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DIVISION OF
ECONOMIC REGULATION

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, 2008

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, 2008 and 2007, the related statements of income for the years then ended and the statement of retained earnings for the year ended December 31, 2008, included on pages 6 through 10 of the accompanying annual report of natural gas utilities to the Florida Public Service Commission. 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, 2008 and 2007, 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 26, 2009

**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 2008
03 Previous Name and Date of Change (if name changed during year)	
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 702 N. Franklin Street Tampa, Florida 33602	
05 Name of Contact Person Paul Higgins	06 Title of Contact Person Assistant Controller
07 Address of Contact Person (Street, City, State, Zip Code) P.O. Box 2562 Tampa, Florida 33601-2562	
08 Telephone of Contact Person, Including Area Code (813) 228-4111	09 Date of Report (Mo., Day, Yr) Dec. 31, 2008

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, 2008 to December 31, 2008, 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

4/28/2009

Date

J. Paul Higgins

Name

Assistant Controller

Title

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Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2008

CONTROL OVER RESPONDENT

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

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

CORPORATIONS CONTROLLED BY RESPONDENT

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

DEFINITIONS

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

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
TECO 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, 2008

OFFICERS

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

Title (a)	Name of Officer (b)	Salary for Year (c)
President, Peoples Gas System	W.N. Cantrell	\$349,000
Vice-President, Peoples Gas System	B. Narzissenfeld	\$180,250

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.
 2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

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

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2008

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.

Name (Title) and Address of Security Holder (a)	VOTING SECURITIES			
	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 Peoples Gas System filed for a base rate increase in August 2008. The Florida Public Service Commission is scheduled to make its final decision on the requested increase in May 2009.
- 5 None

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	917,635,305	964,615,117
3	Construction Work in Progress (107)	12	17,044,165	26,863,863
4	TOTAL Utility Plant Total of lines 2 and 3)		934,679,470	991,478,980
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	378,578,735	408,149,282
6	Net Utility Plant (Total of line 4 less 5)		556,100,735	583,329,698
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)	-	955,206	1,233,971
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)		955,206	1,233,971
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	1,392,879	(2,809,004)
19	Special Deposits (132-134)	-	25,000	25,000
20	Working Funds (135)	-	6,050	8,050
21	Temporary Cash Investments (136)	-	622,677	0
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	38,676,672	34,602,955
24	Other Accounts Receivable (143)	-	5,228,564	3,747,504
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	(637,769)	(701,384)
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)	-	1,345,066	3,629,301
32	Merchandise (155)	-		
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-	390,572	0
36	Prepayments (165)	18	1,062,503	950,970
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-	4,058	368
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	19,651,905	22,376,326
41	Miscellaneous Current and Accrued Assets (174)	-	434,610	0
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		68,202,787	61,830,086
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	2,215,547	1,963,484
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	23,689,659	39,163,384
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	209,080	945,393
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20	1,590,805	1,246,456
55	Accumulated Deferred Income Taxes (190)	24	7,003,144	54,374,602
56	Unrecovered Purchased Gas Costs (191)	-	2,191,084	22,942,401
57	TOTAL Deferred Debits (Total of lines 44 through 56)		36,899,319	120,635,720
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		662,158,047	767,029,475

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	Other Comprehensive Income (219)			(2,266,429)
7	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	112,735,480	114,568,416
8	(Less) Reacquired Capital Stock (217)	-		
9	TOTAL Proprietary Capital (Total of lines 2 through 8)		268,285,649	267,852,156
10	LONG-TERM DEBT			
11	Bonds (221)	21		
12	(Less) Reacquired Bonds (222)	21		
13	Advances from Associated Companies (223)	21		
14	Other Long-Term Debt (224)	21	191,700,000	236,000,000
15	Unamortized Premium on Long-Term Debt (225)	21		
16	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21	(660,079)	(577,184)
17	TOTAL Long-Term Debt (Total of lines 11 through 16)		191,039,921	235,422,816
18	OTHER NONCURRENT LIABILITIES			
19	Obligations Under Capital Leases - Noncurrent (227)	-		
20	Accumulated Provision for Property Insurance (228.1)	-		
21	Accumulated Provision for Injuries and Damages (228.2)	-		
22	Accumulated Provision for Pensions and Benefits (228.3)	-	18,623,346	35,100,957
23	Accumulated Miscellaneous Operating Provisions (228.4)	-		
24	Accumulated Provision for Rate Refunds (229)	-		
25	TOTAL Other Noncurrent Liabilities (Total of lines 19 through 24)		18,623,346	35,100,957
26	CURRENT AND ACCRUED LIABILITIES			
27	Notes Payable (231)	-	24,630,000	450,000
28	Accounts Payable (232)	-	37,993,121	38,928,281
29	Notes Payable to Associated Companies (233)	-		
30	Accounts Payable to Associated Companies (234)	-	498,409	4,911,451
31	Customer Deposits (235)	-	34,630,842	35,221,727
32	Taxes Accrued (236)	-	2,506,081	2,788,647
33	Interest Accrued (237)	-	3,961,468	4,099,250
34	Dividends Declared (238)	-		
35	Matured Long-Term Debt (239)	-		
36	Matured Interest (240)	-		
37	Tax Collections Payable (241)	-	1,697,709	2,038,515
38	Miscellaneous Current and Accrued Liabilities (242)	22	15,444,495	13,009,450
39	Obligations Under Capital Leases-Current (243)	-		
40	Derivative Instrument - Liabilities (245)		6,290,960	23,359,510
41	TOTAL Current and Accrued Liabilities (Total of lines 27 through 40)		127,653,085	124,806,831
42	DEFERRED CREDITS			
43	Customer Advances for Construction (252)	-	6,606,127	8,390,454
44	Other Deferred Credits (253)	22	4,182,050	1,737,324
45	Other Regulatory Liabilities (254)	22	12,407,393	12,587,774
46	Accumulated Deferred Investment Tax Credits (255)	23	11,710	0
47	Deferred Gains from Disposition of Utility Plant (256)	-		
48	Unamortized Gain on Reacquired Debt (257)	20		
49	Accumulated Deferred Income Taxes (281-283)	24	33,348,766	81,131,163
50	TOTAL Deferred Credits (Total of lines 43 through 49)		56,556,046	103,846,715
51	TOTAL Liabilities and Other Credits (Total of lines 9, 17, 25, 41 and 50)		662,158,047	767,029,475

Name of Respondent			For the Year Ended	
Peoples Gas System			Dec. 31, 2008	
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	680,919,753	593,029,854
3	Operating Expenses			
4	Operation Expenses (401)	27-29	541,161,587	458,694,408
5	Maintenance Expenses (402)	27-29	5,209,187	4,550,245
6	Depreciation Expense (403)	15-16	39,834,375	37,976,428
7	Amortization & Depletion of Utility Plant (404-405)	-	1,131,546	1,181,467
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	155,509	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	34,696,819	34,256,471
14	Income Taxes - Federal (409.1)	-	11,464,408	13,306,833
15	- Other (409.1)	-	1,889,094	2,231,055
16	Provision for Deferred Income Taxes (410.1)	24	2,245,917	(841,183)
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24		
18	Investment Tax Credit Adjustment - Net (411.4)	23	(11,710)	(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)		638,416,728	552,108,705
23	Net Utility Operating Income (Total of line 2 less 22)			
24	(Carry forward to page 9, line 25)		42,503,025	40,921,149

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)		42,503,025	40,921,149
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	(240,444)	(7,884)
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	2,124,677	2,028,992
35	Interest and Dividend Income (419)	-	1,007,546	885,219
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-	173,554	
38	Gain on Disposition of Property (421.1)	-	393,662	381,510
39	TOTAL Other Income (Total of lines 29 through 38)		3,458,995	3,287,837
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	241,320	182,058
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		241,320	182,058
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-	346,618	352,852
48	Income Taxes - Other (409.2)	-	57,639	58,673
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)		404,257	411,525
54	Net Other Income and Deductions (Total of lines 39,44,53)		2,813,418	2,694,254
55	Interest Charges			
56	Interest on Long-Term Debt (427)	-	14,456,416	12,479,565
57	Amortization of Debt Discount and Expense (428)	21	1,068,510	822,450
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	2,684,441	3,804,619
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		18,209,367	17,106,634
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		27,107,076	26,508,769
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)		27,107,076	26,508,769

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2008

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		112,735,480
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit: Account 439	190	326,945
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		326,945
7	Debit: Account 439	242	(643,945)
8	Debit: Account 439	263	(203,611)
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		(847,556)
10	Balance Transferred from Income (Account 433 less Account 418.1)		24,982,399
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		24,569,284
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		2,085,337
15	Other Comprehensive Income		(2,411,334)
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		112,301,987
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)		112,301,987

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 2008.

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 to the company.

Revenues and Cost Recovery

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 revenues for services rendered but unbilled to provide a closer matching of revenues and expenses. As of Dec. 31, 2008 and 2007, unbilled revenues of \$17.7 million and \$14.3 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. These amounts totaled \$24.2 million and \$23.7 million for the years ended Dec. 31, 2008 and 2007 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 \$24.2 million and \$23.7 million for the years ended Dec. 31, 2008 and 2007 respectively. Excise taxes paid by the regulated utilities are not material and are expensed as incurred.

Asset Impairments

Peoples Gas System accounts for long-lived assets in accordance with FAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. 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, 2008, 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 long-term debt at Peoples Gas System contains restrictions that limit the payment of dividends and distributions on the company's 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 \$5.5 million and \$ 5.7 million at December 31, 2008 and 2007 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

Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. Financial Accounting Standard (FAS) 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets (FSP FAS 132(R)-1). This FSP requires enhanced disclosures about plan assets of defined benefit pension plans or other postretirement plans, including the concentrations of risk in those plans. The guidance in FSP FAS 132(R)-1 is effective for fiscal years ending after Dec. 15, 2009. These additional required disclosures will have no effect on the company's results of operations, statement of position or cash flows.

Disclosures by Public Entities about Transfers of Financial Assets and Interests in Variable Interest Entities

In December 2008, the FASB issued FSP No. FAS 140-4 and FASB Interpretation (FIN) 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP FAS 140-4 and FIN 46(R)-8). This FSP requires additional disclosures regarding transfers of financial assets and interests in variable interest entities. The guidance in FSP FAS 140-4 and FIN 46(R)-8 was effective for reporting periods ending after Dec. 15, 2008. The company has adopted this FSP and included the additional disclosures required in their Form 10-K. These additional required disclosures have no effect on the company's results of operations, statement of position or cash flows.

