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ANNUAL REPORT OF
NATURAL GAS UTILITIES

PEOPLES GAS SYSTEM
(EXACT NAME OF RESPONDENT)

702 N. Franklin Street

Tampa, Florida 33602

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2009

Division of
ECONOMIC REGULATION

10 APR 30 PM 2:50

ATTENTION
FLORIDA PUBLIC SERVICE
COMMISSION

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

| | |
|------------------------------|--------------------------------|
| Name Jeffrey S. Chronister | Title Controller |
| Address P.O. Box 2562 | City Tampa State FL 33601-2562 |
| Telephone No. (813) 228-1609 | PSC/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, 2009 and 2008, the related statements of income for the years then ended and the statement of retained earnings for the year ended December 31, 2009, included on pages 6 through 10 and 11-A through 11-V of the accompanying annual report of natural gas utilities to the Florida Public Service Commission. These financial statements are the responsibility of Peoples Gas System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, 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, 2009 and 2008 and the results of its operations and its cash flows 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 described in Note 1.

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 25, 2010

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 <p style="text-align: center;">Peoples Gas System, a Division of Tampa Electric Company</p> | 02 Year of Report <p style="text-align: center;">2009</p> |
| 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) <p style="text-align: center;">702 N. Franklin Street Tampa, Florida 33602</p> | |
| 05 Name of Contact Person <p style="text-align: center;">Jeffrey S. Chronister</p> | 06 Title of Contact Person <p style="text-align: center;">Controller</p> |
| 07 Address of Contact Person (Street, City, State, Zip Code) <p style="text-align: center;">P.O. Box 2562 Tampa, Florida 33601-2562</p> | |
| 08 Telephone of Contact Person, Including Area Code <p style="text-align: center;">(813) 228-1609</p> | 09 Date of Report (Mo., Day, Yr) <p style="text-align: center;">Dec. 31, 2009</p> |

ATTESTATION

I certify that I am the responsible accounting officer of

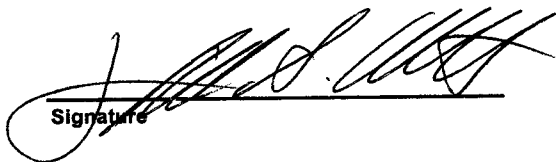
Peoples Gas System;

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, 2009 to December 31, 2009, 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

4/26/10

Date

Jeffrey S. Chronister

Name

Controller

Title

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Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2009

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).
 respondent at end of year, state name of controlling corporation. 2. If the above required information is available from the SEC or organization, manner in which control was held, and extent of 10K Report Form filing, a specific reference to the report form 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, 2009 |

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 (PGS) January 1 - July 28, 2009 | W.N.Cantrell | \$249,669 |
| Vice-President - Operations, PGS January 1 - July 28, 2009 | B. Narzissenfeld | \$147,386 |
| Vice-President - Fuels * January 1 - August 31, 2009 | B. Christmas | \$64,040 |
| VP - Customer Svc & Regulatory Affairs * January 1 - July 28, 2009 | D. Brown | \$21,385 |
| President * Effective July 29, 2009 | G. Gillette | \$36,790 |
| Vice-President Energy Delivery * Effective July 29, 2009 | W. Whale | \$21,558 |
| VP - Customer Care & Fuels Mgmt * Effective July 29, 2009 | B. Narzissenfeld | \$7,892 |
| *Salary for the Year shown represents the Peoples Gas System allocation of individual salaries. | | |

DIRECTORS

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

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

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2009

SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became

vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

VOTING SECURITIES

| Name (Title) and Address of Security Holder (a) | Number of votes as of (date): | | | |
|---|-------------------------------|---------------------|------------------------|--------------|
| | Total Votes (b) | Common Stock (c) | Preferred Stock (d) | Other (e) |
| TOTAL votes of all voting securities | | | | |
| TOTAL number of security holders | | | | |
| TOTAL votes of security holders listed below | | | | |
| Peoples Gas System, as a division of Tampa Electric Company, has no outstanding shares of common stock. All outstanding shares of Tampa Electric Company common stock are held by its parent, TECO Energy, Inc. | | | | |

IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.
2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.

3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.
4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

- 1 None
- 2 None
- 3 None
- 4 Peoples Gas System filed for a base rate increase in August 2008. On May 5, 2009 the Florida Public Service Commission approved a base rate increase of \$19.2 million effective June 18, 2009.
- 5 None

| Name of Respondent | | | | For the Year Ended |
|---|--|-------------------|----------------------------------|----------------------------|
| Peoples Gas System | | | | Dec. 31, 2009 |
| 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 | 964,615,117 | 1,017,412,817 |
| 3 | Construction Work in Progress (107) | 12 | 26,863,863 | 10,548,015 |
| 4 | TOTAL Utility Plant Total of lines 2 and 3) | | 991,478,980 | 1,027,960,832 |
| 5 | (Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115) | 12 | 408,149,282 | 439,954,393 |
| 6 | Net Utility Plant (Total of line 4 less 5) | | 583,329,698 | 588,006,439 |
| 7 | Utility Plant Adjustments (116) | 11 | | |
| 8 | Gas Stored (117.1, 117.2, 117.3, 117.4) | - | | |
| 9 | OTHER PROPERTY AND INVESTMENTS | | | |
| 10 | Nonutility Property (121) | - | | |
| 11 | (Less) Accum. Prov. for Depr. and Amort. (122) | - | | |
| 12 | Investments in Associated Companies (123) | - | 1,233,971 | 1,828,918 |
| 13 | Investment in Subsidiary Companies (123.1) | - | | |
| 14 | Other Investments (124) | - | | |
| 15 | Special Funds (125, 126, 128) | - | | |
| 16 | TOTAL Other Property and Investments (Total of lines 10 through 15) | | 1,233,971 | 1,828,918 |
| 17 | CURRENT AND ACCRUED ASSETS | | | |
| 18 | Cash (131) | - | (2,809,004) | 93,944 |
| 19 | Special Deposits (132-134) | - | 25,000 | 25,000 |
| 20 | Working Funds (135) | - | 8,050 | 4,700 |
| 21 | Temporary Cash Investments (136) | - | 0 | |
| 22 | Notes Receivable (141) | - | | |
| 23 | Customer Accounts Receivable (142) | - | 34,602,955 | 27,144,864 |
| 24 | Other Accounts Receivable (143) | - | 3,747,504 | 11,836,130 |
| 25 | (Less) Accumulated Provision for Uncollectible Accounts-Credit (144) | - | (701,384) | (528,994) |
| 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) | - | 3,629,301 | 1,293,549 |
| 32 | Merchandise (155) | - | | |
| 33 | Other Material and Supplies (156) | - | | |
| 34 | Stores Expenses Undistributed (163) | - | | |
| 35 | Gas Stored Underground & LNG Stored (164.1-164.3) | - | 0 | |
| 36 | Prepayments (165) | 18 | 950,970 | 1,558,660 |
| 37 | Advances for Gas (166-167) | - | | |
| 38 | Interest and Dividends Receivable (171) | - | 368 | |
| 39 | Rents Receivable (172) | - | | |
| 40 | Accrued Utility Revenues (173) | - | 22,376,326 | 16,660,341 |
| 41 | Miscellaneous Current and Accrued Assets (174) | - | 0 | |
| 42 | TOTAL Current and Accrued Assets (Total of lines 18 through 41) | | 61,830,086 | 58,088,194 |
| 43 | DEFERRED DEBITS | | | |
| 44 | Unamortized Debt Expense (181) | - | 1,963,484 | 1,554,644 |
| 45 | Extraordinary Property Losses (182.1) | 18 | | |
| 46 | Unrecovered Plant and Regulatory Study Costs (182.2) | 18 | | |
| 47 | Other Regulatory Assets (182.3) | 19 | 39,163,384 | 47,207,440 |
| 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 | 945,393 | 1,969,338 |
| 52 | Deferred Losses from Disposition of Utility Plant. (187) | - | | |
| 53 | Research, Development and Demonstration Expenditures (188) | - | | |
| 54 | Unamortized Loss on Reacquired Debt (189) | 20 | 1,246,456 | 902,107 |
| 55 | Accumulated Deferred Income Taxes (190) | 24 | 54,374,602 | 43,982,353 |
| 56 | Unrecovered Purchased Gas Costs (191) | - | 22,942,401 | 14,408,457 |
| 57 | TOTAL Deferred Debits (Total of lines 44 through 56) | | 120,635,720 | 110,024,339 |
| 58 | TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57) | | 767,029,475 | 757,947,890 |

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) | - | | |
| 5 | Retained Earnings (215, 216) | 10 | 155,550,169 | 155,550,169 |
| 6 | Other Comprehensive Income (219) | - | | |
| 7 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 10 | (2,266,429) | (2,024,677) |
| 8 | (Less) Reacquired Capital Stock (217) | - | 114,568,416 | 118,603,644 |
| 9 | TOTAL Proprietary Capital (Total of lines 2 through 8) | | 267,852,156 | 272,129,136 |
| 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 | | |
| 15 | Unamortized Premium on Long-Term Debt (225) | 21 | 236,000,000 | 230,500,000 |
| 16 | (Less) Unamortized Discount on Long-Term Debt-Debit (226) | 21 | (577,184) | (494,288) |
| 17 | TOTAL Long-Term Debt (Total of lines 11 through 16) | | 235,422,816 | 230,005,712 |
| 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) | - | | 33,542 |
| 22 | Accumulated Provision for Pensions and Benefits (228.3) | - | 35,100,957 | 33,606,057 |
| 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) | | 35,100,957 | 33,639,599 |
| 26 | CURRENT AND ACCRUED LIABILITIES | | | |
| 27 | Notes Payable (231) | - | 450,000 | |
| 28 | Accounts Payable (232) | - | 38,928,281 | 27,828,807 |
| 29 | Notes Payable to Associated Companies (233) | - | | |
| 30 | Accounts Payable to Associated Companies (234) | - | 4,911,451 | 5,198,188 |
| 31 | Customer Deposits (235) | - | 35,221,727 | 37,061,047 |
| 32 | Taxes Accrued (236) | - | 2,788,647 | 2,203,343 |
| 33 | Interest Accrued (237) | - | 4,099,250 | 3,882,533 |
| 34 | Dividends Declared (238) | - | | |
| 35 | Matured Long-Term Debt (239) | - | | |
| 36 | Matured Interest (240) | - | | |
| 37 | Tax Collections Payable (241) | - | 2,038,515 | 1,589,179 |
| 38 | Miscellaneous Current and Accrued Liabilities (242) | 22 | 13,009,450 | 14,212,808 |
| 39 | Obligations Under Capital Leases-Current (243) | - | | |
| 40 | Derivative Instrument - Liabilities (245) | | 23,359,510 | 7,759,350 |
| 41 | TOTAL Current and Accrued Liabilities (Total of lines 27 through 40) | | 124,806,831 | 99,735,255 |
| 42 | DEFERRED CREDITS | | | |
| 43 | Customer Advances for Construction (252) | - | 8,390,454 | 8,981,920 |
| 44 | Other Deferred Credits (253) | 22 | 1,737,324 | 13,839,248 |
| 45 | Other Regulatory Liabilities (254) | 22 | 12,587,774 | 21,368,643 |
| 46 | Accumulated Deferred Investment Tax Credits (255) | 23 | 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 | 81,131,163 | 78,248,377 |
| 50 | TOTAL Deferred Credits (Total of lines 43 through 49) | | 103,846,715 | 122,438,188 |
| 51 | TOTAL Liabilities and Other Credits (Total of lines 9, 17, 25, 41 and 50) | | 767,029,475 | 757,947,890 |

| Name of Respondent | | For the Year Ended | | |
|---|---|--|------------------------------------|-------------------------------------|
| Peoples Gas System | | Dec. 31, 2009 | | |
| 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 | 461,985,666 | 680,919,753 |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 27-29 | 318,928,355 | 541,161,587 |
| 5 | Maintenance Expenses (402) | 27-29 | 5,534,340 | 5,209,187 |
| 6 | Depreciation Expense (403) | 15-16 | 42,064,779 | 39,834,375 |
| 7 | Amortization & Depletion of Utility Plant (404-405) | - | 1,202,229 | 1,131,546 |
| 8 | Amortization of Utility Plant Acquisition Adjustment (406) | - | 154,755 | 155,509 |
| 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 | 35,004,799 | 34,696,819 |
| 14 | Income Taxes - Federal (409.1) | - | 2,225,041 | 11,464,408 |
| 15 | - Other (409.1) | - | 1,633,736 | 1,889,094 |
| 16 | Provision for Deferred Income Taxes (410.1) | 24 | 7,357,642 | 2,245,917 |
| 17 | (Less) Provision for Deferred Income Taxes - Cr.(411.1) | 24 | | |
| 18 | Investment Tax Credit Adjustment - Net (411.4) | 23 | | (11,710) |
| 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) | | 414,745,672 | 638,416,728 |
| 23 | Net Utility Operating Income (Total of line 2 less 22) | | | |
| 24 | (Carry forward to page 9, line 25) | | 47,239,994 | 42,503,025 |

