Beneficial Sales		s		131,760
	Various Goods & Services - O&M		p		7,589,003
	Various Goods & Services - Capital		p		787,959
	Company Aircraft Allocation		s		80,400
	Net Imbalance Trade Bookouts		s		431,849
	Net Imbalance Trade Bookouts & Overages		p		-
	Various Goods & Services		s		6,305
	Payroll		s		599,363
Gas Purchases		p		6,037,173	
Teco Guatemala	Company Aircraft Allocation		s		24,400
Teco Energy	Payroll		s		98,995
	Company Aircraft Allocation		s		131,100
	Various Goods & Services		p		4,990,716
	Various Goods & Services - O&M/Rev		s		26,989
Teco Gas Services	Payroll		s		66,807
	G&A Allocation		s		27,000

Name of Respondent Peoples Gas System		For the Year Ended Dec. 31, 2007
NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES		
Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.		
Name of Affiliate	Synopsis of Contract	
TECO Partners	<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"> - Energy Services - Energy Conservation Program Services - Promotional Services - Developer Services - Service and Program Development <p>Payment to Partners under the agreement is targeted at \$5,750,000 annually. The agreement was entered into effective January 1, 2007 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>Service agreement effective March 1, 2007 through February 29, 2008. Peoples Gas System contracted Tampa Electric to provide monthly gas meter reading at a price of \$0.587 per reading in the Tampa division, and \$0.857 per reading in the Lakeland division. For 2007, both parties mutually agree to establish the volume for January - June at 60,000 meters for Tampa, and for Lakeland a volume for January - December at 7,000 meters. An automatic review of billing volumes will occur should a 10% differential exist. In Tampa, prior to July 1, 2007, the meter volume and price per read will be reviewed and upon completion of the analysis and mutual agreement of both parties, the monthly gas meter reading price of \$0.51 per read will be applied for July - December at 61,000 meters. In Lakeland, review dates are June and December each calendar year and both parties will mutually agree to changes.</p> <p>Construction agreement effective from December 2007. Tampa Electric contracted Peoples Gas to construct, own, operate and maintain a new 20 inch steel pipeline extending from the Gulfstream Natural Gas System, LLC to TEC's Bayside Station. The Bayside Lateral will be owned by Peoples. TEC will be entitled to use 90% of the capacity of the Bayside Lateral, and will pay Peoples 90% of the ongoing costs of ownership incurred by Peoples. Peoples will be entitled to use 10% of the as built rated capacity. Additional terms and prices are provided for under these agreements.</p>	

INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000		
Provide information regarding individual affiliated transactions in excess of \$25,000. Recurring monthly affiliated transactions which exceed \$25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.		
Name of Affiliate	Description of Transaction	Dollar Amount
Teco Partners	Monthly G&A Charged to Teco Partners	445,000
	Monthly Marketing Services (Costs) - O&M	5,827,987
	Monthly Marketing Services (Costs) - Capital	499,980
Tampa Electric	Off System Sales	22,551,885
	Mutually Beneficial Sales	131,760
	Monthly Various Products & Services (Costs) - O&M	7,589,003
	Monthly Various Products & Services (Costs) - Capital	787,959
	Net Imbalance Trade Bookouts & Overages (Net Costs)	431,849
	Monthly Various Products & Services (Revenue)	400,563
	Gas Purchases	6,037,173
Teco Energy	Monthly Various Products & Services (Costs) - O&M	4,990,716
	Monthly Various Products & Services (Revenue)	58,803

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:							
		\$	\$	\$	\$	\$	
Total						\$	
Sales to Affiliates:							
TECO Partners	Vehicle	\$ 30,865	\$ 19,365	\$ 11,500	\$ 5,000	Sales Price 5,000	Yes
Total						5,000	

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
none				