Fair Value of a Financial Asset When the Market for That Asset Is Not Active

In October 2008, the FASB issued FSP No. FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP FAS 157-3). This FSP clarifies the definition of fair value by stating that a transaction price is not necessarily indicative of fair value in a market that is not active or in a forced liquidation or distressed sale. Rather, if the company has the ability and intent to hold the asset, the company may use its assumptions about future cash flows and appropriately adjusted discount rates in measuring the fair value of the asset. The guidance in FSP FAS 157-3 was effective immediately upon issuance on Oct. 10, 2008, including prior periods for which financial statements have not been issued. The adoption of FSP FAS 157-3 was not material to the company's results of operations, statement of position or cash flows.

Disclosures about Credit Derivatives and Certain Guarantees

In September 2008, the FASB issued FSP No. FAS 133-1 and FASB Interpretation (FIN) 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 (FSP FAS 133-1 and FIN 45-4). This FSP requires more detailed disclosures about credit derivatives and more detailed disclosures by sellers of credit derivatives. The guidance in FSP FAS 133-1 and FIN 45-4 is effective for reporting periods ending after Nov. 15, 2008. The additional required disclosures of FSP FAS 133-1 and FIN 45-4 have no effect on the company's results of operations, statement of position or cash flows.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, Disclosures about Derivative Instruments and Hedging Activities (FAS 161). FAS 161 was issued to enhance the disclosure framework in SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133). FAS 161 requires enhanced disclosures about the purpose of an entity's derivative instruments, how derivative instruments and hedged items are accounted for, and how the entity's financial position, cash flows, and performance are

enhanced by the derivative instruments and hedged items. The guidance in FAS 161 is effective for fiscal years and interim periods beginning after Nov. 15, 2008. The company believes that FAS 161 will be significant to its financial statement disclosures and will continue to evaluate the impact through its adoption.

Additionally, in April 2008, the FASB revised Statement 133 Implementation Issues Nos. I1 and K4 to reflect the enhanced disclosures required by FAS 161. The company does not believe these revisions will be material to its results of operations, statement of position or cash flows, but will be significant to its financial statement disclosures and will continue to evaluate the impact through its adoption.

Statement 133 Implementation Issue E23

In January 2008, the FASB cleared Implementation Issue Hedging – General: Issues Involving the Application of the Shortcut Method under Paragraph 68 (Issue E23). Issue E23 amends FAS 133, paragraph 68 to include hedged items with trade dates differing from their settlement dates due to generally established conventions in the marketplace. This allows companies to assume these commitments have no ineffectiveness in a hedging relationship, thus allowing use of the shortcut method for accounting purposes assuming all other conditions within the paragraph are met.

Issue E23 also allows use of the shortcut method if the fair value of an interest rate swap is not zero at inception of the hedge as long as the swap was entered into at the relationship's inception, there was no transaction price of the swap in the company's principal or most advantageous market, and the difference between the swap's fair value and transaction price is due to differing prices within the bid-ask spread between the entry transaction and a hypothetical exit transaction.

The effective date for Issue E23 is for hedging relationships entered into on or after Jan. 1, 2008. Issue E23 is not material to the company's results of operations, statement of position or cash flows.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the (FASB) issued 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. FAS 141R 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 effective date.

Offsetting Amounts Related to Certain Contracts

In April 2007, the FASB issued 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 and set a policy to offset fair value amounts recognized with cash collateral received or cash collateral paid under master netting agreements.

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. FAS 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 informally granted a one year deferral for non-financial assets and liabilities. In February 2008, the FASB issued FSP 157-2 which formally delayed the effective date of FAS 157 to fiscal years beginning after Nov. 15, 2008. This FSP is applicable to non-financial assets and liabilities except for items that are required to be recognized or disclosed at fair value at least annually in the company's financial statements. As a result, the company adopted FAS 157 effective Jan. 1, 2008 for financial assets and liabilities.

Additionally, the FASB issued FSP 157-1 in February 2008 to exclude SFAS 13, Accounting for Leases, and related pronouncements addressing lease fair value measurements from the scope of FAS 157. Assets and liabilities assumed in a business combination are not covered under this scope exception. The effective date of this FSP coincides with the adoption of FAS 157.

The company does not believe applying FAS 157 to the remaining non-financial assets and liabilities effective Jan. 1, 2009 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 other proceedings initiated by Peoples Gas System, FPSC staff or other interested parties. The company's current base rates have been in effect since 2003.

At the end of 2007, PGS' 13-month average regulatory ROE was below the bottom of its allowed range as a result of higher operating costs, continued investment in the distribution system and higher costs associated with required safety requirements, such as transmission and distribution pipeline integrity management.

Recognizing the significant decline in ROE, PGS filed for a \$26.5 million base rate increase in August 2008. The major factors in the filing included a request for an ROE mid-point of 11.5%, 55% equity in the capital structure, and a rate base of \$564 million. Formal hearings before the FPSC were held in March and the FPSC is scheduled to make its final decision on the requested increase in May, with final rates effective in June 2009.

Cost Recovery – PGS

PGS recovers the costs it pays for gas supply and interstate transportation for system supply through the purchased gas adjustment (PGA) clause. This charge is designed to recover the costs incurred by PGS for purchased gas, and for holding and using interstate pipeline capacity for the transportation of gas it delivers to its customers. These charges may be adjusted monthly based on a cap approved annually in an FPSC hearing. The cap is based on estimated costs of purchased gas and pipeline capacity, and estimated customer usage for a specific recovery period, with a true-up adjustment to reflect the variance of actual costs and usage from the projected charges for prior periods. In November 2008, the FPSC approved rates under PGS' PGA for the period January 2009 through December 2009 for the recovery of the costs of natural gas purchased for its distribution customers.

In addition to its base rates and purchased gas adjustment clause charges, PGS customers (except interruptible customers) also pay a per-therm conservation charge for all gas. This charge is intended to permit PGS to recover its costs incurred in developing and implementing energy conservation programs, which are mandated by Florida law and approved and supervised by the FPSC. PGS is permitted to recover, on a dollar-for-dollar basis, prudently incurred expenditures made in connection with these programs if it demonstrates that the programs are cost effective for its ratepayers.

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. 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 to the period that the regulatory agency recognizes them when cost recovery is ordered over a period longer than a fiscal year. Details of the regulatory assets and liabilities as of Dec. 31, 2008 and 2007 are presented in the following table:

Regulatory Assets and Liabilities

<i>(millions) Dec. 31,</i>	<i>2008</i>	<i>2007</i>
Regulatory assets:		
Cost recovery clauses	\$ 22.9	\$ 2.6
Post-retirement benefit asset	28.6	12.3

Deferred bond refinancing costs ⁽¹⁾	1.2	1.6
Environmental remediation	10.8	11.4
Competitive rate adjustment	4.7	5.4
Other	0.7	0.0
Total	68.9	33.3
Total regulatory assets	68.9	33.3
Less current portion	26.7	9.3
Long-term regulatory assets	\$ 42.2	\$ 24.0
Regulatory liabilities:		
Recovery clause related	\$ 2.8	\$ 6.3
Environmental remediation	10.6	11.4
Deferred gain on property sales ⁽²⁾	1.5	.6
Accumulated reserve – cost of removal	101.9	94.2
Other	0.4	0.4
Total	117.2	112.9
Total regulatory liabilities	117.2	112.9
Less current portion	3.2	6.3
Long-term regulatory liabilities	\$ 114.0	\$ 106.6

(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 (millions)	<i>Dec. 31, 2008</i>	<i>Dec. 31, 2007</i>
Clause recoverable (1)	\$ 27.6	\$ 8.0
Earning a rate of return (2)	28.6	12.3
Capital structure and other (3)	12.7	13.0
Total	\$ 68.9	\$ 33.3

(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 year 2007 during the year ended 2008. The U.S. federal statute of limitations remains open for the year 2008 and onward. Year 2008 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 2005 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:

Income Tax Expense			
<i>(millions)</i>	<i>Federal</i>	<i>State</i>	<i>Total</i>
2008			
Currently payable	\$ 12.8	\$ 2.1	\$ 14.9
Deferred	2.1	0.3	2.4
Total income tax expense	\$ 14.9	\$ 2.4	\$ 17.3
Included in other income, net			0.4
Included in operating expenses			\$ 16.9
2007			
Currently payable	\$ 14.7	\$ 2.4	\$ 17.1
Deferred	(0.6)	(0.1)	(0.7)
Total income tax expense	\$ 14.1	\$ 2.3	\$ 16.4
Included in other income, net			(0.4)
Included in operating expenses			\$ 16.0

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>2008</i>	<i>2007</i>
Deferred income tax assets ⁽¹⁾		
Hedging Activities (FAS 133)	\$ 10.4	2.3
Insurance Reserves	0.8	
Pension and Post-retirement benefits (FAS 158)	11.0	4.7
Medical Benefits	3.8	-
Other	28.5	0.0
Total deferred income tax assets	\$ 54.5	\$ 7.0
Deferred income tax liabilities ⁽¹⁾		
Property related	\$ (53.3)	\$ (52.3)
Hedging Activities (FAS 133)	(9.0)	(2.4)
Pension and Post-retirement benefits (FAS 158)	(11.0)	(4.7)
Medical benefits	0.0	3.3
Other	(8.2)	22.7
Total deferred income tax liabilities	\$ (81.5)	\$ (33.4)
Accumulated deferred income taxes	\$ (27.0)	\$ (26.4)

(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:

Effective Income Tax Rate		
<i>(millions)</i>	<i>2008</i>	<i>2007</i>

Net income	\$ 27.1	\$ 26.5
Total income tax provision	17.3	16.4
Income before income taxes	\$ 44.4	\$ 42.9
Income taxes on above at federal statutory rate of 35%	\$ 15.5	\$ 15.0
Increase (decrease) due to		
State income tax, net of federal income tax	1.6	1.5
Other	0.2	(0.1)
Total income tax provision	\$ 17.3	\$ 16.4
Provision for income taxes as a percent of income from continuing operations, before income taxes	39.0%	38.2%

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 (PBO) in the case of a defined benefit plan, or the accumulated postretirement benefit obligation (APBO) 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 increased both benefit liabilities and regulatory assets. This standard did not affect the results of operations.

Pension Benefits

Peoples Gas System is a participant in the comprehensive retirement plans of TECO Energy, 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.

The Pension Protection Act of 2006 (PPA), became effective Jan. 1, 2008 and requires companies to, among other things, maintain certain defined minimum funding thresholds (or face plan benefit restrictions), pay higher premiums to the Pension Benefit Guaranty Corporation if they sponsor defined benefit plans, amend plan documents and provide additional plan disclosures in regulatory filings and to plan participants.