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) | | 47,239,994 | 42,503,025 |
| 26 | Other Income and Deductions | | | |
| 27 | Other Income | | | |
| 28 | Nonutility Operating Income | | | |
| 29 | Revenues From Merchandising, Jobbing and Contract Work (415) | - | (447,009) | (240,444) |
| 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 | 2,775,495 | 2,124,677 |
| 35 | Interest and Dividend Income (419) | - | 252,777 | 1,007,546 |
| 36 | Allowance for Other Funds Used During Construction (419.1) | - | | |
| 37 | Miscellaneous Nonoperating Income (421) | - | 708,149 | 173,554 |
| 38 | Gain on Disposition of Property (421.1) | - | 573,429 | 393,662 |
| 39 | TOTAL Other Income (Total of lines 29 through 38) | | 3,862,841 | 3,458,995 |
| 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 | 231,166 | 241,320 |
| 44 | TOTAL Other Income Deductions (Total of lines 41 through 43) | | 231,166 | 241,320 |
| 45 | Taxes Applicable to Other Income and Deductions | | | |
| 46 | Taxes Other Than Income Taxes (408.2) | - | | |
| 47 | Income Taxes - Federal (409.2) | - | 270,234 | 346,618 |
| 48 | Income Taxes - Other (409.2) | - | 44,937 | 57,639 |
| 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) | | 315,171 | 404,257 |
| 54 | Net Other Income and Deductions (Total of lines 39,44,53) | | 3,316,504 | 2,813,418 |
| 55 | Interest Charges | | | |
| 56 | Interest on Long-Term Debt (427) | - | 15,063,541 | 14,456,416 |
| 57 | Amortization of Debt Discount and Expense (428) | 21 | 1,229,668 | 1,068,510 |
| 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 | 2,380,906 | 2,684,441 |
| 63 | (Less) Allowance for Borrowed Funds Used During Const.-Credit (432) | - | | |
| 64 | Net Interest Charges (Total of lines 56 through 63) | | 18,674,115 | 18,209,367 |
| 65 | Income Before Extraordinary Items (Total of lines 25, 54 and 64) | | 31,882,383 | 27,107,076 |
| 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) | | 31,882,383 | 27,107,076 |

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 | | 112,301,987 |
| 2 | Changes (Identify by prescribed retained earnings accounts) | | |
| 3 | Adjustments to Retained Earnings (Account 439): | | |
| 4 | Credit: | | |
| 5 | Credit: | | |
| 6 | TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5) | | |
| 7 | Debit: | | |
| 8 | Debit: | | |
| 9 | TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8) | | |
| 10 | Balance Transferred from Income (Account 433 less Account 418.1) | | 29,106,888 |
| 11 | Appropriations of Retained Earnings (Account 436) TOTAL | | |
| 12 | Dividends Declared - Preferred Stock (Account 437) TOTAL | | |
| 13 | Dividends Declared - Common Stock (Account 438) TOTAL | | 27,847,156 |
| 14 | Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings | | 2,775,495 |
| 15 | FAS 133 Other Comprehensive Income | | 241,753 |
| 16 | Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15) | | 116,578,967 |
| | 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) | | 116,578,967 |

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 a 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

1. Summary of Significant Accounting Policies

Basis of Accounting

Peoples Gas System's (PGS') 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 (GAAP) in all material respects except for those disclosed in **Note 1**. Certain footnotes are not reflective of PGS' Financial Statements contained herein.

The impact of the accounting guidance 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 this guidance.

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. 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 (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 4.4% for 2009.

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 SEC's Staff Accounting Bulletin (SAB) 104, *Revenue Recognition in Financial Statements*. Except as discussed below, PGS 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.

PGS' retail businesses and the prices charged to customers are regulated by the FPSC. See **Note 3** for a discussion of significant regulatory matters and the applicability of the effects of certain types of regulation 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- 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 December 31, 2009 and 2008, unbilled revenues of \$13.6 million and \$17.7 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 Statements of Income. These amounts totaled \$23.5 million and \$24.2 million for the years ended December 31, 2009 and 2008, respectively. Franchise fees and gross receipt taxes payable by the regulated utilities are included as an expense on the Statements of Income in "Taxes, other than income". These amounts totaled \$23.5 million and \$24.2 million for the years ended December 31, 2009 and 2008, respectively. Excise taxes paid by the regulated utilities are not material and are expensed as incurred.

Asset Impairments

Peoples Gas System applies the provision of the accounting guidance for long-lived assets. The accounting guidance 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 the accounting guidance 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. Indicators of impairment did not exist for any long-lived asset.

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, industrial 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 prepared in accordance with the reporting requirements of the FERC as set forth in the applicable Uniform System of Accounts and published accounting releases. This is a comprehensive basis of accounting consistent with GAAP, except for:

- the balance sheet classification of cost of removal 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 balance sheet classification of ASC 740-10-45 deferred income tax credits
- the balance sheet classification of the current portion of long term debt of \$3.7 million and \$5.5 million at December 31, 2009 and 2008, respectively

This is a comprehensive basis of accounting consistent with FERC, except for:

- the balance sheet classification of ASC 740-10-25 Accounting for Uncertainty in Income Taxes

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

2. New Accounting Pronouncements

Measuring Liabilities at Fair Value

In August 2009, the Financial Accounting Standards Board (FASB) issued an accounting standards update that clarifies how to measure the fair value of a liability when there is not a quoted price in an active market for a liability. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using alternative techniques including, but not limited to: 1) the quoted price of the identical liability when traded as an asset or 2) quoted prices for similar liabilities or similar liabilities when traded as assets. It was effective for the first reporting period beginning after issuance. The new requirement did not have an impact on the company's results of operations, statement of position or cash flows.

The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles

In June 2009, the FASB issued guidance that names the FASB Accounting Standards Codification (Codification) as the single source of authoritative U.S. GAAP for non-governmental entities recognized by the FASB. It became effective in the third quarter and supersedes all U.S. GAAP accounting standards, aside from rules and interpretive releases issued by the SEC. The Codification is not intended to change GAAP; rather, it changes all referencing of U.S. GAAP including the notes to financial statements. Therefore, it did not have an impact on the company's results of operations, statement of position or cash flows.

Subsequent Events

In May 2009, the FASB issued guidance that requires companies to disclose the date through which they evaluated subsequent events and whether that date corresponds with the filing of their financial statements. It became effective for fiscal periods ending after June 15, 2009, and the adoption did not have an impact on the company's results of operations, statement of position or cash flows.

Fair Value Measurements

In September 2006, the FASB issued guidance that defines fair value, establishes a framework for measuring fair value under GAAP, and expands required disclosures about fair value measurements. The guidance 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. The guidance applies under other accounting pronouncements that require or permit fair value measurements.

The effective date was for fiscal years beginning after November 15, 2007. In November 2007, the FASB informally granted a one year deferral for non-financial assets and liabilities. In February 2008, the FASB formally delayed the effective date of the fair value guidance to fiscal years beginning after November 15, 2008 for non-financial assets and non-financial 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 the fair value guidance effective January 1, 2008 for financial assets and liabilities and January 1, 2009 for non-financial assets and liabilities. No adoption adjustment was necessary. Financial assets and liabilities of the company measured at fair value include derivatives and certain investments, for

which fair values are primarily based on observable inputs. Non-financial assets and liabilities of the company measured at fair value include asset retirement obligations (AROs) when they are incurred and any long-lived assets or equity-method investments that are impaired in a currently reported period.

In April 2009, the FASB issued additional guidance to address fair value valuation concerns in the current market environment. These concerns included applying the fair value model when the market for an asset is not active, when there are other-than-temporary impairments (OTTI) of debt and equity securities and when to include the interim disclosures about the fair value of financial instruments.

When the market for an asset is not active, the newly issued guidance affirms that the objective of fair value is the price that would be received to sell the asset in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date in the inactive market. The determination of whether a transaction was not orderly should be based on the weight of the evidence. An entity is required to disclose a change in valuation technique and the related inputs resulting from the application of the new guidance and to quantify its impact. Retrospective application was not permitted. The new guidance became effective for interim and annual periods ending after June 15, 2009. This did not materially affect the company's results of operations, statement of position or cash flows.

The OTTI guidance is applicable to debt securities and requires that a company recognize the credit component of an OTTI in earnings and the remaining portion in other comprehensive income if management asserts it does not have the intent to sell the security and it is more likely than not it will not have to sell the security before recovery of its cost basis. It requires an entity to present, separately in the financial statement where the components of the other comprehensive income are reported, the amounts recognized in accumulated other comprehensive income related to the noncredit portion of OTTI recognized for available-for-sale and held-to-maturity debt securities. Additionally, disclosure requirements were amended and are required to for interim periods. The guidance became effective for interim and annual periods ending after June 15, 2009 and did not materially affect the company's results of operations, statement of position or cash flows.

Interim disclosures of fair value information, including methods and significant assumptions in measuring fair value, for financial instruments are required under the new guidance. The guidance became effective for interim and annual periods ending after June 15, 2009 and had no impact on the company's results of operations, statement of position or cash flows.

Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, the FASB issued guidance that 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 was effective for fiscal years ending after December 15, 2009 and is significant to the company's financial disclosures but has no impact on the company's results of operations, statement of position or cash flows.

In September 2009, the FASB issued an accounting standards update that allows reporting entities to use net asset value (NAV) as an estimate of fair value for certain investments. The guidance became effective for interim and annual periods ending after December 15, 2009. The guidance had an impact on the company's postretirement benefit plan footnote as some of the company's pension plan assets use NAV to estimate fair value.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued guidance to enhance the disclosure framework for derivatives and hedging. 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 are required for fiscal years and interim periods beginning after November 15, 2008. The guidance was significant to the company's financial statement disclosures but had no impact on its results of operations, statement of position or cash flows.

Additionally, in April 2008, the FASB revised previously issued implementation guidance to reflect the enhanced disclosures required by the new guidance. These revisions are significant to the company's

financial statement disclosures but have no impact on its results of operations, statement of position or cash flows.

3. Regulatory

Base Rate – PGS

Recognizing a significant decline in ROE, Peoples Gas System filed with the FPSC for a \$3.7 million interim rate increase in August 2008. The FPSC approved the interim rate increase of \$2.4 million effective October 29, 2008. Peoples Gas System also filed in August 2008 with the FPSC for a \$26.5 million base rate increase. On May 5, 2009, the FPSC approved a base rate increase of \$19.2 million that became effective on June 18, 2009 and reflects a return on equity of 10.75%, which is the middle of a range between 9.75% and 11.75%. The allowed equity in capital structure is 54.7% from all investor sources of capital on an allowed rate base of \$560.8 million.

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 by the FPSC. 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 2009, the FPSC approved the PGS annual PGA cap factor for the period January 2010 through December 2010.

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. The FPSC requires natural gas utilities to offer transportation-only service to all non-residential customers. As a result, PGS receives its base rate for distribution regardless of whether a customer decides to opt for transportation-only service or continue bundled service. As of December 31, 2009, PGS had approximately 15,250 transportation-only customers out of 31,400 eligible customers.

In addition to economic regulation, PGS is subject to the FPSC's safety jurisdiction, pursuant to which the FPSC regulates the construction, operation and maintenance of PGS' distribution system. In general, the FPSC has implemented this by adopting the Minimum Federal Safety Standards and reporting requirements for pipeline facilities and transportation of gas prescribed by the U.S. Department of Transportation in Parts 191, 192, and 199, Title 49, Code of Federal Regulations.

PGS is also subject to federal, state and local environmental laws and regulations pertaining to air and water quality, land use, noise and aesthetics, solid waste and other environmental matters.

Regulatory Assets and Liabilities

Peoples Gas System maintains its accounts in accordance with recognized policies of the FPSC. The company applies the accounting standards for regulated operations. 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 December 31, 2009 and 2008 are presented in the following table:

| Regulatory Assets and Liabilities (millions) Dec. 31, | 2009 | 2008 |
|---|-----------------|-----------------|
| Regulatory assets: | | |
| Cost recovery clauses | \$ 14.40 | \$ 22.90 |
| Post-retirement benefit asset | 27.3 | 28.6 |
| Deferred bond refinancing costs ⁽¹⁾ | 0.9 | 1.2 |
| Environmental remediation | 21.2 | 10.8 |
| Competitive rate adjustment | 3.1 | 4.7 |
| Other | 0.6 | 0.7 |
| Total regulatory assets | <u>\$ 67.5</u> | <u>\$ 68.9</u> |
| Less: Current portion | 22.1 | 26.7 |
| Long-term regulatory assets | <u>\$ 45.4</u> | <u>\$ 42.2</u> |
| Regulatory liabilities | | |
| Recovery clause related | \$ 0.90 | \$ 2.80 |
| Environmental remediation | 19.9 | 10.6 |
| Storm Reserve | - | - |
| Deferred gain on property sales ⁽²⁾ | 0.9 | 1.5 |
| Accumulated reserve-cost of removal | 110.2 | 101.9 |
| Other | 0.6 | 0.4 |
| Total regulatory liabilities | <u>\$ 132.5</u> | <u>\$ 117.2</u> |
| Less: Current portion | 1.5 | 3.2 |
| Long-term regulatory liabilities | <u>\$ 131.0</u> | <u>\$ 114.0</u> |

(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) Dec. 31, | 2009 | 2008 |
|---|----------------|----------------|
| Regulatory assets: | | |
| Clause recoverable ⁽¹⁾ | \$ 17.50 | \$ 27.60 |
| Components of rate base ⁽²⁾ | 27.3 | 28.6 |
| Capital structure and other ⁽³⁾ | 22.7 | 12.7 |
| Total | <u>\$ 67.5</u> | <u>\$ 68.9</u> |

(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 8.53% rate of return as permitted by the FPSC.

(3) Has a recoverable period longer than a fiscal year and are recognized over the period authorized by the regulatory agency. Also included are 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.

4. 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.

Income tax expense consists of the following components:

| Income Tax Expense (millions) | <i>Federal</i> | <i>State</i> | <i>Total</i> |
|---|----------------|--------------|--------------|
| 2009 | | | |
| Currently payable | \$ 4.0 | \$ 1.9 | \$ 5.9 |
| Deferred | 7.4 | 0.0 | 7.4 |
| Total income tax expense | \$ 11.4 | \$ 1.9 | \$ 13.3 |
| Included in other income, net | | | (0.3) |
| Included in operating expenses | | | \$ 13.0 |
| 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 |

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>2009</i> | <i>2008</i> |
|--|-------------|-------------|
| Deferred income tax assets ⁽¹⁾ | | |
| Hedging Activities (FAS 133) | \$ 4.3 | \$ 10.4 |
| Insurance Reserves | 1.4 | 0.8 |
| Pension and Post-retirement benefits (FAS 158) | 10.5 | 11.0 |
| Medical Benefits | 4.1 | 3.8 |
| Other | 23.7 | 28.5 |
| Total deferred income tax assets | \$ 44.0 | \$ 54.5 |
| Deferred income tax liabilities ⁽¹⁾ | | |
| Property related | \$ (58.5) | \$ (53.3) |
| Hedging Activities (FAS 133) | (3.0) | (9.0) |
| Pension and Post-retirement benefits (FAS 158) | (10.5) | (11.0) |
| Deferred Fuel | (2.7) | 0.0 |
| Other | (3.8) | (8.2) |
| Total deferred income tax liabilities | \$ (78.5) | \$ (81.5) |
| Accumulated deferred income taxes | \$ (34.5) | (27.0) |

(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>2009</i> | <i>2008</i> |
|---|-------------|-------------|
| Net income | \$ 31.9 | \$ 27.1 |
| Total income tax provision | 13.3 | 17.3 |
| Income before income taxes | \$ 45.2 | \$ 44.4 |
| Income taxes on above at federal statutory rate of 35% | \$ 15.8 | \$ 15.5 |
| Increase (decrease) due to | | |
| State income tax, net of federal income tax | 1.6 | 1.6 |
| FAS 109 | (4.0) | 0.0 |
| Other | (0.1) | 0.2 |
| Total income tax provision | \$ 13.3 | \$ 17.3 |
| Provision for income taxes as a percent of income from continuing operations, before income taxes | 29.5% | 39.0% |

The company accounts for uncertain tax positions as required by FASB accounting guidance. This guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under the guidance, the company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The guidance also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. PGS adopted the guidance effective January 1, 2007 with no impact.

The Internal Revenue Service (IRS) concluded its examination of federal income tax returns for the year 2008 during 2009. The U.S. federal statute of limitations remains open for the year 2006 and onward. Year 2009 is currently under examination by the IRS under the Compliance Assurance Program, a program in which TECO Energy is a participant. Florida's statute of limitations is 3 years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by Florida's tax authorities include 2006 and onward. The company does not expect the settlement of audit examinations to significantly change the total amount of unrecognized tax benefits within the next 12 months.

5. Employee Postretirement Plan

PGS recognizes in its statement of financial position the over-funded or under-funded status of its postretirement benefit plans. This status is measured as the difference between the fair value of plan assets and the projected benefit obligation (PBO) in the case of its defined benefit plan, or the accumulated postretirement benefit obligation (APBO) in the case of its other postretirement benefit plan. As a result of the application of the accounting guidance for certain types of regulation, changes in the funded status are reflected, net of estimated tax benefits, in the benefit liabilities and regulatory assets.

Pension Benefits

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

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 December 23, 2008. WRERA grants plan sponsors relief from certain funding requirements and benefits 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 94% and 96% in 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 January 1, 2010 estimate assumes adoption of the asset smoothing methodology under WRERA and includes an additional 2009 plan year contribution expected to be made in 2010.

For the year ended December 31, 2009, TECO Energy's pension plan experienced actual asset returns of approximately 19.8%. The qualified pension plan's actuarial value of assets, including credit balance, was 103.67% of the PPA funded target as of January 1, 2009 and is estimated at 90% of the PPA funded target as of January 1, 2010.

Amounts disclosed for pension benefits also include the unfunded obligations for the supplemental executive retirement plan (SERP). This is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management.

Other Postretirement Benefits

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

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) was signed into law. Beginning in 2006, the MMA added prescription drug coverage to Medicare, with a 28% tax-free subsidy to encourage employers to retain their prescription drug programs for retirees, along with other key provisions. TECO Energy's current retiree medical program for those eligible for Medicare (generally over age 65) includes coverage for prescription drugs. 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 that are offered under Medicare Part D.

On May 19, 2004, the FASB issued accounting and disclosure requirements related to the MMA. The guidance requires (a) that the effects of the federal subsidy be considered an actuarial gain and recognized in the same manner as other actuarial gains and losses and (b) certain disclosures for employers that sponsor postretirement health care plans that provide prescription drug benefits. TECO Energy and its subsidiaries adopted this guidance retroactive for the second quarter of 2004.

The company received subsidy payments under Part D for the 2008 plan year. Its 2009 Part D subsidy application with the Centers for Medicare and Medicaid Services (CMS) was approved in December 2008 and the company expects to receive the payment in 2010.

The following charts summarize the income statement and balance sheet impacts for TECO Energy, as well as the benefit obligations, assets, and funded status:

TECO Energy Consolidated
Obligations and Funded Status
(millions)

| | Pension Benefits | | Other Benefits | |
|---|------------------|----------|----------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| Change in benefit obligation | | | | |
| Net benefit obligation at prior measurement date ⁽¹⁾ | \$ 555.4 | \$ 557.2 | \$ 188.9 | \$ 195.7 |
| Effect of eliminating early measurement date | n/a | 4.8 | n/a | 1.4 |
| Service cost | 15.7 | 15.4 | 2.9 | 4.1 |
| Interest cost | 33.7 | 31.9 | 11.2 | 12.0 |
| Plan participants' contributions | - | - | 3.5 | 3.8 |
| Actuarial loss (gain) | 29.6 | 3.3 | 16.6 | (5.7) |
| Plan amendments | 0.4 | - | - | (9.4) |
| Curtailment | (0.8) | - | - | - |
| Special termination benefits | - | - | - | - |
| Gross benefits paid | (46.3) | (54.5) | (16.4) | (13.8) |
| Settlements | - | (2.7) | - | - |
| Federal subsidy on benefits paid | n/a | n/a | 0.9 | 0.8 |
| Net benefit obligation at measurement date ⁽¹⁾ | \$ 587.7 | \$ 555.4 | \$ 207.6 | \$ 188.9 |

Change in plan assets

| | | | | |
|--|----------|----------|--------|--------|
| Fair value of plan assets at prior measurement date ⁽¹⁾ | \$ 360.7 | \$ 492.7 | \$ - | \$ - |
| Effect of eliminating early measurement date | n/a | 28.4 | n/a | - |
| Actual return on plan assets ⁽²⁾ | 66.3 | (119.1) | - | - |
| Employer contributions | 8.2 | 15.9 | 12.9 | 10.0 |
| Plan participants' contributions | - | - | 3.5 | 3.8 |
| Settlements | - | (2.7) | - | - |
| Gross benefits paid | (46.3) | (54.5) | (16.4) | (13.8) |
| Fair value of plan assets at measurement date ⁽¹⁾ | \$ 388.9 | \$ 360.7 | \$ - | \$ - |

Funded status

| | | | | |
|--|----------|----------|------------|------------|
| Fair value of plan assets ⁽³⁾ | \$ 388.9 | \$ 360.7 | \$ - | \$ - |
| Benefit obligation (PBO/APBO) | 587.7 | 555.4 | 207.6 | 188.9 |
| Funded status at measurement date ⁽¹⁾ | (198.8) | (194.7) | (207.6) | (188.9) |
| Unrecognized net actuarial loss | 228.7 | 237.2 | 18.3 | 1.0 |
| Unrecognized prior service (benefit) cost | (2.1) | (2.7) | 6.5 | 7.3 |
| Unrecognized net transition obligation | - | - | 6.5 | 8.8 |
| Accrued liability at end of year | \$ 27.8 | \$ 39.8 | \$ (176.3) | \$ (171.8) |

Amounts Recognized in Balance Sheet

| | | | | |
|--|----------|----------|------------|------------|
| Regulatory assets | \$ 181.7 | \$ 186.3 | \$ 47.4 | \$ 34.0 |
| Accrued benefit costs and other current liabilities | (7.2) | (1.8) | (13.4) | (13.6) |
| Deferred credits and other liabilities | (191.6) | (193.0) | (194.2) | (175.3) |
| Accumulated other comprehensive loss (income) (pretax) | 44.9 | 48.3 | (16.1) | (16.9) |
| Net amount recognized at end of year | \$ 27.8 | \$ 39.8 | \$ (176.3) | \$ (171.8) |

(1) The measurement dates were Dec. 31, 2009 and Dec. 31, 2008.

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

(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.

PGS

| Amounts recognized in balance sheet (millions) | Pension Benefits | | Other Benefits | |
|---|------------------|---------|----------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Regulatory assets | \$ 27.6 | \$ 29.7 | \$ (0.2) | \$ (1.2) |
| Accrued benefit costs and other current liabilities | (3.0) | (0.8) | (0.6) | (0.6) |
| Deferred credits and other liabilities | (24.2) | (27.3) | (13.1) | (11.4) |
| Net amount recognized at end of year | \$ 0.4 | \$ 1.6 | \$ (13.9) | \$ (13.2) |

The accumulated benefit obligation for TECO Energy Consolidated defined benefit pension plans was \$530.1 million at December 31, 2009 and \$504.9 million at December 31, 2008.

Assumptions used to determine benefit obligations at Dec. 31, 2009 and 2008:

| | Pension Benefits | | Other Benefits | |
|-------------------------------|------------------|-------|----------------|-------|
| | 2009 | 2008 | 2009 | 2008 |
| Discount rate | 5.75% | 6.05% | 5.60% | 6.05% |
| Rate of compensation increase | 4.25% | 4.25% | 4.25% | 4.25% |
| Healthcare cost trend rate | | | | |
| Initial rate | n/a | n/a | 8.00% | 8.50% |
| Ultimate rate | n/a | n/a | 5.00% | 5.00% |
| Year rate reaches ultimate | n/a | n/a | 2016 | 2015 |

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

| (millions) | Increase | Decrease |
|---|----------|----------|
| Effect on postretirement benefit obligation | \$ 0.3 | \$ (0.2) |

Components of TECO Energy Consolidated net periodic benefit cost

| (millions) | Pension Benefits | | Other Benefits | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2009 ⁽¹⁾ | 2008 ⁽¹⁾ | 2009 ⁽¹⁾ | 2008 ⁽¹⁾ |
| Service cost | \$ 15.7 | \$ 15.4 | \$ 2.9 | \$ 4.1 |
| Interest cost | 33.6 | 31.9 | 11.3 | 12.0 |
| Expected return on plan assets | (37.8) | (39.0) | - | - |
| Amortization of: | | | | |
| Actuarial loss | 8.7 | 4.0 | - | - |
| Prior service (benefit) cost | (0.4) | (0.4) | 0.8 | 1.8 |
| Transition (asset) obligation | - | - | 2.3 | 2.3 |
| Curtailed loss | 0.2 | - | - | - |
| Settlement loss | - | 0.9 | - | - |
| Net periodic benefit cost | \$ 20.0 | \$ 12.8 | \$ 17.3 | \$ 20.2 |

(1) Benefit Cost was measured for the twelve months ended Dec. 31, 2009 and 2008. The company elected a 15-month transition approach allowed by accounting standards for employer's defined benefit pension and other post-retirement plans 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 and \$3.1 million for Other Postretirement Benefits in the fourth quarter of 2008.

PGS' portion of the net periodic benefit costs for pension benefits was \$2.7 million and \$2.0 million for 2009 and 2008, respectively. PGS' portion of the net periodic benefit costs for other benefits was \$1.4 million and \$1.5 million for 2009 and 2008, respectively.

The estimated net loss and prior service benefit for the defined benefit pension plans that will be amortized by PGS from regulatory assets into net periodic benefit cost over the next fiscal year are \$1.6 million and \$0.1 million, respectively. The estimated transition obligation and prior service cost for the other

postretirement benefit plan that will be amortized by PGS from regulatory assets into net periodic benefit cost over the next fiscal year total \$0.2 million and \$0.1 million.

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

| | Pension Benefits | | Other Benefits | |
|--|-------------------------|-------------|-----------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Discount rate | 6.05% | 6.20% | 6.05% | 6.20% |
| Expected long-term return on plan assets | 8.25% | 8.25% | n/a | n/a |
| Rate of compensation increase | 4.25% | 4.25% | 4.25% | 4.25% |
| Healthcare cost trend rate | | | | |
| Initial rate | n/a | n/a | 8.50% | 9.25% |
| Ultimate rate | n/a | n/a | 5.00% | 5.25% |
| Year rate reaches ultimate | n/a | n/a | 2016 | 2016 |

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 expected return on assets assumption was based on historical returns, fixed income spreads and equity premiums consistent with our portfolio and asset allocation. A change in asset allocations could have a significant impact on the expected return on assets. Additionally, expectations of long-term inflation, real growth in the economy and a provision for active management and expenses paid were incorporated in the assumption. For the year ended December 31, 2009, TECO Energy's pension plan experienced actual asset returns of approximately 19.8%.

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 minimal effect on PGS expense.