The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) was signed into law on Dec. 23, 2008. WRERA grants plan sponsors relief from certain funding requirements and benefit restrictions, and also provides some technical corrections to the PPA. There are two primary provisions that impact funding results for TECO Energy. First, for plans funded less than 100%, required shortfall contributions will be based on a percentage of the funding target until 2011, rather than the funding target of 100%. These percentages are 92%, 94% and 96% in 2008, 2009 and 2010, respectively. Second, one of the technical corrections, referred to as asset smoothing, allows the use of asset averaging subject to certain limitations in the determination of funding requirements. The Jan. 1, 2009 estimate assumes adoption of the asset smoothing methodology under WRERA and includes an additional 2008 plan year contribution expected to be made in 2009.

For the year ended Dec. 31, 2008, TECO Energy's pension plan experienced actual negative asset returns of approximately 22%. These negative returns during 2008 were a primary driver in causing significant actuarial losses for the year ended Dec. 31, 2008. The qualified pension plan's actuarial value of assets, including credit balance, was 105.6% of the PPA funded target as of Jan. 1, 2008 and is estimated at 90% of the PPA funded target as of Jan. 1, 2009.

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 2008, Peoples Gas System made a contribution of \$1.6 million to these plans.

Reconciliations of the funded status and the accrued pension liability and components of net pension expense for TECO Energy, Inc. are presented below.

TECO Energy Consolidated Obligations and Funded Status <i>(millions)</i>	Pension Benefits	
	2008	2007
Change in benefit obligation		
Net benefit obligation at prior measurement date ⁽¹⁾	\$ 557.2	\$ 569.9
Effect of eliminating early measurement date	4.8	n/a
Service cost	15.4	16.0
Interest cost	31.9	33.0
Plan participants' contributions	-	-
Curtailement	-	(6.1)
Special termination benefits	-	0.6
Gross benefits paid	(54.5)	(34.6)
Settlements	(2.7)	-
Federal subsidy on benefits paid	n/a	n/a
Net benefit obligation at measurement date ⁽¹⁾	\$ 555.4	\$ 557.2
Change in plan assets		
Fair value of plan assets at prior measurement date	\$ 492.7	\$ 435.2
Effect of eliminating early measurement date	28.4	n/a
Actual return on plan assets ⁽²⁾	(119.1)	56.6
Employer contributions	15.9	35.5
Plan participants' contributions	-	-
Settlement	(2.7)	-
Gross benefits paid	(54.5)	(34.6)
Fair value of plan assets at measurement date ⁽¹⁾	\$ 360.7	\$ 492.7
Funded status		
Fair value of plan assets ⁽³⁾	\$ 360.7	\$ 492.7
Benefit obligation (PBO)	555.4	557.2
Funded status at measurement date	(194.7)	(64.5)
Net contributions after measurement date	-	26.1
Unrecognized net actuarial loss	237.2	81.9
Unrecognized prior service (benefit) cost	(2.7)	(3.2)
Unrecognized net transition (asset) obligation	-	-
Accrued liability at end of year	\$ 39.8	\$ 40.3
Amounts Recognized in Balance Sheet		
Long-term regulatory assets	\$ 186.3	\$ 57.2
Accrued benefit costs and other current liabilities	(1.8)	(4.5)
Deferred credits and other liabilities	(193.0)	(34.0)
Accumulated other comprehensive (income) loss pretax	48.3	21.6
Net amount recognized at end of year	\$ 39.8	\$ 40.3

(1) The measurement dates were Dec. 31, 2008 and Sep. 30, 2007. In accordance with FAS 158, the company moved to a year-end measurement date effective Dec. 31, 2008 under the 15-month transition approach.

(2) The actual return on plan assets differed from expectations due to the general market decline.

(3) The Market Related Value (MRV) of plan assets is used as the basis for calculating the expected return on plan assets (EROA) component of periodic pension expense. MRV reflects the fair value of plan assets adjusted for experience gains and losses (i.e. the differences between actual investment returns and expected returns) spread over five years.

<u>Peoples Gas System</u>	<u>Pension Benefits</u>	
	<u>2008</u>	<u>2007</u>
Amounts Recognized in Balance Sheet (millions)		
Long-term regulatory assets	\$ 29.7	\$ 12.5
Accrued benefit costs and other current liabilities	(0.8)	(0.8)
Deferred credits and other liabilities	(27.3)	(10.0)
<u>Net amount recognized at end of year</u>	<u>\$ 1.6</u>	<u>\$ 1.7</u>

The accumulated benefit obligation for all defined benefit pension plans was \$ 504.9 million at Dec. 31, 2008 and \$493.0 million at Sep. 30, 2007 (the measurement dates).

Assumptions used to determine benefit obligation at Dec. 31, 2008 and Sep. 30, 2007:

	<u>Pension Benefits</u>	
	<u>2008</u>	<u>2007</u>
Discount rate	6.05%	6.20%
Rate of compensation increase	4.25%	4.25%

Components of TECO Energy consolidated Net Periodic Benefit Cost:

Service cost	\$ 15.4	\$ 16.0
Interest cost	31.9	33.0
Expected return on plan assets	(39.0)	(36.3)
Amortization of:		
Actuarial loss	4.0	9.1
Prior service cost (benefit)	(0.4)	(0.5)
Curtailment loss (gain)	-	(0.4)
Settlement loss	0.9	-
Net periodic benefit cost	\$ 12.8	\$ 20.9

(1) Benefit cost was measured for the twelve months ended Dec. 31, 2008. The company elected a 15-month transition approach allowed by FAS 158 to move from an early measurement date of Sep. 30, 2007 to a year end measurement date of Dec. 31, 2008. In connection with this election, the company recorded after-tax charges to Retained Earnings of \$2.2 million for Pensions in the fourth quarter of 2008; PGS's portion was \$0.3 million.

(2) Benefit cost was measured for the twelve months ended Sep. 30, 2007.

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 \$2.0 million and \$2.8 million for 2008 and 2007, 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 total \$1.0 million.

Assumptions used to determine net periodic benefit cost for years ended Dec. 31,

	Pension Benefits	
	2008	2007
Discount rate	6.20%	5.85%
Expected long-term return on plan assets	8.25%	8.25%
Rate of compensation increase	4.25%	4.00%

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.

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

Asset Allocation

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

Pension Plan Assets	Target Allocation	Actual Allocation, End of Year	
		<u>2008</u>	<u>2007</u>
Asset Category			
Equity securities	55-65%	56%	64%
Fixed income securities	35-45%	44%	36%
Total		<u>100%</u>	<u>100%</u>

The company reviews the plan's asset allocation periodically and re-balances the investment mix to maximize asset returns, optimize the matching of investment yields with the plan's expected benefit obligations, and minimize pension cost.

Contributions

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 \$11.7 million to the plan in 2008 and \$30.0 million in 2007, which met the minimum funding requirements for both 2008 and 2007. Peoples Gas System's portion of the contribution in 2008 and 2007 were \$1.6 million and \$3.6 million, respectively.

TECO Energy expects to make an \$11 million contribution to the qualified pension plan in 2009 and estimates average annual minimum contributions to range from \$25 - \$40 million per year in 2010 to 2013 based on current assumptions. People Gas System's portion of the pension contribution in 2009 is estimated at \$1.5 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 2009, Peoples Gas System expects to make a contribution of about \$0.6 million to this program. Postretirement benefit levels are substantially unrelated to salary. The company 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. The company 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.

The company received subsidy payments under Part D for the 2006 and 2007 plan years. Its 2008 Part D subsidy application with the Centers for Medicare and Medicaid Services (CMS) was approved in February 2009 and the company expects to receive the payment later this year.

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)	2008	2007
Change in benefit obligation		
Net benefit obligation at prior measurement date ⁽¹⁾	\$ 11.6	\$ 11.8
Effect of eliminating early measurement date	0.1	-
Service cost	0.4	0.4
Interest cost	0.7	0.7
Plan participants' contributions	0.3	0.3
Actuarial (gain) loss	(0.5)	(0.6)
Curtailment	-	(0.1)
Gross benefits paid	(0.7)	(0.9)
Federal subsidy on benefits paid	-	-
Net benefit obligation at measurement date ⁽¹⁾	\$ 11.9	\$ 11.6
Change in plan assets		
Employer contributions	0.4	0.6
Plan participants' contributions	0.3	0.3
Gross benefits paid	(0.7)	(0.9)
Fair value of plan assets at measurement date ⁽¹⁾	\$ -	\$ -
Funded status		
Fair value of plan assets	\$ -	\$ -
Benefit obligation (APBO)	11.9	11.6
Funded status at measurement date ⁽¹⁾	(11.9)	(11.6)
Net contributions after measurement date ⁽¹⁾	-	0.1
Unrecognized net actuarial loss	(3.4)	(2.7)
Unrecognized prior service (benefit) cost	1.2	1.4
Unrecognized net transition (asset) obligation	0.9	1.2
Accrued liability at end of year	\$ (13.2)	\$ (11.6)
Amounts Recognized in Balance Sheet		
Long-term regulatory assets	\$ (1.2)	\$ (0.2)
Current Liabilities	(0.6)	(0.5)
Non-current liabilities	(11.4)	(10.9)
Net amount recognized at end of year	\$ (13.2)	\$ (11.6)

(1) The measurement dates were Dec. 31, 2008 and Sep. 30, 2007.

Assumptions used to determine benefit obligations at Dec. 31, 2008 and Sep. 30, 2007:

	Other Benefits	
	2008	2007
Discount rate	6.05%	6.20%
Rate of compensation increase	4.25%	4.25%
Healthcare cost trend rate		
Initial rate	8.50%	9.25%
Ultimate rate	5.00%	5.25%
Year rate reaches ultimate	2015	2015

A one-percentage point change in assumed health care cost trend rates would have a minimal effect on the benefit obligation.

The estimated prior service cost and transition obligation for the other postretirement benefit plans that will be amortized at PGS from net periodic benefit cost into accumulated other comprehensive income over the next fiscal year total \$0.3 million.

Components of Net Periodic Other Postretirement Benefit Cost:

<u>Net periodic benefit cost (millions) :</u>	<u>2008</u> ⁽¹⁾	<u>2007</u> ⁽²⁾
Service cost	\$ 0.4	\$ 0.4
Interest cost	0.7	0.7
Amortization of:		
Actuarial loss	-	-
Prior service (benefit) cost	0.2	0.2
Transition (asset) obligation	0.2	0.3
Net periodic benefit cost	<u>\$ 1.5</u>	<u>\$ 1.6</u>

(1) Benefit cost was measured for the twelve months ended Dec. 31, 2008. The company elected a 15-month transition approach allowed by FAS 158 to move from an early measurement date of Sep. 30, 2007 to a year end measurement date of Dec. 31, 2008. In connection with this election, the company recorded after-tax charges to Retained Earnings of \$0.6 million for Other Postretirement Benefits in the fourth quarter of 2008.

(2) Benefit cost was measured for the twelve months ended Sep. 30, 2007.