Pension Assets

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 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. The company targets a higher allocation to equity securities than fixed income securities since the company believes that equity securities are expected to outperform fixed income securities.

| Asset Category | Target Allocation | Actual Allocation, End of Year | |
|-------------------------|--------------------------|---------------------------------------|-------------|
| | | 2009 | 2008 |
| Equity securities | 55-65% | 66% | 56% |
| Fixed income securities | 35-45% | 34% | 44% |
| Total | | 100% | 100% |

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.

The plan's investments are held by a trust fund administered by JP Morgan. JP Morgan measures fair value using the procedures set forth below for all investments. When available, JP Morgan uses quoted market prices on investments 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 investments are traded in a

secondary market, JP Morgan makes use of acceptable practical expedients to calculate fair value, and the company classifies these items as Level 2.

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

The following table sets forth by level within the fair value hierarchy the plan's investments as of December 31, 2009. As required by the fair value accounting standards, the investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The plan's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For cash equivalents, the cost approach was used in determining fair value. For bonds and U.S. government agencies, the income approach was used. For other investments, the market approach was used.

Fair Value Hierarchy of the Plan's Investments

(millions)

| | At Fair Value as of Dec. 31, 2009 | | | |
|--|-----------------------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Net cash | \$ 37.2 | \$ - | \$ - | \$ 37.2 |
| Cash equivalents | - | 10.6 | - | 10.6 |
| Equity securities | | | | |
| Common stocks | 94.1 | - | - | 94.1 |
| Preferred stocks | - | 1.0 | - | 1.0 |
| American depository receipt (ADR) | 7.1 | 1.1 | - | 8.2 |
| Real estate investment trust (REIT) | 1.1 | - | - | 1.1 |
| Commingled fund | - | 22.8 | - | 22.8 |
| Mutual fund | 127.2 | - | - | 127.2 |
| Total equity securities | 229.5 | 24.9 | - | 254.4 |
| Fixed income securities | | | | |
| Municipal bonds | 0.7 | 3.2 | - | 3.9 |
| Government bonds | - | 27.5 | - | 27.5 |
| Corporate bonds | - | 24.3 | - | 24.3 |
| Mortgage backed securities (MBS) | - | 25.7 | - | 25.7 |
| Asset backed securities (ABS) | - | 0.7 | - | 0.7 |
| Collateralized mortgage obligation/Real estate mortgage investment conduit (CMO/REMIC) | - | 3.9 | - | 3.9 |
| Mutual fund | - | 0.9 | - | 0.9 |
| Total fixed income securities | 0.7 | 86.2 | - | 86.9 |
| Options | - | (0.3) | - | (0.3) |
| Miscellaneous | - | 0.1 | - | 0.1 |
| Total | \$ 267.4 | \$ 121.5 | \$ - | \$ 388.9 |

- Net cash represents cash, net accounts receivables and accounts payables.
- Cash equivalents are valued using cost due to their short term nature. Additionally, cash equivalents are backed by 102% collateral.
- The primary pricing inputs in determining the fair value of the Level 1 assets, excluding the mutual fund, are quoted prices in active markets.
- The primary pricing inputs in determining the fair value of Level 2 preferred stock and ADR are prices of similar securities and benchmark quotes.
- The commingled fund invests primarily in international equity securities, normally excluding securities issued in the U.S., with large- and mid-market capitalizations. The fund may invest in "value" or "growth" securities and is not limited to a particular investment style. The fund is valued using the net asset value (NAV), as determined by the fund's trustee in accordance with U.S. GAAP, at year end. For redemption, written notice of the amount to be withdrawn must be given no later than 4:00 p.m. eastern standard time.

- The primary pricing input in determining the Level 1 mutual fund is the mutual fund's NAV. The Level 1 mutual fund is an open-ended mutual fund and the NAV is validated with purchases and sales at NAV, making this a Level 1 asset.
- The primary pricing inputs in determining the fair value Level 2 municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of government bonds are the U.S. treasury curve, CPI, and broker quotes, if available. The primary pricing inputs in determining the fair value of corporate bonds are the U.S. treasury curve, base spreads, YTM, and benchmark quotes. Asset backed securities (ABS) and collateralized mortgage obligations (CMO) are priced using TBA prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. Mortgage backed securities (MBS) are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information.
- The primary pricing input in determining the fair value of the Level 2 mutual fund is its NAV at year end. Shares may be purchased at the NAV without sales charges or other fees. Since this mutual fund is a private fund, it is a Level 2 asset. The fund invests primarily in emerging market fixed income securities. For redemption, written notice of the amount to be withdrawn must be given no later than 4:00 p.m. eastern standard time. Redemption proceeds will normally be received within three business days.
- Level 2 options are valued using the bid-ask spread and the last price.
- There were no assets classified as level 3 assets in 2008 or 2009.

Other Postretirement Benefit Plan Assets

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

Contributions

TECO Energy's policy is to fund the qualified pension plan at or above amounts determined by its actuaries to meet ERISA guidelines for minimum annual contributions and minimize PBGC premiums paid by the plan. TECO Energy contributed \$6.7 million to this plan in 2009 and \$11.7 million in 2008, which met the minimum funding requirements for both 2009 and 2008. PGS' portion of the contribution in 2009 and 2008 was \$0.4 million and \$1.6 million, respectively. TECO Energy plans to contribute the minimum required contribution of \$19.5 million in 2010 with potential additional contributions of \$20 - \$25 million to maintain certain funding thresholds. PGS' portion of the 2010 minimum required contribution is \$2.3 million. TECO Energy estimates annual contributions to range from \$25 - \$90 million per year in 2011 to 2014 based on current assumptions. PGS' portion of the contributions range from \$3 - \$11 million per year in 2011 to 2014.

The SERP is funded annually to meet the benefit obligations. TECO Energy made contributions of \$1.5 million and \$4.2 million to this plan in 2009 and 2008, respectively. PGS' portion of the contribution in 2009 and 2008 was \$1.0 million and \$0.9 million. In 2010, the TECO Energy expects to make a contribution of about \$8.4 million to this plan.

The other postretirement benefits are funded annually to meet benefit obligations. The company's contribution toward health care coverage for most employees who retired after the age of 55 between January 1, 1990 and June 30, 2001 is limited to a defined dollar benefit based on service. The company contribution toward pre-65 and post-65 health care coverage for most employees retiring on or after July 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2010, TECO Energy expects to make a contribution of about \$14.0 million. PGS' portion of the expected contribution is \$0.6 million.

Benefit Payments

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

| 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 (millions): | | | |
| 2010 | \$ 52.7 | \$ 15.2 | \$ (1.2) |
| 2011 | \$ 49.4 | \$ 16.4 | \$ (1.4) |
| 2012 | \$ 50.0 | \$ 17.3 | \$ (1.5) |
| 2013 | \$ 50.4 | \$ 17.9 | \$ (1.7) |
| 2014 | \$ 51.3 | \$ 18.0 | \$ (1.8) |
| 2015-2019 | \$ 273.6 | \$ 92.9 | \$ (11.0) |

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. In April 2007, the employer matching contributions were 50% of eligible participant contributions, with an additional incentive match of up to 50%. For the years ended December 31, 2009 and 2008, TECO Energy and its subsidiaries recognized expense totaling \$8.1 million and \$7.1 million, respectively, related to the matching contributions made to this plan. PGS' portion of expense totaled \$1.2 million and \$0.7 million for 2009 and 2008, respectively.

6. Short-term Debt

The weighted average interest rate on outstanding notes payable at December 31, 2009 and 2008 was .64% and 2.13%, respectively. Credit facilities of \$475 million exist of which \$55 million was drawn at December 31, 2009 with an allocated amount of \$0.0 to Peoples Gas System.

7. 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 December 31, 2009, PGS has estimated its ultimate financial liability to be approximately \$19.9 million, and this amount has been accrued in the company's financial statements. The environmental remediation costs associated with these sites, which are expected to be paid over many years, are not expected to have a significant impact on customer prices.

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

8. Related Party Transactions

Net transactions with affiliates are as follows:

| <i>(millions)</i> | <u>2009</u> | <u>2008</u> |
|---------------------------------|-------------|-------------|
| Administrative and general, net | \$4.4 | \$4.8 |

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

| <i>(millions)</i> | <u>2009</u> | <u>2008</u> |
|---------------------|-------------|-------------|
| Accounts receivable | \$2.9 | \$3.4 |
| Accounts payable | \$8.1 | \$8.3 |

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

PGS had certain transactions, in the ordinary course of business, with entities in which directors of the company had interests. The company paid legal fees of \$32 thousand for the year ended December 2009 to Ausley McMullen, P.A. of which Mr. Ausley (a director of TECO Energy) is an employee.

9. Asset Retirement Obligations

Peoples Gas System accounts for asset retirement obligations under applicable accounting standards. 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, PGS 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.

10. Accounting for Derivatives and Hedging

From time to time, PGS enters into swaps and option contracts for the following purposes:

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

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

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

The company applies the accounting standards for derivatives and hedging. 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 the instrument's settlement. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the market change of the amount paid or received on the underlying physical transaction.

New accounting standards for disclosures became effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This new standard requires enhanced disclosures about a company's derivative activities and how the related hedged items affect a company's financial position, financial performance and cash flows. The new requirements include qualitative disclosures about the company's fair value amounts of gains and losses associated with derivative instruments, as well as disclosures about credit-risk-related contingent features in derivative agreements. The company adopted this new standard effective January 1, 2009.

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

A company's physical contracts qualify for the normal purchase/normal sale (NPNS) exception to derivative accounting rules, provided they meet certain criteria. Generally, NPNS applies if the company deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if the company intends to receive physical delivery and if the transaction is reasonable in relation to the company's business needs. As of December 31, 2009, all of the company's physical contracts qualify for the NPNS exception.

The following tables presents the derivative hedges of natural gas contracts at December 31, 2009 and December 31, 2008 to limit the exposure to changes in the market price for natural gas used to produce energy and natural gas purchased for resale to customers:

| Natural Gas Derivatives <i>(millions)</i> | Dec 31, 2009 | Dec 31, 2008 |
|---|-------------------------|-------------------------|
| Current assets | \$ - | \$ - |
| Long-term assets | \$ - | \$ - |
| Total assets | <u>\$ -</u> | <u>\$ -</u> |
| Current liabilities | \$ 6.9 | \$ 20.2 |
| Long-term liabilities | \$ 0.8 | \$ 3.2 |
| Total liabilities | <u>\$ 7.7</u> | <u>\$ 23.4</u> |

Amounts presented above are on a gross basis, with asset and liability positions netted by counterparty in accordance with accounting standards for derivatives and hedging.

The following table presents the effects of energy related derivatives on the fuel recovery clause mechanism in the balance sheet as of December 31, 2009:

| <i>(millions)</i> at December 31, 2009 | Asset Derivatives | | Liability Derivatives | |
|---|-------------------------|-------------|-------------------------|---------------|
| | Balance Sheet | | Balance Sheet | |
| | Location ⁽¹⁾ | Fair Value | Location ⁽¹⁾ | Fair Value |
| <i>Natural gas derivatives:</i> | | | | |
| Current | Regulatory Liabilities | \$ - | Regulatory assets | \$ 6.9 |
| Long-term | Regulatory Liabilities | \$ - | Regulatory assets | \$ 0.8 |
| Total | | <u>\$ -</u> | | <u>\$ 7.7</u> |

(1) Natural gas derivatives are deferred in accordance with accounting standards for regulated operations and all increases and decreases in the cost of natural gas supply are passed on to customers with the fuel recovery clause mechanism. As gains and losses are realized in future periods, they will be recorded as fuel costs in the Statement of Income.

Based on the fair value of the instruments at December 31, 2009, net pretax losses of \$ 6.9 million are expected to be reclassified from regulatory assets to the Statements of Income within the next twelve months.

The following table presents the effect of hedging instrument on OCI and income for the years ended December 31:

| <i>(millions)</i> | Amount of Gain/(Loss) on Derivatives Recognized in OCI | Location of Gain/(Loss) Reclassified from AOCI into Income | Amount of Gain/(Loss) on Derivatives Recognized in OCI |
|---|--|--|--|
| <i>Derivatives in Cash Flow Hedging Relationships</i> | Effective Portion ⁽¹⁾ | | Effective Portion ⁽¹⁾ |
| 2009 | | | |
| Interest rate contracts | \$ - | Interest Expense | \$ (0.2) |
| Total | <u>\$ -</u> | | <u>\$ (0.2)</u> |
| 2008 | | | |
| Interest rate contracts | \$ (2.5) | Interest Expense | \$ (0.1) |
| Total | <u>\$ (2.5)</u> | | <u>\$ (0.1)</u> |

(1) Changes in OCI and AOCI are reported in after-tax dollars.

For derivative instruments that meet cash flow hedge criteria, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or period during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For the years ended December 31, 2009 and 2008, all hedges were effective.

The following table presents the derivative activity for instruments classified as qualifying cash flow hedges for the years ended December 31:

| <i>(millions)</i> | Fair Value Asset/(Liability) | Amount of Gain/(Loss) Recognized in OCI ⁽¹⁾ | Amount of Gain/(Loss) Reclassified From AOCI into Income |
|---------------------|---------------------------------|---|--|
| 2009 | | | |
| Interest rate swaps | \$ - | \$ - | \$ (0.2) |
| Total | \$ - | \$ - | \$ (0.2) |
| 2008 | | | |
| Interest rate swaps | \$ - | \$ (2.5) | \$ (0.1) |
| Total | \$ - | \$ (2.5) | \$ (0.1) |

(1) Changes in OCI and AOCI are reported in after-tax dollars.