Assumptions used to determine net periodic cost for years ended Dec. 31,

	<u>Other Benefits</u>	
	<u>2008</u>	<u>2007</u>
Discount rate	6.20%	5.85%
Expected long-term return on plan assets	n/a	n/a
Rate of compensation increase	4.25%	4.00%
Healthcare cost trend rate		
Initial rate	9.25%	9.50%
Ultimate rate	5.25%	5.25%
Year rate reaches ultimate	2015	2015

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 benefit plans to develop a present value that is converted to a discount rate.

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

A one-percentage-point change in assumed health care cost trend rates would have a minimal effect on the expense.

Other Postretirement Benefit Plan Assets

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

Benefit Payments

Information about TECO Energy's expected benefit payments for the pension and postretirement benefit plans follows:

Expected Benefit Payments - TECO Energy Consolidated (including projected service and net of employee contributions)	Pension Benefits	Other Postretirement Benefits	
		Gross	Expected Federal Subsidy
Expected benefit payments (<i>millions</i>):			
2009	\$ 44.8	\$ 13.4	\$ (1.1)
2010	\$ 46.3	\$ 14.3	\$ (1.2)
2011	\$ 47.6	\$ 15.1	\$ (1.4)
2012	\$ 48.7	\$ 15.5	\$ (1.5)
2013	\$ 49.8	\$ 15.6	\$ (1.7)
2014-2018	\$ 269.2	\$ 78.2	\$ (10.3)

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, 2008 and 2007, Peoples Gas System recognized expense totaling \$0.7 million and \$0.5 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, 2008 and 2007 was 2.13% and 4.76% respectively. Credit facilities of \$475 million exist of which \$29 million was drawn at Dec. 31, 2008 with an allocated amount of \$0.5 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, 2008, PGS has estimated its ultimate financial liability to be approximately \$10.6 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 Peoples Gas System. The estimates to perform the work are based on actual estimates obtained from contractors, or Peoples Gas System'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 Peoples Gas System and other PRPs is based on each party's relative ownership interest in or usage of a site. Accordingly, Peoples Gas System'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>2008</u>	<u>2007</u>
Administrative and general, net	\$4.8	\$4.7

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

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$3.4	\$0.8
Accounts payable	\$8.3	\$1.3

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* and FIN 47. 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

Peoples Gas System enters into swaps and option contracts to limit the exposure to interest rate changes for future debt issuance and 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 use 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, 2008 and 2007, respectively, the company had net derivative assets (liabilities) of \$(23.4) million and \$(5.9) 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.

L. Fair Value

In September 2006, the FASB issued SFAS 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. It also requires recognition of trade-date gains related to certain derivative transactions whose fair value has been determined using unobservable market inputs. This guidance supersedes the guidance in Emerging Issues Task Force Issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* (EITF 02-3), which prohibited the recognition of trade-date gains for such derivative transactions when determining the fair value of instruments not traded in an active market.

On Nov. 14, 2007, the FASB reaffirmed its position that companies will be required to implement the standard for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in financial statements. The FASB did, however, provide a one year deferral for the implementation of FAS 157 for other non-financial assets and liabilities. Effective Jan. 1, 2008, the company adopted FAS 157 for financial assets and liabilities that are carried at fair value on a recurring basis.

FAS 157 is applied prospectively as of the first interim period for the fiscal year in which it is initially adopted, except for limited retrospective adoption for the following three items:

- The valuation of financial instruments using blockage factors;
- Financial instruments that were measured at fair value using the transaction price (as indicated in EITF 02-3); and,
- The valuation of hybrid financial instruments that were measured at fair value using the transaction price

(as indicated in FAS 155).

The impact of adoption in these areas would be applied as a cumulative-effect adjustment to opening retained earnings, measured as the difference between the carrying amounts and the fair values of relevant assets and liabilities at the date of adoption. The company does not have any of the three aforementioned items, and therefore no transition adjustment was recorded.

Fair Value Hierarchy

FAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with FAS 157, these two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed equities and U.S. government treasury securities.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-traded derivatives such as OTC forwards, options and repurchase agreements.
- Level 3 – Pricing inputs include significant inputs that are generally not observable in the marketplace. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. At each balance sheet date, the company performs an analysis of all instruments subject to FAS 157 and includes in Level 3 all of those whose fair value is based on significant unobservable inputs.

This hierarchy requires the use of observable market data when available.

Determination of Fair Value

The company measures fair value using the procedures set forth below for all assets and liabilities measured at fair value that were previously carried at fair value pursuant to other accounting guidelines.

When available, the company uses quoted market prices on assets and liabilities traded on an exchange to determine fair value and classifies such items as Level 1. In some cases where a market exchange price is available, but the assets and liabilities are traded in a secondary market, the company makes use of acceptable practical expedients to calculate fair value, and classifies such items as Level 2.

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

Valuation Techniques

FAS 157 describes three main approaches to measuring the fair value of assets and liabilities:

- 1) Market Approach - The market approach uses prices and other relevant information generated by

market transactions involving identical or comparable assets or liabilities (including a business). The market approach includes the use of matrix pricing.

2) *Income Approach* - The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts.

3) *Cost Approach* - The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost). The cost approach assumes that the fair value would not exceed what it would cost a market participant to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

Items Measured at Fair Value on a Recurring Basis

The following table sets forth by level within the fair value hierarchy the company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of Dec. 31, 2008. As required by FAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For all assets and liabilities presented below the market approach was used in determining fair value.

Recurring Derivative Fair Value Measures (millions)		<i>At Fair Value as of Dec. 31, 2008</i>			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<u>Assets</u>					
	Natural gas swaps	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -
<u>Liabilities</u>					
	Natural gas swaps	\$ -	\$ 23.4	\$ -	\$ 23.4
	Total	\$ -	\$ 23.4	\$ -	\$ 23.4

Natural gas swaps are over-the-counter swap instruments. The primary pricing inputs in determining the fair value of natural gas swaps are the New York Mercantile Exchange (NYMEX) quoted closing prices of exchange-traded instruments. These prices are applied to the notional amounts of active positions to determine the reported fair value.

The company considers the impact of nonperformance risk in determining the fair value of derivatives. The company considers the net position with each counterparty, past performance of both parties and the intent of the parties, measures of credit risk including credit default swaps and historical default probabilities, and whether the markets in which we transact have experienced dislocation. At Dec. 31, 2008 the fair value of derivatives was not materially affected by nonperformance risk. The company's net positions with substantially all counterparties were liability positions.

In accordance with SFAS 107, *Disclosures about Fair Value of Financial Instruments*, Peoples Gas System has disclosed the fair value of its long-term debt to be \$223.0 million. The determination of fair value for these instruments includes obtaining prices from third party financial institutions and in some cases utilizing a model to discount the future cash flows produced by the instruments by a rate determined by applying a spread based on Tampa Electric Company's credit ratings (also provided by third party financial institutions) to U.S. Treasury rates.

<i>(millions)</i>	<i>Interest Rate Swaps</i>		<i>Total</i>	
Balance at Jan. 1, 2008	\$	(3.0)	\$	(3.0)
Transfers to Level 3		-		-
Change in fair market value		(0.9)		(0.9)
Included in earnings		-		-
Settled		3.9		3.9
Balance at Dec. 31, 2008	\$	-	\$	-

(1) \$3.9 million of forward starting interest rate swaps were settled in the second quarter of 2008 and are related to Peoples Gas System's May 2008 issuance of debt. The primary pricing inputs in determining the fair value of interest rate swaps are LIBOR swap rates as reported by Bloomberg. For each instrument, the projected forward swap rate was used to determine the stream of cash flows over the life of the contract. The cash flows were then discounted using a spot discount rate to determine the fair value.

M. Other Comprehensive Income

Peoples Gas System reported the following other comprehensive income (loss) for the years ended Dec. 31, 2008 and 2007 related to changes in the fair value of cash flow hedges:

<i>Other comprehensive income (loss)</i>						
<i>(millions)</i>	<i>Gross</i>		<i>Tax</i>		<i>Net</i>	
<i>2008</i>						
<i>Unrealized loss on cash flow hedges</i>	\$	(4.2)	\$	1.6	\$	(2.6)
<i>Less: Loss reclassified to net income</i>		0.3		(0.1)		0.2
<i>Loss on cash flow hedges</i>		(3.9)		1.5		(2.4)
<i>Total other comprehensive (loss) income</i>	\$	(3.9)	\$	1.5	\$	(2.4)
<i>2007</i>						
<i>Unrealized loss on cash flow hedges</i>	\$	0.2	\$	(0.1)	\$	0.1
<i>Less: Gain reclassified to net income</i>		—		—		—
<i>Loss on cash flow hedges</i>		—		—		—
<i>Total other comprehensive (loss) income</i>	\$	0.2	\$	(0.1)	\$	0.1
<i>(millions) Dec. 31,</i>			<i>2008</i>		<i>2007</i>	
<i>Net unrealized loss from cash flow hedges ⁽¹⁾</i>			\$ (2.3)		\$ 0.1	
<i>Total accumulated other comprehensive loss</i>			\$ (2.3)		\$ 0.1	

(1) Net of tax benefit of \$1.4 million and \$1.1 million as of Dec. 31, 2008 and 2007, respectively.

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2008

**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)	903,192,239	903,192,239
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified	55,945,253	55,945,253
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)	964,615,118	964,615,118
12	107 Construction Work in Progress	26,863,863	26,863,863
13	Accum. Provision for Depreciation, Amortization, & Depletion	408,149,282	408,149,282
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	583,329,699	583,329,699
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	404,723,426	404,723,426
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)	404,723,426	404,723,426
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	3,425,856	3,425,856
32	TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31)	408,149,282	408,149,282

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

Company: Peoples Gas System

For the Year Ended December 31, 2008

Page 1 of 2

Acc't. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
374-00	Land-Distribution		3,150,169	144,000	(249,366)				3,044,803
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		16,143,698	128,461	(2,158,781)				14,113,378
374-02	Land Rights / Easements		1,315,903	54,865					1,370,769
386-02	Other Prop Cust Prem-Desi		-						-
386-08	Other Prop Cust Prem-CNG		-						-
390-02	Structures&Improvem-Leas		8,754	62,222					70,976
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		16,507,880	499,923	(573,066)				16,937,796
376-00	Mains - Other than Plastic		243,645,158	9,200,293	(788,094)			503,060	252,057,357
376-02	Mains - Plastic		218,129,197	12,164,459	(644,690)		(17,940)		229,631,026
378-00	Regulator Stations-Meas&		5,430,658	233,719	(6,356)				5,657,821
379-00	City Gate Stations-Meas&		9,221,790	2,694,931	(207,489)				11,916,721
380-00	Service Lines - Steel		37,254,393	1,104,626	(369,362)				38,151,530
380-02	Service Lines - Plastic		166,005,430	8,036,906	(1,053,002)		(77,350)		173,595,624
381-00	Meters - All Types		36,885,385	4,264,345	(1,053,002)		(97,500)		39,999,228
382-00	Meter Installations		35,025,269	2,283,589	(468,673)		(39,000)		36,801,185
383-00	House Regulators		10,061,581	529,731	(72,529)				10,518,783
384-00	House Regulator Installa		14,194,581	761,191	(231,216)				14,724,557
385-00	Industrial Cust Regulator		9,573,299	82,586	(51,692)				9,604,193
387-00	Other Equipment-DistribS		2,250,569	188,640	(11,012)				2,428,197
390-00	Structures& Improvemen-U		1,176,285		(673,225)			(503,060)	-
391-00	Office Furniture		2,828,239	66,104	(18,018)				2,876,324
391-01	Computer Equipment		7,974,236	1,104,714	(534,815)				8,544,135
391-02	Office Equipment/Machine		545,931	3,279	(26,158)				523,052
392-01	Auto&Truck less than 1/2		6,394,890	547,580	(728,319)				6,214,152
392-02	Auto&Truck 3/4 - 1 ton		4,626,466	638,554	(435,202)		(3,750)		4,826,069
392-03	Airplanes		6,091,018						6,091,018
392-04	Trailers, Other		279,268	6,491	(15,410)				270,349
392-05	Trucks over 1 ton		1,537,409		(174,207)				1,363,202
393-00	Stores Equipment		48,913						48,913
394-00	Tools, Shop, & Garage Eq		3,647,928	81,733	(245,012)				3,484,649

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

Company: Peoples Gas System
For the Year Ended December 31, 2008

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
395-00	Laboratory Equipment		46,445						46,445
396-00	Power Operated Equipment		1,602,189	74,752	(24,190)				1,652,751
397-00	Communication Equipment		4,987,623	184,239	(244,029)				4,927,832
398-00	Misc Equipment-Gas		437,747	6,249					443,996
Capital Recovery Schedules:									
Total Account 101*									
			868,283,711	45,148,182	(10,004,114)		(235,540)		903,192,239
Amortizable Assets:									
114	Acquisition Adjustment		5,248,671						5,248,671
105	Property Held for Future Use		228,955						228,955
Total Utility Plant									
			873,761,336	45,148,182	(10,004,114)		(235,540)		908,669,864

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

Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2008

Page 1 of 2

Acct. 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	(392,950)	(15,651)							(408,601)
303-20 Misc Intangible Plant	(453,107)	(32,610)							(485,716)
303-51 Customized Software	(12,787,176)	(998,287)		2,158,781					(11,626,682)
374-22 Land Rights / Easements	(892,803)	(84,690)							(977,493)
386-22 Othr Prop Cust Prem-Desi	0								0
390-02 Structure & Improvements-Leased	7,807	(308)							7,499
Items necessary to reconcile the total amortization accrual amount to Acct. 404.3, Amortization Expense, shown on page 8.									
SUB-TOTAL	(14,521,344)	(1,131,546)		2,158,781					(13,494,109)
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
374-50 Land	3,602			249,366		1,358		(3,603)	249,365
375-50 Land/Building Struct&Imp	(3,905,186)	(475,108)		573,067		923,222		(129,497)	(3,935,367)
376-50 Mains - Other than Plastic	(141,285,884)	(10,638,897)		788,094	(3,709)				(150,217,174)
376-52 Mains - Plastic	(64,841,084)	(7,289,414)		644,690	(2,250)		(111)		(71,196,565)
378-50 Regulator Stations-Meas&	(1,381,815)	(190,125)		6,556	(506)	3,824			(1,582,066)
378-51 Regulator Stations-Do no	(129,154)	(3,499)							(132,653)
379-50 City Gate Stations-Meas&	(2,493,209)	(469,808)							(2,963,016)
379-51 City Gate Stations-Do no	(33,362)	(904)							(34,266)
380-50 Service Lines - Steel	(34,140,832)	(2,997,964)		207,489	(950)	589,778			(36,342,480)
380-52 Service Lines - Plastic	(58,503,850)	(8,467,926)		369,362	(200)	331,789	(2,000)		(66,272,824)
381-50 Meters - All Types	(9,729,601)	(2,497,184)		1,053,002	(73,413)	36,591			(11,210,605)
381-51 Meters - Do not use	(2,995)	(164)							(3,158)
382-50 Meter Installations	(12,303,073)	(1,715,080)		468,673		123,257			(13,426,223)
383-50 House Regulators	(4,202,499)	(376,462)		72,529	(1,064)				(4,507,496)
384-50 House Regulator Installa	(4,191,673)	(706,823)		231,216					(4,600,931)
385-50 Industrial Cust Regulator	(3,728,256)	(325,958)		51,692					(4,002,522)
387-50 Other Equipment-Distrib	(1,020,774)	(146,836)		11,012					(1,166,598)
390-50 Structures& Improvemen-U	(264,958)	(14,741)		673,225				129,497	523,022
391-50 Office Furniture	(1,199,222)	(220,311)		18,018	(1,378)	(60)			(1,402,953)
391-51 Computer Equipment	(7,012,435)	(731,055)		534,815					(7,208,675)
391-53 Office Furniture/Equip	(149,858)	(36,732)		26,158	(122)				(160,554)
392-51 Auto&Truck less than 1/2	(2,641,788)	(684,438)		728,319	(46,895)				(2,644,803)
392-52 Auto&Truck 3/4 - 1 ton	(1,696,899)	(693,131)		435,202	(33,596)				(1,988,425)
392-53 Airplanes	(547,925)	(115,705)							(663,630)
392-54 Trailers, Other	(151,820)	(11,165)		15,410	(2,358)				(149,933)
392-55 Trucks over 1 ton	(640,245)	(139,719)		174,207	(6,374)				(612,130)
393-50 Stores Equipment	(47,019)	(78)							(47,097)

Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2008

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	(2,423,345)	(211,571)		96,316	(7,642)				(2,546,242)
394-51	Tools, Shop, & Garage-CNG	(144,460)	(3,119)		148,696		650			1,767
395-50	Laboratory Equipment	23,792	(2,851)							20,941
396-50	Power Operated Equipment	(1,254,807)	(85,756)		24,190	(6,780)				(1,323,153)
397-50	Communication Equipment	(2,355,628)	(564,560)		244,029					(2,676,158)
398-50	Misc Equipment-Gas	(253,491)	(17,289)							(270,779)
Capital Recovery Schedules:										
Subtotal		(362,649,951)	(39,834,375)		7,845,333	(187,238)	2,368,562	(2,110)	(3,603)	(392,463,382)
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)		1,862,907					(628,843)			1,234,064
115 Acquisition Adjustment		(3,270,347)						(155,509)		(3,425,856)
Subtotal		(1,407,440)					(628,843)	(155,509)		(2,191,792)
Grand Total		(378,578,735)	(40,965,921)		10,004,114	(187,238)	1,739,719	(157,619)	(3,603)	(408,149,282)

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, 2008	
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	79,374	0
2	Revenue Main-St Augustine Beach Expansion	742,041	350,700
3	Revenue Main-Clay County - Supply Main	1,750,047	285,866
4	Revenue Main	5,127,851	13,797,859
5	Main Replacements	998,202	1,190,782
6	Dist System Improvements-Orlando South Loop	937,877	1,059,715
7	Dist System Improvements-Orlando Innovation	780,126	148,022
8	Dist System Improvements-Ocala Villages Upgrade	5,324,164	327,633
9	Dist System Improvements	1,568,927	2,585,062
10	Governmental Improvements-Tampa US 301 Ph 1	604,807	0
11	Governmental Improvements	3,098,612	1,343,636
12	Cathodic Protection	26,730	13,270
13	Transportation Vehicles	158,537	300,145
14	Communication Equipment	670,993	112,961
15	TOTAL (SEE 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	867,079	63,493,207
2	(These costs are allocated to CWIP as outlined		
3	in instruction 3 above)		
4			
5	Corporate G & A	3,912,337	63,493,207
6			
7			
8			
9			
10			
11			
12	TOTAL		

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2008	
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-GIS Mapping Ph 3 Compliance	537,148	89,852
2	Office Equipment	771,282	454,083
3	Tools, Shop & Garage Equipment	805,004	43,201
4	Power Operated Equipment	8,516	2,652
5	Testing, Measuring & Detection Equipment	89,966	58,992
6	Improvements to Property	325,443	25,871
7	Improvements to Leased Property	26,281	0
8	Industrial Installations	190,942	0
9	Measuring & Regulating Station Equipment	1,087,948	310,505
10	Major Projects	10,817	22,483
11	Reimbursable Construction-16" JEA Greenland	771,374	40,059,517
12	Reimbursable Construction	-310,325	598,110
12	Misc - Non Revenue-Power Plan - 400	574,992	263,008
13	Miscellaneous - Non Revenue Producing	92,058	48,203
14	Miscellaneous - Revenue Producing	14,131	95,869
15	TOTAL	26,863,863	63,587,996

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2008

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	535,880
2	Line of Credit	196,924
3	Service/ Maint. Agreements	205,806
4		
5		
6	Miscellaneous Prepayments	12,360
7		
8	TOTAL	950,970

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						

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					

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	11,393,401		254	800,126	10,593,275
2	FAS 158 Pension	7,989,686	18,124,824	228	330,508	25,784,002
3	FAS 158 SERP Current	832,523				832,523
4	FAS 158 SERP	3,675,362		228	560,187	3,115,175
5	FAS 158 re FAS 106 Current	522,740				522,740
6	FAS 158 re FAS 106 Current	(724,053)		228	960,278	(1,684,331)
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	TOTAL	23,689,659	18,124,824		2,651,099	39,163,384

MISCELLANEOUS DEFERRED DEBITS (Account 186)

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

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1	Environmental Investigations	0	446,093	407	639,996	193,903
2						
3	Other Work In Progress	167,219		various	141,654	25,564
4						
5	Rate Case	41,861	684,065			725,926
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	Misc. Work in Progress					
18	Deferred Regulatory Comm. Expenses					
19	TOTAL	209,080				945,393

Name of Respondent	For the Year Ended		
Peoples Gas System	Dec. 31, 2008		
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>		
<u>Securities Retired</u>			
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	2,700,000	
Total Retired		\$5,700,000	
<u>Securities Issued</u>			
Note Issued by Tampa Electric 6.10%	Due 2018	50,000,000	
Total Issued		50,000,000	

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)	50,694	
2	---Amortization				(14,325)	36,369
3						
4	30-Note/Tampa Elec 7.375%	09-02	50,000,000	(3,542,552)	1,540,111	
5	---Amortization				(330,024)	1,210,087
6						
7	Total Amortization - Acct 428				(344,349)	
8						
9	Loss on Reacquired Debt					1,246,456
10						
11						
12						
13						

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

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.