The maximum length of time over which the company is hedging its exposure to the variability in future cash flows extends to December 31, 2011 for the financial natural gas contracts. The following table presents the commodity type of the company's derivative volumes that as of December 31, 2009, are expected to settle during the 2010 and 2011 fiscal years:

| <i>(millions)</i> | Natural Gas Contracts (MMBTUs) | |
|-------------------|--------------------------------|------------|
| | Physical | Financial |
| Year | | |
| 2010 | - | 6.4 |
| 2011 | - | 1.9 |
| Total | - | 8.3 |

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

It is possible that volatility in commodity prices could cause PGS to have material credit risk exposures with one or more counterparties. If such counterparties fail to perform their obligations under one or more agreements, the company could suffer a material financial loss. However, as of December 31, 2009, substantially all of the counterparties with transaction amounts outstanding in the company's energy portfolio are rated investment grade by the major rating agencies. The company assesses credit risk internally for counterparties that are not rated.

PGS has implemented procedures to monitor the creditworthiness of our counterparties and to consider nonperformance in valuing counterparty positions. The company monitors counterparties' credit standing, including those that are experiencing financial problems, have significant swings in credit default swap rates, have credit rating changes by external rating agencies, or have change in ownership. Net liability positions are generally not adjusted as the company uses derivative transactions as hedges and has the ability and intent to perform under each of these contracts. In the instance of net asset positions, PGS considers general market conditions and the observable financial health and outlook of specific counterparties, forward looking data such as credit default swaps, when available, and historical default probabilities from credit rating agencies in evaluating the potential impact of nonperformance risk to derivative positions. As of December 31, 2009, substantially all positions with counterparties are net liabilities.

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

features associated with any derivative instruments.

The table below presents the fair value of the overall contractual contingent liability positions for PGS' derivative activity at December 31, 2009:

Contingent Features

| <i>(millions)</i> At Dec. 31, 2009 | Fair Value Asset/(Liability) | Derivative Exposure Asset/(Liability) | Posted Collateral |
|---------------------------------------|---------------------------------|--|----------------------|
| Credit Rating | \$ (7.7) | \$ (7.7) | \$ - |
| Total | \$ (7.7) | \$ (7.7) | \$ - |

11. Fair Value

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.

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 December 31, 2009. As required by accounting standards for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. 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

| <i>(millions)</i> | <i>At Fair Value as of Dec. 31, 2009</i> | | | |
|--------------------|--|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Natural gas swaps | \$ - | \$ - | \$ - | \$ - |
| Total | \$ - | \$ - | \$ - | \$ - |
| Liabilities | | | | |
| Natural gas swaps | \$ - | \$ 7.7 | \$ - | \$ 7.7 |
| Total | \$ - | \$ 7.7 | \$ - | \$ 7.7 |

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, indication of credit deterioration, and whether the markets in which we transact have experienced dislocation. At December 31, 2009 the fair value of derivatives was not materially affected by nonperformance risk. The company's net positions with substantially all counterparties were liability positions.

12. Other Comprehensive Income

Peoples Gas System reported the following other comprehensive income (loss) for the years ended December 31, 2009 and 2008 related to changes in the fair value of cash flow hedges and amortization of unrecognized benefit costs associated with the company's pension plans:

| <i>Other comprehensive income (loss)</i> | | | | |
|---|----------|----------|----------|----------|
| (millions) | Gross | Tax | Net | |
| <i>2009</i> | | | | |
| <i>Unrealized loss on cash flow hedges</i> | \$ - | \$ - | \$ - | |
| <i>Less: Gain reclassified to net income</i> | 0.4 | (0.2) | 0.2 | |
| <i>Gain on cash flow hedges</i> | 0.4 | (0.2) | 0.2 | |
| <i>Total other comprehensive (loss) income</i> | \$ 0.4 | \$ (0.2) | \$ 0.2 | |
| <i>2008</i> | | | | |
| <i>Unrealized loss on cash flow hedges</i> | \$ (4.2) | \$ 1.6 | \$ (2.6) | |
| <i>Less: Gain 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) | |
| (millions) Dec. 31, | | | 2009 | 2008 |
| <i>Net unrealized loss from cash flow hedges</i> ⁽¹⁾ | | | \$ (2.0) | \$ (2.3) |
| <i>Total accumulated other comprehensive loss</i> | | | \$ (2.0) | \$ (2.3) |

(1) Net of tax benefit of \$1.3 million and \$1.4 million as of Dec. 31, 2009 and 2008, respectively.

13. Restructuring Charges

On July 30, 2009, TECO Energy, Inc announced organizational changes and a new senior executive team structure as part of its response to industry changes, economic uncertainties and its commitment to maintain a lean and efficient organization. As a second step in response to these factors, on August 31, 2009, the company decided on a total reduction in force which included approximately 39 jobs at PGS. The

reduction in force was substantially completed by December 31, 2009. In connection with this reduction in force, PGS incurred \$4.6 million related to severance and benefits. The total cash payments related to these actions are expected to be \$4.0 million including the settlement of pension obligations paid during 2009 and early 2010.

Restructuring Charges to be Incurred

(millions)

| | <i>Termination of Benefits</i> | <i>Other Costs</i> | <i>Total</i> |
|-------------------------------------|------------------------------------|------------------------|--------------|
| Total costs expected to be incurred | \$ 4.6 | \$ - | \$ 4.6 |
| Current period costs incurred | (4.6) | - | (4.6) |
| Adjustments | - | - | - |
| Total costs remaining | - | - | \$ - |

Accrued Liability for Restructuring Charges

(millions)

| | <i>Termination of Benefits</i> | <i>Other Costs</i> | <i>Total</i> |
|---------------------------------------|------------------------------------|------------------------|--------------|
| Beginning balance, July 1, 2009 | \$ - | \$ - | \$ - |
| Costs incurred and charged to expense | 4.6 | - | 4.6 |
| Costs paid/settled | (3.7) | - | (3.7) |
| Non-cash expense | (.6) | - | (.6) |
| Adjustments | - | - | - |
| Ending balance, December 31, 2009 | .3 | - | .3 |

14. Subsequent Events

Tampa Electric Company has evaluated all events subsequent to the balance sheet date of December 31, 2009 through the date of filing, February 26, 2010. On February 19, 2010 Tampa Electric Company and TEC Receivables Corp (TRC), a wholly-owned subsidiary of Tampa Electric Company, amended their \$150 million accounts receivable collateralized borrowing facility, entering into Amendment No. 8 to the Loan and Servicing Agreement with certain lenders named therein and Citicorp North America, Inc. as Program Agent. The amendment (i) extends the maturity date to February 18, 2011, (ii) provides that TRC will continue to pay program and liquidity fees, which, pursuant to the amendment, will total 100 basis points, (iii) provides that the interest rates on the borrowing will be based on prevailing asset-backed commercial paper rates, unless such rates are not available from conduit lenders, in which case the rates will be at an interest rate equal to, at Tampa Electric Company's option, either Citibank's prime rate (or the federal funds rate plus 50 basis points, if higher) or a rate based on the London interbank offer rate (if available) plus a margin and (iv) makes other technical changes.

| Name of Respondent | | For the Year Ended | |
|---|--|--------------------|---------------|
| Peoples Gas System | | Dec. 31, 2009 | |
| 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) | 949,428,851 | 949,428,851 |
| 4 | 101.1 Property Under Capital Leases | | |
| 5 | 102 Plant Purchased or Sold | | |
| 6 | 106 Completed Construction not Classified | 62,506,341 | 62,506,341 |
| 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) | 1,017,412,817 | 1,017,412,817 |
| 12 | 107 Construction Work in Progress | 10,548,015 | 10,548,015 |
| 13 | Accum. Provision for Depreciation, Amortization, & Depletion | 439,954,393 | 439,954,393 |
| 14 | Net Utility Plant (Total of lines 11 plus 12 less line 13) | 588,006,439 | 588,006,439 |
| 15 | DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION | | |
| 16 | In Service: | | |
| 17 | 108 Depreciation | 436,373,783 | 436,373,783 |
| 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) | 436,373,783 | 436,373,783 |
| 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 | 3,580,610 | 3,580,610 |
| 32 | TOTAL Accum. Provisions (Should agree with line 13 above) (Total of lines 21, 25, 29, 30, and 31) | 439,954,393 | 439,954,393 |
| | | | |

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

**Company: Peoples Gas System
For the Year Ended December 31, 2009**

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|--|-----------------------------|------------|--------------------|------------------|-------------|----------|-------------|-----------|-------------------|
| Amortizable General Plant Assets: | | | | | | | | | |
| 301-00 | Organization | | 12,620 | - | - | - | - | - | 12,620 |
| 302-00 | Franchise & Consents | | 427,466 | - | - | - | - | - | 427,466 |
| 303-00 | Misc Intangible Plant | | 815,325 | - | - | - | - | - | 815,325 |
| 303-01 | Custom Intangible Plant | | 14,848,334 | 2,028,507 | - | - | - | - | 16,876,841 |
| 374-02 | Land Rights | | 2,358,398 | 1,431,628 | - | - | - | - | 3,790,026 |
| 390-02 | Structures & Improve Leases | | 70,976 | - | - | - | - | - | 70,976 |
| | Subtotal | | 18,533,119 | 3,460,134 | - | - | - | - | 21,993,253 |

| Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|----------------------------|--------------------|------------|-------------|----------|-------------|-----------|-----------------|
| Depreciable Assets: | | | | | | | |
| | 3,207,101 | 90,597 | - | - | - | - | 3,297,699 |
| | 17,101,778 | 258,993 | - | - | - | - | 17,360,772 |
| | 272,532,250 | 26,585,606 | (567,754) | - | - | - | 298,550,102 |
| | 256,608,678 | 16,247,664 | (544,276) | - | - | (3,661) | 272,308,405 |
| | 5,895,328 | 299,585 | (33,078) | - | - | - | 6,161,834 |
| | 16,150,426 | 1,287,318 | (8,454) | - | - | - | 17,429,291 |
| | 38,151,530 | 895,101 | (152,641) | - | - | - | 38,893,991 |
| | 173,595,624 | 6,439,795 | (436,476) | - | - | - | 179,602,604 |
| | 39,999,228 | 2,110,363 | (1,384,946) | - | - | - | 40,724,645 |
| | 36,801,185 | 2,077,163 | (331,593) | - | - | 3,661 | 40,724,645 |
| | 10,518,783 | 657,718 | (77,810) | - | - | - | 38,546,755 |
| | 14,724,557 | 693,518 | (175,395) | - | - | - | 11,098,691 |
| | 9,604,193 | - | (43,640) | - | - | - | 15,242,680 |
| | 2,518,918 | 679,157 | (3,407) | - | - | - | 9,560,552 |
| | - | 9,582 | - | - | - | - | 3,194,668 |
| | 2,876,324 | 19,484 | (25,422) | - | - | - | 9,582 |
| | 10,197,165 | 826,208 | (386,348) | - | - | - | 2,870,386 |
| | 528,592 | - | - | - | - | - | 10,637,025 |
| | 6,304,546 | 330,936 | (529,153) | - | - | - | 528,592 |
| | 4,912,302 | 84,120 | (161,786) | - | - | - | 6,106,329 |
| | 6,091,018 | - | (6,091,018) | - | - | - | 4,834,636 |
| | 270,349 | 4,642 | (6,739) | - | - | - | - |
| | 1,363,202 | - | (131,294) | - | - | - | 268,252 |
| | 48,913 | - | - | - | - | - | 1,231,907 |
| | 3,531,359 | 197,069 | (53,995) | - | - | - | 48,913 |
| | 46,445 | - | - | - | - | - | 3,674,433 |
| | 1,652,751 | 82,699 | - | - | - | - | 46,445 |
| | 4,927,832 | 615,768 | (10,298) | - | - | - | 1,725,152 |
| | 443,996 | - | - | - | - | - | 5,543,601 |
| | | | | | | | 443,996 |

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

Company: Peoples Gas System
For the Year Ended December 31, 2009

| Acct. No. (Continued) | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|------------------------------------|-----------------------------------|------------|--------------------|------------|--------------|----------|-------------|-----------|-----------------|
| Capital Recovery Schedules: | | | | | | | | | |
| | Total Account 101 and 106* | | 959,137,491 | 63,953,222 | (11,155,522) | - | - | - | 1,011,935,192 |
| 105-00 | Property Held for Future Use | | 5,248,671 | - | - | - | - | - | 5,248,671 |
| 114-00 | Acquisition Adjustment | | 228,955 | - | - | - | - | - | 228,955 |
| | Subtotal | | 5,477,626 | - | - | - | - | - | 5,477,626 |
| | Total Utility Plant** | | 964,615,117 | 63,953,222 | (11,155,522) | - | - | - | 1,017,412,817 |

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

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

Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2009

Page 1 of 2

| Acct. No. | Account Description | Beginning Balance* | Accruals | Retirements | Gross Salvage | Cost of Removal | Reclass. | Adjustments | Transfers | Ending Balance* |
|--|-----------------------------|--------------------|------------------|-------------|---------------|-----------------|----------|-------------|-----------|-------------------|
| Amortizable General Plant Assets: | | | | | | | | | | |
| 301-00 | Organization | 3,116 | | | | | | | | 3,116 |
| 302-00 | Franchise & Consents | 408,602 | 3,683 | | | | | | | 412,285 |
| 303-00 | Misc Intangible Plant | 485,716 | 32,613 | | | | | | | 518,329 |
| 303-01 | Custom Intangible Plant | 11,626,681 | 1,042,553 | | | | | | | 12,669,234 |
| 374-02 | Land Rights | 977,493 | 123,060 | | | | | | | 1,100,553 |
| 390-02 | Structures & Improve Leases | (7,499) | 321 | | | | | | | (7,178) |
| | Subtotal 108 - 404* | 13,494,109 | 1,202,229 | | | | | | | 14,696,338 |

Items necessary to reconcile the total amortization accrual amount to Acct. 404.3, Amortization Expense, shown on Line 7, Page 8.

| Acct. No. | Account Description | Beginning Balance* | Accruals | Retirements | Gross Salvage | Cost of Removal | Reclass. | Adjustments | Transfers | Ending Balance* |
|----------------------------|----------------------------|--------------------|------------|-------------|---------------|-----------------|----------|-------------|-----------|-----------------|
| Depreciable Assets: | | | | | | | | | | |
| 374-00 | Land Distribution | (249,366) | | | | (87,566) | | (1,209,512) | | - |
| 375-00 | Structures & Improvements | 3,935,367 | 480,752 | | 1,546,443 | (39,049) | | | | 4,484,544 |
| 376-00 | Mains Steel | 150,217,174 | 11,339,889 | (567,754) | 107,474 | (39,049) | | | | 159,429,461 |
| 376-02 | Mains Plastic | 71,196,565 | 7,689,600 | (544,276) | | (458,324) | | | | 77,883,426 |
| 378-00 | Meas & Reg Station Eq Gen | 1,694,719 | 199,125 | (33,078) | 42 | (28,935) | | | (139) | 1,831,873 |
| 379-00 | Meas & Reg Station Eq City | 2,997,282 | 556,907 | (8,454) | | (6,136) | | | | 3,539,600 |
| 380-00 | Services Steel | 36,342,480 | 3,079,664 | (152,641) | 1,150 | (537,477) | | | | 38,733,176 |
| 380-02 | Services Plastic | 66,272,824 | 8,982,943 | (436,476) | 450 | (250,016) | | | 139 | 74,569,863 |
| 381-00 | Meters | 11,213,764 | 2,663,647 | (1,384,946) | 85,461 | (19,102) | | | | 12,558,823 |
| 382-00 | Meter Installations | 13,426,223 | 1,883,928 | (331,593) | | (120,444) | | | | 14,858,114 |
| 383-00 | House Regulators | 4,507,496 | 379,427 | (77,810) | 633 | | | | | 4,809,746 |
| 384-00 | House Regulator Installs | 4,600,931 | 764,145 | (175,395) | | (43,322) | | | | 5,146,360 |
| 385-00 | Meas & Reg Station Eq Ind | 4,002,522 | 326,452 | (43,640) | | (160) | | | | 4,285,173 |
| 387-00 | Other Equipment | 1,156,598 | 156,227 | (3,407) | | | | | | 1,309,419 |
| 390-00 | Structures & Improvements | (523,022) | 46 | | 802,410 | (236,406) | | | | 43,027 |
| 391-00 | Office Furniture | 1,402,953 | 218,056 | (25,422) | | | | | | 1,595,587 |
| 391-01 | Computer Equipment | 7,208,674 | 759,065 | (386,348) | | | | | | 7,581,391 |
| 391-02 | Office Equipment | 160,554 | 37,001 | | | | | | | 197,555 |
| 392-01 | Vehicles up to 1/2 Tons | 2,644,803 | 667,522 | (529,153) | 38,640 | | | | | 2,821,811 |
| 392-02 | Vehicles from 1/2 - 1 Tons | 1,988,425 | 693,972 | (161,786) | 12,435 | | | | | 2,533,046 |
| 392-03 | Airplane | 663,630 | 115,729 | (6,091,018) | 1,800,001 | (461) | | | | (3,512,118) |
| 392-04 | Trailers & Other | 149,933 | 11,002 | (6,739) | 800 | | | | | 154,997 |
| 392-05 | Vehicles over 1 Ton | 612,130 | 130,568 | (131,294) | 3,016 | | | | | 614,420 |
| 393-00 | Stores Equipment | 47,097 | 880 | | | | | | | 47,978 |
| 394-00 | Tools, Shop & Garage Equip | 2,544,475 | 214,756 | (53,995) | 51 | (10) | | | | 2,705,278 |
| 395-00 | Laboratory Equipment | (20,941) | 4,158 | | | | | | | (16,783) |
| 396-00 | Power Operated Equipment | 1,323,153 | 86,772 | (10,298) | | | | | | 1,399,627 |
| 397-00 | Communication Equipment | 2,676,158 | 603,452 | | | | | | | 3,279,610 |
| 398-00 | Miscellaneous Equipment | 270,779 | 19,092 | | | | | | | 289,871 |

Page 15

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

Company: Peoples Gas System
For the Year Ended December 31, 2009

| Acct. No. | Account Description | Beginning Balance* | Accruals | Retirements | Gross Salvage | Cost of Removal | Reclass. | Adjustments | Transfers | Ending Balance* |
|--|-------------------------------|--------------------|------------|--------------|---------------|-----------------|----------|-------------|-----------|-----------------|
| | (Continued) | | | | | | | | | |
| 107-800 | Retirement Works in Progress | (1,234,064) | - | - | (245,623) | (17,745) | - | - | - | (1,497,431) |
| Capital Recovery Schedules: | | | | | | | | | | |
| | | | | | | | | | | |
| | Subtotal 108 - 403* | 391,229,318 | 42,064,778 | (11,155,522) | 4,153,384 | (3,405,002) | - | (1,209,512) | - | 421,677,445 |
| Items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on Line 6, Page 8. | | | | | | | | | | |
| 105-00 | Property Held for Future Use | - | - | - | - | - | - | - | - | - |
| 115-00 | Acquisition Adjustment | 3,425,856 | 154,755 | - | - | - | - | - | - | 3,580,610 |
| | Subtotal | 3,425,856 | 154,755 | - | - | - | - | - | - | 3,580,610 |
| | Total Accum Reserves** | 408,149,282 | 43,421,762 | (11,155,522) | 4,153,384 | (3,405,002) | - | (1,209,512) | - | 439,954,393 |

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

Note: * The total beginning and ending balances must agree to acct. 108 Depreciation, Line 17, Page 12.

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

| | |
|--------------------|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2009 |

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 | Alternative Fueling Station Equipment | 21,369 | - |
| 2 | Cathodic Protection | 26,730 | - |
| 3 | Communication Equipment | 338,141 | 18,411 |
| 4 | Dist System Improvements | 870,960 | 2,103,397 |
| 5 | Governmental Improvements | 2,350,724 | 3,576,246 |
| 6 | Improvement to Leased Property | 9,697 | - |
| 7 | Improvement to Property | 124,943 | 58,424 |
| 8 | Main Replacements | 785,810 | 973,787 |
| 9 | Major Projects | 19,631 | 13,669 |
| 10 | Measuring & Regulating Station Equipment | 1,041,760 | 659,382 |
| 11 | Miscellaneous - Non Revenue Producing | 293,135 | 76,883 |
| 12 | Miscellaneous - Revenue Procucing | 1,086 | - |
| 13 | Office Equipment | 265,416 | 3,799 |
| 14 | Reimbursable Construction | (314,042) | 40,194 |
| 15 | CONTINUED NEXT | | |

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 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | SEE 17b | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | TOTAL | | |

| Name of Respondent | | For the Year Ended | |
|---|--|--|---|
| Peoples Gas System | | Dec. 31, 2009 | |
| CONSTRUCTION WORK IN PROGRESS-GAS (Account 107) | | | |
| 1. Report below descriptions and balances at end of year of projects in process of construction (107). 2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, | | Development, and Demonstration (see Account 107 of the Uniform System of Accounts). 3. Minor projects (less than \$500,000) may be grouped. | |
| Line No. | Description of Project (a) | Construction Work in Progress-Gas (Account 107) (b) | Estimated Additional Cost of Project (c) |
| 1 | Revenue Main | 3,468,622 | 17,232,343 |
| 2 | Service Lines | 851,347 | - |
| 3 | Testing, Measuring & Detection Equipment | 49,284 | 33,064 |
| 4 | Toos, Shop & Garage Equipment | 343,404 | 36,748 |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | TOTAL (17a & 17b) | 10,548,015 | 54,826,349 |

| CONSTRUCTION OVERHEADS-GAS | | | |
|---|--|---|---|
| 1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items. 2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed | | and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction. 3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs. | |
| Line No. | Description of Overhead (a) | Total Amount Charged for the Year (b) | Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c) |
| 1 | Plant Accounting Dept. Costs and Supervision | 974,684 | 54,355,921 |
| 2 | (These costs are allocated to CWIP as outlined | | |
| 3 | in instruction 3 above) | | |
| 4 | | | |
| 5 | Corporate G&A | 3,900,476 | 54,355,921 |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | TOTAL | | |

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 | 695,508 |
| 2 | Line of Credit | 137,846 |
| 3 | Service/ Maint. Agreements | 495,310 |
| 4 | Permits | 93,360 |
| 5 | Miscellaneous Prepayments | 136,636 |
| 6 | | |
| 7 | | |
| 8 | TOTAL | 1,558,660 |

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 | | | | | | |

| | |
|--------------------|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2009 |

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 | 10,593,275 | 10,164,460 | 254 | 889,114 | 19,868,621 |
| 2 | FAS 158 Pension | 25,784,002 | | 228 | 2,221,345 | 23,562,657 |
| 3 | FAS 158 SERP Current | 832,523 | 2,176,762 | 228 | 4,980 | 3,004,305 |
| 4 | FAS 158 SERP | 3,115,175 | 299,708 | 228 | 2,413,254 | 1,001,629 |
| 5 | FAS 158 re FAS 106 Current | 522,740 | 67,418 | 228 | | 590,158 |
| 6 | FAS 158 re FAS 106 | (1,684,331) | 1,260,238 | 228 | 395,837 | (819,930) |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | TOTAL | 39,163,384 | 13,968,586 | | 5,924,530 | 47,207,440 |

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 | 193,903 | 1,740,633 | 407 | 639,996 | 1,283,267 |
| 2 | | | | 131 | 11,273 | |
| 3 | | | | | | |
| 4 | Other Work In Progress | 25,564 | 75,830 | various | | 101,394 |
| 5 | | | | | | |
| 6 | Rate Case | 725,926 | 646,373 | 928 | 787,622 | 584,677 |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | Misc. Work in Progress | | | | | |
| 18 | Deferred Regulatory Comm. Expenses | | | | | |
| 19 | TOTAL | 945,393 | | | | 1,969,338 |

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2009

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

1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.

2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded.

and gains or losses relating to securities retired or refunded.

3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

| | | |
|-----------------------|----------|------------------|
| Long Term Note 10.30% | Due 2009 | 1,800,000 |
| Long Term Note 9.93% | Due 2010 | 1,000,000 |
| Long Term Note 8.00% | Due 2012 | <u>2,700,000</u> |

Total Retired \$5,500,000

Securities Issued

None

Total Issued -

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

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.

2. In column (c) show the principal amount of bonds or other long-term debt reacquired.

3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with

General Instruction 17 of the Uniform Systems of Accounts

4. Show loss amounts by enclosing the figures in parentheses.

5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.

| Line No. | Designation of Long-Term Debt (a) | Date Reacquired (b) | Principal of Debt Reacquired (c) | Net Gain or Net Loss (d) | Balance at Beginning of Year (e) | Balance at End of Year (f) |
|----------|--------------------------------------|------------------------|-------------------------------------|-----------------------------|-------------------------------------|-------------------------------|
| 1 | 31-Note/Tampa Elec 5.94% | 07-01 | 12,000,000 | (232,811) | 36,369 | |
| 2 | ---Amortization | | | | (14,325) | 22,044 |
| 3 | | | | | | |
| 4 | 30-Note/Tampa Elec 7.375% | 09-02 | 50,000,000 | (3,542,552) | 1,210,087 | |
| 5 | ---Amortization | | | | (330,023) | 880,064 |
| 6 | | | | | | |
| 7 | Total Amortization - Acct 428 | | | | (344,348) | |
| 8 | | | | | | |
| 9 | Loss on Reacquired Debt | | | | | 902,108 |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |

| | |
|--------------------|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2009 |

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 | | | | | | | |
| 4 | Long Term Note 10.30% | 06/28/89 | 07/02/09 | 10,000,000 | 10.30 | 93,215 | 0 |
| 5 | Long Term Note 9.93% | 12/20/90 | 07/02/10 | 10,000,000 | 9.93 | 149,226 | 1,000,000 |
| 6 | Long Term Note 8.00% | 12/03/92 | 07/02/12 | 35,000,000 | 8.00 | 868,600 | 9,500,000 |
| 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 | 3,050,000 | 50,000,000 |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | TOTAL | | | 275,000,000 | | 15,063,541 | 230,500,000 |

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 | 29-Long term Note 10.30% | 10,000,000 | 13,131 | 08-89 | 07-09 | 331 | (331) | 0 |
| 3 | 32-Long term Note 9.93% | 10,000,000 | 88,318 | 03-91 | 07-10 | 776 | (517) | 259 |
| 4 | 33-Long term Note 8.00% | 35,000,000 | 976,684 | 01-93 | 07-12 | 175,460 | (50,132) | 125,328 |
| 5 | 34-Note/Tampa Electric 6.875% | 40,000,000 | 308,507 | 06-01 | 06-12 | 91,461 | (26,132) | 65,329 |
| 6 | 35-Note/Tampa Electric 6.375% | 70,000,000 | 2,839,136 | 08-02 | 08-12 | 1,011,586 | (282,303) | 729,283 |
| 7 | 36-Note/Tampa Electric 6.15% | 60,000,000 | 347,571 | 05-07 | 05-37 | 329,034 | (11,586) | 317,448 |
| 8 | * 37-Note/Tampa Electric 6.10% | 50,000,000 | 378,502 | 05-08 | 05-18 | 354,836 | (37,840) | 316,996 |
| 9 | | | | | | <u>1,963,484</u> | <u>(408,840)</u> | <u>1,554,644</u> |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | * 10 yr bond issued 5/2008 had additional issuing costs of \$10 during 2009. | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |

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

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

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

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

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

| Line No. | Class and Series of Obligation (a) | Nominal Date of Issue (b) | Date of Maturity (c) | Original Amount Issued (d) | Interest for Year | | Total Amount Outstanding (g) |
|----------|------------------------------------|---------------------------|----------------------|----------------------------|-------------------|------------|------------------------------|
| | | | | | Rate (in %) (e) | Amount (f) | |
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
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| 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.