4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

Line No.	Class and Series of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	Interest for Year		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1	Other Long Term Debt - Acct 224						
2							
3	Long Term Note 10.33%	06/29/88	07/02/08	10,000,000	10.33	51,937	0
4	Long Term Note 10.30%	06/28/89	07/02/09	10,000,000	10.30	237,186	1,800,000
5	Long Term Note 9.93%	12/20/90	07/02/10	10,000,000	9.93	248,526	2,000,000
6	Long Term Note 8.00%	12/03/92	07/02/12	35,000,000	8.00	1,084,600	12,200,000
7	Note Issued by Tampa Electric	06/20/01	06/15/12	40,000,000	6.875	2,750,000	40,000,000
8	Note Issued by Tampa Electric	08/15/02	08/15/12	70,000,000	6.375	4,462,500	70,000,000
9	Note Issued by Tampa Electric	05/15/07	05/15/37	60,000,000	6.15	3,690,000	60,000,000
10	Note Issued by Tampa Electric	05/15/08	05/15/18	50,000,000	6.10	1,931,667	50,000,000
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			285,000,000		14,456,416	236,000,000

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

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

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

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

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

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

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

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

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	Unamortized Debt Exp-Acct 181							
2	28-Long term Note 10.33%	10,000,000	11,350	08-88	07-08	285	(285)	0
3	29-Long term Note 10.30%	10,000,000	13,131	08-89	07-09	990	(659)	331
4	32-Long term Note 9.93%	10,000,000	88,318	03-91	07-10	1,294	(518)	776
5	33-Long term Note 8.00%	35,000,000	976,684	01-93	07-12	225,592	(50,132)	175,460
6	34-Note/Tampa Electric 6.875%	40,000,000	308,507	06-01	06-12	117,592	(26,131)	91,461
7	35-Note/Tampa Electric 6.375%	70,000,000	2,839,136	08-02	08-12	1,293,889	(282,303)	1,011,586
8	* 36-Note/Tampa Electric 6.15%	60,000,000	347,571	05-07	05-37	575,904	(246,870)	329,034
9	** 37-Note/Tampa Electric 6.10%	50,000,000	378,491	05-08	05-18	0	354,836	354,836
10						2,215,546	(252,062)	1,963,484
11								
12								
13								
14								
15								
16								
17								
18								

Name of Respondent					For the Year Ended		
Peoples Gas System					Dec. 31, 2008		
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.				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.			
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				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						

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.				5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.				
2. Show premium amounts by enclosing the figures in parentheses.				6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.				
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.				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.				
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.								
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	69,054	(15,345)	53,709
3	35-Note/Tampa Electric 6.375%	70,000,000	562,100	08-02	08-12	257,629	(56,210)	201,419
4	36-Note/Tampa Electric 6.15%	60,000,000	340,200	05-07	05-37	333,396	(11,340)	322,056
5						660,079	(82,895)	577,184
6	*30 yr bonds issued 05/2007: Issuing Costs Amortized 2008						(11,598)	
7								
8								
9	**10 yr bond issued 05/2008: Issuing Costs Amortized 2008						(23,657)	
10							(245,983)	
11	Interest Rate Settlement Amortized 2008						(724,161)	
12								
13	Acct 428 Debt Exp, Premium & Discount							
14								
15	Unamortized Debt Disc - OCI							
16	** 37-Note/Tampa Electric 6.10% (Interest Rate Settlement)	50,000,000	3,935,734	05-08	05-18	0	3,689,751	3,689,751
17								
18								

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	
2	Insurance & Litigation Reserves	(5,699,590)
3	Post Retirement Benefits	3,304,494
4	Conservation Cost True Up	12,216,026
5	Other	2,762,774
6		425,746
7		
8		
9		
10		
11		
12		
13	TOTAL	13,009,450

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	4,182,050	925	2,444,726		1,737,324
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	4,182,050		2,444,726	0	1,737,324

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 (c)	Amount (c)		
1	SFAS # 109 Implementation	2,755	282	2,755		0
2	West Florida Gas Tax Liab	3,533	282	3,533		0
3	Gas Technology Research	396,791	930	706,500	750,000	440,291
4	Amort Gain on Land	610,913	421	397,264	1,340,559	1,554,208
5	Environmental Remediation	11,393,401	182	800,126		10,593,275
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	12,407,393		1,910,178	2,090,559	12,587,774

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2008

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	7,009,902									7,009,902
2 Internal Revenue Service (FICA)				2,228,433						2,228,433
3 FL Public Service Commission						1,776,771				1,776,771
4 FI Department of Revenue					14,533,989					14,533,989
5 Various FL municipalities								9,630,545		9,630,545
6 Internal Revenue Service (FUTA)				33,874						33,874
7 Internal Revenue Service (SUTA)				38,171						38,171
8 Various FL Counties (tags)								45,534		45,534
9 Various FL municipalities (occupational licenses)									19,006	19,006
10 Department of State										
11 Other									(697)	(697)
13 Less: charged to other revenue (495)										(12,192)
14 Less: charged to construction				(412,780)						(412,780)
15 Less: charged to clearing,jobbing,air				(72,530)						(72,530)
16 TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	7,009,902			1,815,169	14,533,989	1,643,372		9,630,545	63,842	34,696,819

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

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

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

Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Allocations to Current Year's Income		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
				Acct. No. (d)	Amount (e)			
1	Gas Utility							
2	3%	11,710		411	11,710		0	
3	4%							
4	7%							
5	10%							
6								
7								
8								
9								
10	TOTAL	11,710			11,710		0	

Notes

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

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

Line No.	Balance at Beginning of Year	Changes During Year			Adjustments		Balance at End of Year
		Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits Amount	
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
NOTES:							

Deferred income tax Other adjustments includes:

Federal	28,715,808	State	4,775,117	Total	33,490,924
	280,329		46,616		326,945
	4,728,501		4,775,117		9,503,618

Reclass of deferred taxes into corresponding balance sheet accounts to conform with FERC accounting.
 Reclass of deferred taxes into corresponding balance sheet accounts to conform with FERC accounting.
 Reclass of deferred taxes into corresponding balance sheet accounts to conform with FERC accounting.

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

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			Adjustments		Balance at End of Year
		Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits Amount	
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
NOTES:							

Deferred income tax adjustment includes:

Federal	22,883,638	State	3,805,293	Total	26,688,932
	6,288		6,288		12,576
	22,889,926		3,805,293		26,695,220

Reclass of deferred taxes into corresponding balance sheet accounts to conform with FERC accounting.
 Reclass of deferred taxes into corresponding balance sheet accounts to conform with FERC accounting.
 Reclass of deferred taxes into corresponding balance sheet accounts to conform with FERC accounting.

Total 282	22,889,926	3,805,293	26,695,220
Total 283	16,544,839	2,767,859	19,312,698
Total 282 & 283	39,534,825	6,573,152	46,107,978

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2008

**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)	27,107,076
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Federal Income Tax	11,811,026
6	CIAC and AIAC	6,269,863
7	Competitive rate adjustment	713,875
8	Gain/Loss on fixed assets	888,209
9		
10	Deductions Recorded on Books Not Deducted for Return	
11	Interest during construction period capitalized	515,000
12	Restricted stock	531,846
13	Bad debts	63,615
14	Capitalized ECA costs	2,715,034
15	Other	1,008,944
16	Deferred taxes	2,245,917
17	FAS 106	1,061,772
18		
19	Income Recorded on Books Not Included in Return	
20		
21	Amortization of investment tax credits	11,710
22	Accrued Bonus	5,000
23	ECCR revenue true up	3,286,240
24	Deductions on Return Not Charged Against Book Income	
25	Depreciation of utility plant - excess over books	8,563,186
26	Cost of removal	2,368,562
27	Insurance Reserves	865,773
28	Environmental cleanup costs	3,278,618
29	Bond Refinancing Premium	3,919,335
30	Rate Case	684,065
31	Pension	179,137
32	SERP	402,446
33		
34	Federal Tax Net Income	31,368,106
35	Show Computation of Tax:	
36	Federal Tax Net Income - Less Income from Subsidiaries	29,243,428
37	Federal income tax @ 35%	10,235,200
38	Prior year true up provision to actual per return	1,575,825
39		11,811,025
40	Allocation to other income	346,618

NAME OF RESPONDENT:
Peoples Gas System

This Report is An Original

YEAR OF REPORT:
December 31, 2008

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

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

The consolidated federal income tax liability is currently being apportioned in accordance with Internal Revenue Service Regulations Section 1.1552-1(a)(2) 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 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 Gemstone, Inc.
TECO Synfuel Administration, LLC
TECO Pipeline Holding Company, 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	149,196,778	138,729,630	71,091,473	66,422,516	304,801	304,674
4	481 Commercial Street Lighting	132,294	124,343	97,022	101,106	34	32
5	481 Small General Service	4,727,262	4,570,898	2,353,374	2,331,139	5,826	5,734
6	481 General Service 1	56,142,800	57,251,538	38,517,784	40,164,895	9,805	10,028
7	481 General Service 2	15,743,991	16,828,702	11,422,120	12,429,333	557	590
8	481 General Service 3	8,130,761	9,303,825	6,095,249	7,038,256	102	109
9	481 General Service 4	1,396,443	1,953,416	1,055,752	1,558,593	5	6
10	481 General Service 5	2,239,265	3,035,970	1,791,326	2,518,620	5	6
11	481 Natural Gas Vehicle Sales	33,581	30,742	24,888	23,157	4	5
12	481 Mutually Beneficial	70,800,809	53,559,021	65,944,270	68,874,390	5	4
13	481 Off System Sales	246,700,533	179,232,228	257,838,650	234,612,790	13	13
14	Interruptible Sales Service						
15	481 Small Interruptible Service	187,109	230,250	159,660	229,225	0	0
16	481 Interruptible Lg. Vol-1	109,056	635,745	104,613	717,849	0	0
17	481 Interruptible Lg. Vol-2	(689,128)	(729,971)	378,552	202,460	0	0
18	Firm Transportation Service						
19	489 Condominium	1,261,221	1,430,831	3,285,357	3,663,311	262	283
20	489 Commercial Street Lighting	91,282	93,150	651,599	667,235	30	32
21	489 Natural Gas Vehicles	61,089	79,849	335,201	444,798	11	11
22	489 Small General Service	249,523	296,164	394,593	601,454	538	485
23	489 General Service 1	20,291,380	19,335,498	69,114,715	65,983,716	9,582	8,889
24	489 General Service 2	15,593,753	15,297,800	61,906,721	60,433,057	2,540	2,460
25	489 General Service 3	13,897,769	13,974,082	65,331,619	65,532,323	707	689
26	489 General Service 4	7,911,188	8,543,562	42,388,962	45,074,537	141	139
27	489 General Service 5	7,676,882	6,773,983	72,716,321	64,587,310	106	93
28	Interruptible Transportation Serv.						
29	489 Small Interruptible Trans. Service	4,016,686	4,019,613	55,016,961	53,167,891	28	29
30	489 Interruptible Transp. LG-1	6,927,486	7,799,239	144,461,871	168,548,420	15	15
31	489 Interruptible Transp. LG-2	10,358,647	12,361,910	445,004,648	435,165,750	9	7
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	643,188,460	554,762,018	1,417,483,300	1,401,094,131	335,126	334,333
35	483 Sales for Resale	1,234,224	897,881	1,684,354	1,450,279	11	10
36	Off-System Sales	0	0	0	0	0	0
37	TOTAL Nat. Gas Service Revenues	644,422,684	555,659,899				
38	TOTAL Gas Service Revenues	644,422,684	555,659,899				
39	Other Operating Revenues						
40	485 Intracompany Transfers	0	0				
41	487 Forfeited Discounts	810,222	830,760				
42	488 Misc. Service Revenues	5,238,513	5,408,034				
43	488 Gross Recpts Tax/Franch Fee Coll	24,164,534	23,721,889				
44	488 Individual Transportation Charge	551,490	558,144				
45	489 Rev. from Trans. of Gas of Others						
46	not included in above rate schedules)	0	0				
47	493 Rent from Gas Property	383,409	384,408				
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	39,003	2,142,262				
55	495.1 Overrecoveries Purchased Gas	(5,309,900)	(4,324,458)				
56	TOTAL Other Operating Revenues	36,497,071	37,369,955				
57	TOTAL Gas Operating Revenues	679,685,531	592,131,973				
58	(Less) 496 Provision for Rate Refunds	0	0				
59	TOTAL Gas Operating Revenues Net of Provision for Refunds	679,685,531	592,131,973				
60	Sales for Resale	1,234,224	897,881				
61	Other Sales to Public Authority	0	0				
62	Interdepartmental Sales	0	0				
63	TOTAL	680,919,755	593,029,854				

Notes

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2008

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	423,985,576	332,466,393
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases		
14	804.1 Liquefied Natural Gas Purchases	55,832,329	57,966,181
15	805 Other Gas Purchases		
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)	(3,293,631)	(58,882)
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	476,524,274	390,373,692
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses		
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)		
26	808.1 Gas Withdrawn from Storage--Debit	929,114	186,897
27	(Less) 808.2 Gas Delivered to Storage--Credit	(538,542)	(474,915)
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	(324,720)	(164,628)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(324,720)	(164,628)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	476,590,126	389,921,046
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	476,590,126	389,921,046
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
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	384,051	336,398
50	871 Distribution Load Dispatching	6,769	5,510
51	872 Compressor Station Labor and Expenses	18,582	1,939
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	6,139,438	6,095,589
54	875 Measuring and Regulating Station Expenses--General	180,273	164,862
55	876 Measuring and Regulating Station Expenses--Industrial	465	(3,887)
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	61,797	73,696
57	878 Meter and House Regulator Expenses	2,263,996	2,115,220
58	879 Customer Installations Expenses	2,247,506	2,287,594
59	880 Other Expenses	1,513,384	1,383,520
60	881 Rents	77,369	146,694
61	TOTAL Operation (Total of lines 49 through 60)	12,893,630	12,607,135
62	Maintenance		
63	885 Maintenance Supervision and Engineering		
64	886 Maintenance of Structures and Improvements	306,654	208,152
65	887 Maintenance of Mains	2,152,547	1,888,628
66	888 Maintenance of Compressor Station Equipment		
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	303,487	248,603
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	513,378	423,514
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	570,056	499,001
70	892 Maintenance of Services	686,460	582,191
71	893 Maintenance of Meters and House Regulators	410,184	423,987
72	894 Maintenance of Other Equipment	84,403	86,037
73	TOTAL Maintenance (Total of Lines 63 through 72)	5,027,169	4,360,113
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	17,920,799	16,967,248
75	5. Customer Accounts Expenses		
76	Operation		
77	901 Supervision	1,225	
78	902 Meter Reading Expenses	2,428,902	2,399,582
79	903 Customer Records and Collection Expenses	5,177,293	5,213,795
80	904 Uncollectible Accounts	1,108,629	1,172,153
81	905 Miscellaneous Customer Accounts Expenses		
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	8,716,049	8,785,530
83	6. Customer Service and Informational Expenses		
84	Operation		
85	907 Supervision		
86	908 Customer Assistance Expenses	4,613,716	6,418,266
87	909 Informational and Instructional Expenses	1,122,160	948,525
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	5,735,876	7,366,791
90	7. Sales Expenses		
91	Operation		
92	911 Supervision		
93	912 Demonstrating and Selling Expenses	5,709,912	5,376,196
94	913 Advertising Expenses	34,130	36,262
95	916 Miscellaneous Sales Expenses	17,359	7,085
96	TOTAL Sales Expenses (Total of lines 92 through 95)	5,761,401	5,419,543
97			

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2008	
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	9,243,705	7,910,895
101	921 Office Supplies and Expenses	17,546,124	17,932,355
102	(Less) (922) Administrative Expenses Transferred--Credit	(4,390,345)	(3,852,795)
103	923 Outside Services Employed	586,182	660,240
104	924 Property Insurance	119,730	151,107
105	925 Injuries and Damages	(192,091)	1,632,601
106	926 Employee Pensions and Benefits	7,134,884	8,777,478
107	927 Franchise Requirements		
108	928 Regulatory Commission Expenses		0
109	(Less) (929) Duplicate Charges--Credit		
110	930.1 General Advertising Expenses		
111	930.2 Miscellaneous General Expenses	1,074,643	1,029,534
112	931 Rents	341,672	352,948
113	TOTAL Operation (Total of lines 100 through 112)	31,464,504	34,594,363
114	Maintenance		
115	935 Maintenance of General Plant	182,019	190,132
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	31,646,523	34,784,495
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	546,370,774	463,244,653
119			
120			

NUMBER OF GAS DEPARTMENT EMPLOYEES	
1	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.
2	1. Payroll Period Ended (Date) 12/31/2008
3	2. Total Regular Full-Time Employees 570
4	3. Total Part-Time and Temporary Employees 8
5	4. Total Employees 578
6	
7	
8	
9	
10	
11	
12	
13	

Name of Respondent		For the Year Ended		
Peoples Gas System		Dec. 31, 2008		
GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1, 808.1, 808.2)				
1. Provide totals for the following accounts: 800 - Natural Gas Well Head Purchases 800.1- Natural Gas Well Head Purchases Intracompany Transfers 801 - Natural Gas Field Line Purchases 802 - Natural Gas Gasoline Plant Outlet Purchases 803 - Natural Gas Transmission Line Purchases 804 - Natural Gas City Gate Purchases 804.1- Liquefied Natural Gas Purchases 805 - Other Gas Purchases 805.1- 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	462,753,015	\$423,985,576	91.62
2	808.1 - Gas Withdrawn from Storage-Debit	1,138,660	\$929,114	81.60
3	808.2 - Gas Delivered to Storage-Credit	(580,700)	(\$538,542)	92.74
4	804.1 - Gas Accounting and Gas Control Expenses		\$1,233,691	
5	804.2 - Natural Gas City Gate Purchases-Commodity	3,106,250	\$785,049	25.27
6	804.3 - Natural Gas City Gate Purchases-Other		\$2,544,408	
7	804.4 - Legal Costs		\$217	
8	804.5 - Natural Gas City Gate		\$51,270,236	
9	804.6 - Natural Gas City Gate-Penalty Transportation System		(\$1,272)	
10	805-1 - Purchased Gas Cost Adjustments		(\$3,293,631)	
11	TOTAL (Total of lines 1 through 10)	466,417,225	\$476,914,846	102.25
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	Operations Expense	880-01	53,234	65,427
3				
4	Transportation Clearing Account CNG	184-01	2,734	3,325
5				
6	Utilities	921-01	12,792	15,592
7				
8	Other Income Deductions	426-01	10,680	12,972
9				
10	Sales Tax Account	241-50	N/A	(6,274)
11				
12	Gas Lost- Damaged Facilities	143	N/A	233,678
13				
14				
15				
16				
17				
18	TOTAL		79,440	324,720

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2008

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		Deferred to Account 186 (f)	Amortized During Year		Deferred in Account 186 End of Year (i)
				Charged Currently to Account No. (d)	Amount (e)		Contra Account (g)	Amount (h)	
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	358,844
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.	0
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	Economic Development	171,488
6		
7	Other Dues	604
8		
9	Miscellaneous	5,199
10		
11	Employee Moving Expenses	38,507
12		
13		
14		
15		
16		
17		
18		
19		
20	TOTAL	1,074,642

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, Terminaling & Processing			
6	Transmission			
7	Distribution	8,447,305		
8	Customer Accounts	3,063,041		
9	Customer Service and Informational	339,327		
10	Sales	4,415		
11	Administrative and General	9,073,033		
12	TOTAL Operation (Total of lines 5 through 11)	20,927,121		
13	Maintenance			
14	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
15	Transmission			
16	Distribution	2,408,720		
17	Administrative and General	3,180,331		
18	TOTAL Maintenance (Total of lines 14 through 17)	5,589,051		
19	Total Operation and Maintenance			
20	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
21	Transmission (Enter Total of lines 6 and 15)			
22	Distribution (Total of lines 7 and 16)	10,856,025		
23	Customer Accounts (Transcribe from line 8)	3,063,041		
24	Customer Service and Informational (Transcribe from line 9)	339,327		
25	Sales (Transcribe from line 10)	4,415		
26	Administrative and General (Total of lines 11 and 17)	12,253,364		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	26,516,172	78,699	26,594,871
28	Other Utility Departments			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	26,516,172	78,699	26,594,871
31	Utility Plant			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	4,543,229	134,780	4,678,009
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)	4,543,229	134,780	4,678,009
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	614,394	3,716	618,110
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)	614,394	3,716	618,110
42				
43	Other Accounts (Specify):			
44				
45	Accts Receivable - Associate Companies	351,956	0	351,956
46	Clearing			
47	Other Work in Progress	133,231		133,231
48	Merchandise / Jobbing	149,572	665	150,237
49	Miscellaneous			
50				
51				
52				
53	TOTAL Other Accounts	634,759	665	635,424
54	TOTAL SALARIES AND WAGES	32,308,554	217,860	32,526,414