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

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

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

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

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

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

| Line No. | Designation of Long-Term Debt (a) | Principal Amount of Debt issued (b) | Total Expense Premium or Discount (c) | Amortization Period | | Balance at beginning of Year (f) | Debits (Credits) During Year (g) | Balance at End of Year (h) |
|----------|---------------------------------------|-------------------------------------|---------------------------------------|---------------------|-------------|----------------------------------|----------------------------------|----------------------------|
| | | | | Date From (d) | Date To (e) | | | |
| 1 | Unamortized Debt Disc - Acct 226 | | | | | | | |
| 2 | 34-Note/Tampa Electric 6.875% | 40,000,000 | 168,800 | 06-01 | 06-12 | 53,709 | (15,345) | 38,364 |
| 3 | 35-Note/Tampa Electric 6.375% | 70,000,000 | 562,100 | 08-02 | 08-12 | 201,419 | (56,210) | 145,209 |
| 4 | 36-Note/Tampa Electric 6.15% | 60,000,000 | 340,200 | 05-07 | 05-37 | 322,056 | (11,340) | 310,716 |
| 5 | | | | | | 577,184 | (82,895) | 494,289 |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | Acct 428 Debt Exp, Premium & Discount | | | | | | (491,735) | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | Unamortized Debt Disc - OCI | | | | | | | |
| 16 | 37-Note/Tampa Electric 6.10% | 50,000,000 | 3,935,734 | 05-08 | 05-18 | 3,689,751 | (393,573) | 3,296,178 |
| 17 | (Interest Rate Settlement) | | | | | | | |
| 18 | | | | | | | | |

| Name of Respondent | | For the Year Ended |
|--|---------------------------------|---|
| Peoples Gas System | | Dec. 31, 2009 |
| 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 | (3,916,528) |
| 2 | Insurance & Litigation Reserves | 3,879,597 |
| 3 | Post Retirement Benefits | 13,105,393 |
| 4 | Conservation Cost True Up | 844,725 |
| 5 | Other | 299,622 |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | TOTAL | 14,212,809 |

| 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 | 1,737,324 | | 0 | 0 | 1,737,324 |
| 2 | Deferred Credit - JEA | 0 | 107 | 6,391,410 | 18,493,334 | 12,101,924 |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | 1,737,324 | | 6,391,410 | 18,493,334 | 13,839,248 |

| OTHER REGULATORY LIABILITIES (Account 254) | | | | | | |
|--|---|-------------------------------|--------------------|---|-------------------|-------------------------|
| 1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts). | | | | 2. For regulatory liabilities being amortized, show period of amortization in column (a). | | |
| 3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes. | | | | | | |
| Line No. | Description and Purpose of Other Regulatory Liabilities (a) | Balance Beginning of Year (b) | Debits | | Credits (d) | Balance End of Year (e) |
| | | | Contra Account (b) | Amount (c) | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | Gas Technology Research | 440,291 | 930 | 290,000 | 500,000 | 650,291 |
| 4 | Amort Gain on Land | 1,554,208 | 421 | 1,978,564 | 1,274,087 | 849,731 |
| 5 | Environmental Remediation | 10,593,275 | 182 | 889,114 | 10,164,460 | 19,868,621 |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | 12,587,774 | | 3,157,678 | 11,938,547 | 21,368,643 |

Name of Respondent

Peoples Gas System

For the Year Ended

Dec. 31, 2009

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, Excoise | Franchise | Other* | Total |
|--|---------------|----------------------------|------------------------------|------------------|----------------|----------------------------|------------------------|-----------|--------|------------|
| 1 Various FL counties | 7,723,637 | | | | | | | | | 7,723,637 |
| 2 Internal Revenue Service (FICA) | | | | 2,539,935 | | | | | | 2,539,935 |
| 3 FL Public Service Commission | | | | | | 1,725,772 | | | | 1,725,772 |
| 4 FI Department of Revenue | | | | | 14,091,266 | | | 9,456,800 | | 14,091,266 |
| 5 Various FL municipalities | | | | | | | | | | 9,456,800 |
| 6 Internal Revenue Service (FUTA) | | | | 33,576 | | | | | | 33,576 |
| 7 Internal Revenue Service (SUTA) | | | | 34,835 | | | | | | 34,835 |
| 8 Various FL Counties (tags) | | | | | | | | 55,646 | | 55,646 |
| 9 Various FL municipalities | | | | | | | | | | - |
| 10 (occupational licenses) | | | | | | | | | | - |
| 11 Department of State | | | | | | | | 18,450 | | 18,450 |
| 12 Other | | | | | | | | | (695) | (695) |
| 13 Less: charged to other revenue (495) | | | | | | (19,669) | | | | (19,669) |
| 14 Less: charged to construction | | | | (442,250) | | | | | | (442,250) |
| 15 Less: charged to clearing,jobbing,air | | | | (94,248) | | | | | | (94,248) |
| 16 TOTAL Taxes Charged During Year | 7,723,637 | - | - | 2,071,847 | 14,091,266 | 1,587,849 | - | 9,456,800 | 73,401 | 35,004,799 |
| (Lines 1-15) to Account 408.1 | | | | | | | | | | |
| 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% | 0 | | 411 | 0 | | 0 | |
| 3 | 4% | | | | | | | |
| 4 | 7% | | | | | | | |
| 5 | 10% | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | TOTAL | 0 | | | 0 | | 0 | |

Notes

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

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

| Line No. | Description | Balance at Beginning 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 | | Credits | | Balance at End of Year |
|----------|--|------------------------------|----------------------------------|-----------|-----------------------------------|-------|----------------------------------|---------|-----------------------------------|--------|-------------|--------|-------------|--------|------------------------|
| | | | Federal | State | Federal | State | Federal | State | Account No. | Amount | Account No. | Amount | Account No. | Amount | |
| 1 | GAS | 11,020,923 | | | | | | | | | | | | | 10,545,950 |
| 2 | FAS 158 | 10,434,283 | | | | | | | | | | | | | 4,264,670 |
| 3 | FAS 133 | | | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | | | | |
| 5 | Gas | 32,919,426 | | 3,215,656 | | | | 534,727 | | | | | | 2,690 | 29,171,733 |
| 6 | | | | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | | | | |
| 8 | | | | | | | | | | | | | | | |
| 9 | | | | | | | | | | | | | | | |
| 10 | TOTAL Gas (Lines 2 - 10) | 54,374,602 | | 3,215,656 | | | 534,727 | | | | | | | 2,690 | 43,982,353 |
| 11 | Other (Specify) | | | | | | | | | | | | | | |
| 12 | TOTAL (Account 190) (Total of lines 11 and 12) | 54,374,602 | | 3,215,656 | | | 534,727 | | | | | | | 2,690 | 43,982,353 |

NOTES:
Deferred income tax Other adjustments includes:
Federal 2,306 383 2,689
State 383 (151,821) (6,169,583) FAS 133
Total (6,017,762) (151,821) (6,169,583) FAS 133
Reclass of temporary differences between deferred asset and liability accounts.
Federal (407,250) (67,723) (474,973) FAS158
State (6,422,706) (219,161) (6,641,867)

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

| Line No. | Description | Balance at Beginning 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 | | Credits | | Balance at End of Year |
|----------|---|------------------------------|----------------------------------|-------------|-----------------------------------|-------|----------------------------------|-------|-----------------------------------|--------|-------------|--------|-------------|-----------|------------------------|
| | | | Federal | State | Federal | State | Federal | State | Account No. | Amount | Account No. | Amount | Account No. | Amount | |
| 1 | Account 281 - Accelerated Amortization Property | | | | | | | | | | | | | | |
| 2 | Electric | | | | | | | | | | | | | | |
| 3 | Gas | | | | | | | | | | | | | | |
| 4 | Other | | | | | | | | | | | | | | |
| 5 | TOTAL Account 281 (Lines 2 thru 4) | | | | | | | | | | | | | | |
| 6 | Account 282 - Other Property | | | | | | | | | | | | | | |
| 7 | Electric | | | | | | | | | | | | | | |
| 8 | Gas | 53,362,051 | | 5,865,139 | | | (269,315) | | | | | | | 488,934 | 58,468,941 |
| 9 | Other | | | | | | | | | | | | | | |
| 10 | TOTAL Account 282 (Lines 7 thru 9) | 53,362,051 | | 5,865,139 | | | (269,315) | | | | | | | 488,934 | 58,468,941 |
| 11 | Account 283 - Other | | | | | | | | | | | | | | |
| 12 | Electric | | | | | | | | | | | | | | |
| 13 | Gas | 27,769,113 | | (1,705,037) | | | (283,529) | | | | | | | 6,492,735 | 19,779,436 |
| 14 | Other | | | | | | | | | | | | | | |
| 15 | TOTAL Account 283 - Other (Lines 12 thru 14) | 27,769,113 | | (1,705,037) | | | (283,529) | | | | | | | 6,492,735 | 19,779,436 |
| 16 | GAS | | | | | | | | | | | | | | |
| 17 | Federal Income Tax | 69,837,761 | | 4,160,102 | | | | | | | | | | 6,280,458 | 68,158,933 |
| 18 | State Income Tax | 11,293,402 | | | | | | | | | | | | 721,210 | 10,089,444 |
| 19 | | | | | | | | | | | | | | | |
| 20 | TOTAL Gas (Lines 17 thru 19) | 81,131,163 | | 4,160,102 | | | (552,844) | | | | | | | 6,981,668 | 78,248,377 |
| 21 | OTHER | | | | | | | | | | | | | | |
| 22 | Federal Income Tax | | | | | | | | | | | | | | |
| 23 | State Income Tax | | | | | | | | | | | | | | |
| 24 | TOTAL Other (Lines 22 and 23) | | | | | | | | | | | | | | |
| 25 | TOTAL (Total of lines 5, 10 and 15) | 81,131,164 | | 4,160,102 | | | (552,844) | | | | | | | 6,981,669 | 78,248,377 |

NOTES:
Deferred income tax adjustment includes:
Federal 419,222 69,712 488,934
State 69,712 (491,624) (491,624) Reclass of temporary differences between deferred asset and liability accounts.
Total 282 (421,528) (70,096) (491,624) Reclass of temporary differences between deferred asset and liability accounts.
Federal 5,159,753 858,009 6,017,762 FAS 133
State 407,250 67,723 474,973 FAS158
Total 283 5,145,475 855,636 6,001,111
Total 282 & 283 5,564,697 925,348 6,490,045

**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) | 31,882,383 |
| 2 | Reconciling Items for the Year | |
| 3 | | |
| 4 | <i>Taxable Income Not Reported on Books</i> | |
| 5 | CIAC and AIAC | 3,940,000 |
| 6 | Competitive Rate Adjustment | 1,588,065 |
| 7 | Gain/Loss on Fixed Assets | 2,721,768 |
| 8 | Federal Income Tax | 2,495,275 |
| 9 | <i>Deductions Recorded on Books Not Deducted for Return</i> | |
| 10 | Bond Refinancing Premium | 344,349 |
| 11 | Capitalized Interest (Sec. 263) | 1,495,895 |
| 12 | FAS 106 | 729,282 |
| 13 | Hedges (Interest Rate Swap) | 385,549 |
| 14 | Insurance Reserves | 597,301 |
| 15 | Research Expense | 210,000 |
| 16 | Deferred Taxes | 7,357,642 |
| 17 | Other | 491,371 |
| 18 | <i>Income Recorded on Books Not Included in Return</i> | |
| 19 | Bad Debts | 172,389 |
| 20 | Energy Conservation Revenue | 1,934,894 |
| 21 | Vacation Reserve | 179,974 |
| 22 | Other | 22,197 |
| 23 | <i>Deductions on Return Not Charged Against Book Income</i> | |
| 24 | Capitalized ECA Costs Tax Amortization | 1,523,712 |
| 25 | Cost of Removal | 3,387,257 |
| 26 | Deferred Fuel | 7,066,216 |
| 27 | Depreciation - Excess Over Books | 21,367,436 |
| 28 | Environmental Disposal Costs | 449,372 |
| 29 | Pension | 971,131 |
| 30 | Restricted Stock | 1,526,123 |
| 31 | SERP | 265,941 |
| 32 | Other | 285,763 |
| 33 | | |
| 34 | Federal Taxable Net Income | 15,086,475 |
| 35 | <i>Show Computation of Tax:</i> | |
| 36 | Federal Taxable Net Income - Less Income from Subsidiaries | 12,310,980 |
| 37 | Federal Income Tax @ 35% | 4,308,843 |
| 38 | Prior Year True-up Provision to Actual Per Return and FAS 109 Adjustment | (1,813,568) |
| 39 | Federal Income Tax | 2,495,275 |
| 40 | Federal Income Tax Allocation to Other Income | 270,234 |