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 2008	
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	160,285
2	Arcadis of New York Inc	186-environmental services	39,350
3	Bracewell & Giuliani LLP	186/804/921/923-legal services	134,880
4	Brown and Caldwell Inc	186-environmental services	267,372
5	Environmental Systems	921/capital-software/license	56,931
6	Guernsey and Company	186-consulting services	60,938
7	Huron Consulting Services LLC	186-rate case consultants	178,439
8	Information Intellect, Inc	921-software/maintenance	26,598
9	Intercontinental Exchange	804-trading services	36,500
10	Lau, Lane, Pieper, Conley & McCreddie PA	925-legal services	476,933
11	Macfarlane Ferguson & McMullen	186/923-legal services	527,287
12	Marketing Talent	909-advertising services	540,150
13	Porter Novelli	912-advertising services	47,500
14	Pricewaterhouse Coopers	923-accounting services	296,100
15	Rivero, Gordimer	186-accounting services	70,875
16	Robert Chris Holden	186-consulting services	42,663
17	Southern Cathodic Protection	887/cap-engineering services	307,435
18	Sungard Energy Systems	921-software/maintenance	65,658
19	Tampa Electric*	various	7,422,974
20	Teco Energy*	various	4,966,706
21	Teco Partners*	912-marketing	5,610,396
22			
23			
24			
25			
26			
27			
28			
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
3	Account 426-04 - Political Related Activities
4	Account 426-05 - Other Deductions
5	
6	
7	Account 431 - Other Interest Charges
8	PGA True Up
9	Intercompany
10	ECCR
11	Syndicated Line of Credit
12	Customer Deposits
13	AR Facility
14	Fed Funds
15	Miscellaneous
16	
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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		
2		
3	The following were charged to capital accounts:	
4	Ash Engineering, Inc	various-engineering services 365,448
5	Ashlin Group LLC	051-real estate consulting 75,000
6	Billy Brinson	various-engineering services 93,039
7	Brand & Co	various-engineering services 56,742
8	Captec Engineering, Inc	various-engineering services 35,523
9	Energy Management & Services Co	various-engineering services 514,240
10	FGE Engineering, Inc	various-engineering services 306,388
11	Fortin, Leavy, Skiles, Inc	various-engineering services 41,417
12	George F Young Inc	various-engineering services 58,106
13	Harrison Rivard Zimmerman	051-legal services 34,595
14	Heidt & Associates Inc	various-engineering services 89,313
15	Mai Engineering Services, Inc	various-engineering services 29,608
16	Matrikon International Inc	046-software consulting services 25,651
17	P&A Consulting Engineers	various-engineering services 298,193
18	Quoc Mai PE	various-engineering services 258,225
19	PowerPlan	046-software consulting services 503,916
20	Robert R Mumbauer	various-engineering services 136,701
21	Rudd Jones PE and Associates PA Inc	various-engineering services 46,226
22	Southern Design Group Inc	various-engineering services 97,006
23	Southeast Diversified Services Co, Inc	various-engineering services 28,896
24	Tampa Electric*	various 613,442
25	Teco Partners*	various 499,980
26	Trimble Navigation LTD	046-software consultants 420,250
27	Wilbur Smith Associates Inc	various-engineering services 61,533
28	William J Greer	various-construction management 90,323
29		
30		

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

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

	(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Gross Operating Revenues per Page 26	Interstate and Sales for Resale Adjustments	Adjusted Intrastate Gross Operating Revenues	Intrastate Gross Operating Revenues per RAF Return	Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	554,851,553		554,851,553	554,851,553	-
2	Sales for Resale (483)	1,234,224		1,234,224	1,234,224	-
3	Total Natural Gas Service Revenues	556,085,777		556,085,777	556,085,777	-
4	Total Other Operating Revenues (485-495)	124,833,976		124,833,976	124,833,976	-
5	Total Gas Operating Revenues	680,919,753		680,919,753	680,919,753	-
6	Provision for Rate Refunds (496)					
7	Other (specify)					
8	Mutually Beneficial Wholesale				(72,035,033)	72,035,033
9	Energy Conservation True-Up				(3,275,141)	3,275,141
10	Unbilled Revenue Adjustment				(3,438,297)	3,438,297
11	OSS Sales for Resale				(246,700,533)	246,700,533
12	Total Gross Operating Revenues	680,919,753		680,919,753	355,470,749	325,449,004

Notes:

Difference due to RAF return adjustments for exempt revenue.

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2008

CORPORATE STRUCTURE

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

Effective Date: Dec 31, 2008

TECO Energy, Inc.

Tampa Electric Company

Power Engineering & Construction, Inc.

TEC Receivables Corp.

TECO Gas Services, Inc.

TECO Partners, Inc.

TECO Investments, Inc.

TECO Finance, Inc.

TECO Oil & Gas, Inc.

TECO Diversified, Inc.

TECO Coal Corporation

Bear Branch Coal Company

Raven Rock Development Corporation

Clintwood Elkhorn Mining Company

Gatliff Coal Company

Pike-Letcher Land Company

Premier Elkhorn Coal Company

Rich Mountain Coal Company

Perry County Coal Company

Ray Coal Company

Whitaker Coal Company

TECO Synfuel Administration, LLC

TECO Synfuel Operations, LLC

TECO Coalbed Methane Florida, Inc.

TECO Properties Corporation

TECO Solutions, Inc.

TECO Fiber, Inc.

TECO Propane Ventures, LLC

TECO Gemstone, Inc.

Peoples Gas System (Florida), Inc.

TECO Funding Company III, LLC

TECO Energy Foundation, Inc.

TECO Pipeline Holding Company, LLC

SeaCoast Gas Transmission, LLC

TECO EnergySource, Inc.

TECO Wholesale Generation, Inc.

TECO Guatemala, Inc.

Pasco Power GP, Inc.

Pasco Project Investment Partnership, Ltd.

H Power I, Inc.

H Power II, Inc.

TPS Guatemala One, Inc.

Tampa Centro Americana de Electricidad, Limitada

CORPORATE STRUCTURE

TECO Guatemala Holdings, LLC
 TECO Guatemala Services, Ltd
 TPS San Jose International, Inc.
 Tecnologia Maritima, S.A.
 Palm Import and Export Corporation
 Triangle Finance Company, LLC
 San Jose Power Holding Company, Ltd.
 Central Generadora Electrica San Jose, Limitada
 Tasajero I, LDC
 TPS Operaciones de Guatemala, Ltda.
 TPS International Power, Inc.
 TPS De Ultramar, Ltd.
 TPS De Ultramar Guatemala, S.A.
 Distribucion Electrica CentroAmericana II, S.A.
 Inmobiliaria y Desarrolladora Empresarial de America, S.A.
 Empresa Electrica de Guatemala, S.A.
 Navega.com, S.A.
 Navega.com, S.A. Sucursal El Salvador
 Navega.com, S.A. Sucursal Nicaragua
 Navega.com, S.A. Sucursal Costa Rica
 Navega.com, S.A. Sucursal Panama
 MetroRed, S.A. de C.V.
 Totalcom, S.A.
 Almacenaje y Manejo de Materials Electricos, S.A.
 Inversiones Electricas Centroamericanas, S.A.
 Credieegsa, S.A.
 Comercializadora Electrica de Guatemala S.A.
 Energica, S.A.
 Transportista Electrica CentroAmericana, S.A.

TWG Merchant, Inc.
 TPS Dell, LLC
 TM Power Ventures, LLC
 TM ECK, LLC
 McAdams Holding, LLC
 TPS Tejas GP, LLC
 TPS GP, Inc.
 TPS LP, Inc.
 TIE NEWCO Holdings, LLC

Name of Respondent For the Year Ended

Peoples Gas System

Dec. 31, 2008

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		210,492
	G&A Allocation		s		478,008
	Marketing Services - O&M		p		5,610,396
	Marketing Services - Capital		p		499,980
	Various Goods & Services - O&M/Rev		s		18,401
	Payroll		s		19,472
	Plant Transactions & Adj		p		-
Tampa Electric	Off System Sales		s		12,609,333
	Mutually Beneficial Sales		s		256,097
	Various Goods & Services - O&M		p		7,422,974
	Various Goods & Services - Capital		p		380,235
	Company Aircraft Allocation		s		68,100
	Net Imbalance Trade Bookouts		s		201,985
	Net Imbalance Trade Bookouts & Overages		p		2,395,524
	Various Goods & Services		s		-
	Payroll		s		405,124
Gas Purchases		p		9,138,489	
Teco Guatemala	Company Aircraft Allocation		s		12,350
Teco Energy	Payroll		s		93,709
	Company Aircraft Allocation		s		120,950
	Various Goods & Services		p		4,966,706
	Various Goods & Services - O&M/Rev		s		13,455
Teco Gas Services	Payroll		s		29,785
	Gas Purchases		p		630,172
	Off System Sales		s		14,095,177
SeaCoast Gas Transmission	Payroll		s		151,674
	Various Goods & Services		s		4,689

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 \$6,500,000 annually. The agreement was entered into effective January 1, 2008 for a period of six years.</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, 2008 through February 28, 2009. Peoples Gas System contracted Tampa Electric to provide monthly gas meter reading at a price of \$0.32 per reading in the Tampa division, and \$0.92 per reading in the Lakeland division. For 2008, both parties mutually agree to establish the volume for March 2008 - Feb 2009 at 60,600 meters for Tampa, and for Lakeland a volume for March 2008 - February 2009 at 6,300 meters. An automatic review of billing volumes will occur should a 10% differential exist. In Tampa, prior to Sept 1, 2008, 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 \$0.32 per read will be applied for Sept 2008 - Feb 2009 at 60,600 meters. In Lakeland, review dates are February and September each calendar year and both parties will mutually agree to changes.</p> <p>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	<p>Monthly G&A Charged to Teco Partners Monthly Marketing Services (Costs) - O&M Monthly Marketing Services (Costs) - Capital</p>	<p>478,008 5,610,396 499,980</p>
Tampa Electric	<p>Off System Sales Mutually Beneficial Sales Monthly Various Products & Services (Costs) - O&M Monthly Various Products & Services (Costs) - Capital Net Imbalance Trade Bookouts (Sales) Net Imbalance Trade Bookouts & Overages (Purchases) Monthly Various Products & Services (Revenue) Gas Purchases</p>	<p>12,609,333 256,097 7,422,974 380,235 201,985 2,395,524 396,333 9,138,489</p>
Teco Energy	<p>Monthly Various Products & Services (Costs) - O&M Monthly Various Products & Services (Revenue)</p>	<p>4,966,706</p>
SeaCoast Gas Transmission	<p>Monthly Various Products & Services (Revenue)</p>	<p>139,456</p>

ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

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

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

EMPLOYEE TRANSFERS

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

Company Transferred From	Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
Peoples Gas	TECO Partners	Snr Mgr Industrial Tech Svc	Snr Mgr Marketing Svcs	Permanent
TECO Energy	Peoples Gas	Corp Tax Specialist	Gas Accountant	Permanent