NAME OF RESPONDENT:
Peoples Gas System

This Report is An Original

YEAR OF REPORT:
December 31, 2009

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:

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

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 RS1 - RS3 | 139,190,943 | 149,196,778 | 67,129,549 | 71,091,473 | 302,974 | 304,801 |
| 4 | 480 Residential GS1 | 2,145,909 | 0 | 1,809,271 | 0 | 644 | 0 |
| 5 | 480 Residential GS2 | 649,471 | 0 | 651,214 | 0 | 33 | 0 |
| 6 | 480 Residential GS3 | 144,827 | 0 | 158,927 | 0 | 2 | 0 |
| 7 | 481 Commercial Street Lighting | 99,548 | 132,294 | 94,567 | 97,022 | 35 | 34 |
| 8 | 481 Small General Service | 6,307,453 | 4,727,262 | 3,839,347 | 2,353,374 | 6,584 | 5,826 |
| 9 | 481 General Service 1 | 40,382,062 | 56,142,800 | 31,227,102 | 38,517,784 | 8,642 | 9,805 |
| 10 | 481 General Service 2 | 16,668,670 | 15,743,991 | 14,774,057 | 11,422,120 | 854 | 557 |
| 11 | 481 General Service 3 | 6,208,594 | 8,130,761 | 5,483,905 | 6,095,249 | 80 | 102 |
| 12 | 481 General Service 4 | 972,477 | 1,396,443 | 1,015,434 | 1,055,752 | 5 | 5 |
| 13 | 481 General Service 5 | 717,155 | 2,239,265 | 731,367 | 1,791,326 | 4 | 5 |
| 14 | 481 Natural Gas Vehicle Sales | 19,586 | 33,581 | 15,421 | 24,888 | 5 | 4 |
| 15 | Interruptible Sales Service | | | | | | |
| 16 | 481 Small Interruptible Service | 43,765 | 187,109 | 84,900 | 159,660 | 0 | 0 |
| 17 | 481 Interruptible Lg. Vol - 1 | 377,162 | 109,056 | 696,748 | 104,613 | 0 | 0 |
| 18 | 481 Interruptible Lg. Vol - 2 | (607,050) | (689,128) | 435,113 | 378,552 | 0 | 0 |
| 19 | Off System Sales Service | | | | | | |
| 20 | 481 Mutually Beneficial | 12,675,229 | 70,800,809 | 30,774,460 | 65,944,270 | 1 | 5 |
| 21 | 481 Off System Sales | 105,398,965 | 246,700,533 | 238,165,170 | 257,838,650 | 12 | 13 |
| 22 | Firm Transportation Service | | | | | | |
| 23 | 489 Res-General Svc 1 | 144,994 | 0 | 356,120 | 0 | 104 | 0 |
| 24 | 489 Res-General Svc 2 | 309,011 | 0 | 1,070,869 | 0 | 68 | 0 |
| 25 | 489 Res-General Svc 3 | 781,367 | 1,261,221 | 2,304,188 | 3,285,357 | 118 | 262 |
| 26 | 489 Commercial Street Lighting | 111,943 | 91,282 | 652,063 | 651,599 | 28 | 30 |
| 27 | 489 Natural Gas Vehicles | 33,050 | 61,089 | 153,337 | 335,201 | 9 | 11 |
| 28 | 489 Small General Service | 678,198 | 249,523 | 1,056,914 | 394,593 | 1,027 | 538 |
| 29 | 489 General Service 1 | 17,138,602 | 20,291,380 | 53,885,854 | 69,114,715 | 8,435 | 9,582 |
| 30 | 489 General Service 2 | 20,107,221 | 15,593,753 | 75,690,690 | 61,906,721 | 3,752 | 2,540 |
| 31 | 489 General Service 3 | 14,756,931 | 13,897,769 | 66,939,000 | 65,331,619 | 723 | 707 |
| 32 | 489 General Service 4 | 7,580,740 | 7,911,188 | 42,678,883 | 42,388,962 | 134 | 141 |
| 33 | 489 General Service 5 | 9,332,734 | 7,676,882 | 81,905,470 | 72,716,321 | 112 | 106 |
| 34 | Interruptible Transportation Serv. | | | | | | |
| 35 | 489 Small Interruptible Transp | 3,599,889 | 4,016,686 | 49,122,234 | 55,016,961 | 27 | 28 |
| 36 | 489 Interruptible Transp LG - 1 | 6,426,209 | 6,927,486 | 158,599,976 | 144,461,871 | 15 | 15 |
| 37 | 489 Interruptible Transp LG - 2 | 7,896,912 | 10,358,647 | 509,223,987 | 445,004,648 | 8 | 9 |
| 38 | 482 Other Sales to Public Authorities | 0 | 0 | 0 | 0 | 0 | 0 |
| 39 | 484 Flex Rate - Refund | 0 | 0 | 0 | 0 | 0 | 0 |
| 40 | TOTAL Sales to Ultimate Consumers | 420,292,567 | 643,188,460 | 1,440,726,137 | 1,417,483,301 | 334,435 | 335,126 |
| 41 | 483 Sales for Resale | 1,080,427 | 1,234,224 | 1,518,233 | 1,684,354 | 12 | 11 |
| 42 | Off-System Sales | 0 | 0 | 0 | 0 | 0 | 0 |
| 43 | TOTAL Nat. Gas Service Revenues | 421,372,994 | 644,422,684 | | | | |
| 44 | TOTAL Gas Service Revenues | 421,372,994 | 644,422,684 | | | | |
| 45 | Other Operating Revenues | | | | | | |
| 46 | 485 Intracompany Transfers | | 0 | | | | |
| 47 | 487 Forfeited Discounts | 850,377 | 810,222 | | | | |
| 48 | 488 Misc. Service Revenues | 5,883,358 | 5,238,513 | | | | |
| 49 | 488 Gross Recpts Tax/Franch Fee Coll | 23,548,066 | 24,164,534 | | | | |
| 50 | 488 Individual Transp Charge | 564,633 | 551,490 | | | | |
| 51 | 489 Rev. from Trans. of Gas of Others | | | | | | |
| 52 | not included in above rate schedules) | 0 | 0 | | | | |
| 53 | 493 Rent from Gas Property | 334,233 | 383,409 | | | | |
| 54 | 494 Interdepartmental Rents | 0 | 0 | | | | |
| 55 | 495 Other Gas Revenues | | | | | | |
| 56 | Initial Connection | 0 | 0 | | | | |
| 57 | Reconnect for Cause | 0 | 0 | | | | |
| 58 | Collection in lieu of disconnect | 0 | 0 | | | | |
| 59 | Returned Check | 0 | 0 | | | | |
| 60 | Other | 9,856,917 | 10,658,803 | | | | |
| 61 | 495.1 Overrecoveries Purchased Gas | (424,914) | (5,309,900) | | | | |
| 62 | TOTAL Other Operating Revenues | 40,612,670 | 36,497,071 | | | | |
| 63 | TOTAL Gas Operating Revenues | 460,905,237 | 679,685,531 | | | | |
| 64 | (Less) 496 Provision for Rate Refunds | | 0 | | | | |
| 65 | TOTAL Gas Operating Revenues | | | | | | |
| 66 | Net of Provision for Refunds | 460,905,237 | 679,685,531 | | | | |
| 67 | Sales for Resale | 1,080,427 | 1,234,224 | | | | |
| 68 | Other Sales to Public Authority | 0 | 0 | | | | |
| 69 | Interdepartmental Sales | 0 | 0 | | | | |
| 70 | TOTAL | 461,985,664 | 680,919,755 | | | | |

Notes
 New rate schedule approved May 2009
 Line 60 - 2008 restated

| Name of Respondent | | For the Year Ended | |
|--|--|-------------------------|--------------------------|
| Peoples Gas System | | Dec. 31, 2009 | |
| 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 | 201,691,088 | 423,985,576 |
| 11 | 802 Natural Gas Gasoline Plant Outlet Purchases | | |
| 12 | 803 Natural Gas Transmission Line Purchases | | |
| 13 | 804 Natural Gas City Gate Purchases | 50,073,935 | 55,832,329 |
| 14 | 804.1 Liquefied Natural Gas Purchases | | |
| 15 | 805 Other Gas Purchases | | |
| 16 | 805.1 Purchased Gas Cost Adjustments - Debit/(Credit) | (7,080,590) | (3,293,631) |
| 17 | TOTAL Purchased Gas (Total of Lines 8 to 16) | 244,684,433 | 476,524,274 |
| 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 | 140,937 | 929,114 |
| 27 | (Less) 808.2 Gas Delivered to Storage--Credit | (140,937) | (538,542) |
| 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 | (166,143) | (324,720) |
| 34 | TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33) | (166,143) | (324,720) |
| 35 | 813 Other Gas Supply Expenses | | |
| 36 | TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35) | 244,518,290 | 476,590,126 |
| 37 | TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36) | 244,518,290 | 476,590,126 |
| 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) | | |
| 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 | 320,410 | 384,051 |
| 50 | 871 Distribution Load Dispatching | 119,794 | 6,769 |
| 51 | 872 Compressor Station Labor and Expenses | 67,929 | 18,582 |
| 52 | 873 Compressor Station Fuel and Power | | |
| 53 | 874 Mains and Services Expenses | 5,531,720 | 6,139,438 |
| 54 | 875 Measuring and Regulating Station Expenses--General | 157,036 | 180,273 |
| 55 | 876 Measuring and Regulating Station Expenses--Industrial | 2,855 | 465 |
| 56 | 877 Measuring and Regulating Station Expenses--City Gate Check Station | 43,472 | 61,797 |
| 57 | 878 Meter and House Regulator Expenses | 2,783,814 | 2,263,996 |
| 58 | 879 Customer Installations Expenses | 2,199,758 | 2,247,506 |
| 59 | 880 Other Expenses | 1,377,846 | 1,513,384 |
| 60 | 881 Rents | 223,033 | 77,369 |
| 61 | TOTAL Operation (Total of lines 49 through 60) | 12,827,667 | 12,893,630 |
| 62 | Maintenance | | |
| 63 | 885 Maintenance Supervision and Engineering | | |
| 64 | 886 Maintenance of Structures and Improvements | 253,297 | 306,654 |
| 65 | 887 Maintenance of Mains | 2,586,011 | 2,152,547 |
| 66 | 888 Maintenance of Compressor Station Equipment | | |
| 67 | 889 Maintenance of Meas. and Reg. Sta. Equip.--General | 308,527 | 303,487 |
| 68 | 890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial | 473,206 | 513,378 |
| 69 | 891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station | 602,151 | 570,056 |
| 70 | 892 Maintenance of Services | 588,932 | 686,460 |
| 71 | 893 Maintenance of Meters and House Regulators | 555,456 | 410,184 |
| 72 | 894 Maintenance of Other Equipment | 50,897 | 84,403 |
| 73 | TOTAL Maintenance (Total of Lines 63 through 72) | 5,418,477 | 5,027,169 |
| 74 | TOTAL Distribution Expenses (Total of Lines 61 and 73) | 18,246,144 | 17,920,799 |
| 75 | 5. Customer Accounts Expenses | | |
| 76 | Operation | | |
| 77 | 901 Supervision | 95 | 1,225 |
| 78 | 902 Meter Reading Expenses | 2,320,985 | 2,428,902 |
| 79 | 903 Customer Records and Collection Expenses | 4,876,218 | 5,177,293 |
| 80 | 904 Uncollectible Accounts | 1,427,163 | 1,108,629 |
| 81 | 905 Miscellaneous Customer Accounts Expenses | | |
| 82 | TOTAL Customer Accounts Expenses (Total of Lines 77 through 81) | 8,624,461 | 8,716,049 |
| 83 | 6. Customer Service and Informational Expenses | | |
| 84 | Operation | | |
| 85 | 907 Supervision | | |
| 86 | 908 Customer Assistance Expenses | 4,923,056 | 4,613,716 |
| 87 | 909 Informational and Instructional Expenses | 964,514 | 1,122,160 |
| 88 | 910 Miscellaneous Customer Service and Informational Expenses | | |
| 89 | TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88) | 5,887,570 | 5,735,876 |
| 90 | 7. Sales Expenses | | |
| 91 | Operation | | |
| 92 | 911 Supervision | | |
| 93 | 912 Demonstrating and Selling Expenses | 6,520,470 | 5,709,912 |
| 94 | 913 Advertising Expenses | 28,904 | 34,130 |
| 95 | 916 Miscellaneous Sales Expenses | 6,325 | 17,359 |
| 96 | TOTAL Sales Expenses (Total of lines 92 through 95) | 6,555,699 | 5,761,401 |
| 97 | | | |

| Name of Respondent | | For the Year Ended | |
|---|---|-------------------------|--------------------------|
| Peoples Gas System | | Dec. 31, 2009 | |
| 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 | 9,633,614 | 9,243,705 |
| 101 | 921 Office Supplies and Expenses | 16,701,211 | 17,546,124 |
| 102 | (Less) (922) Administrative Expenses Transferred--Credit | (4,388,468) | (4,390,345) |
| 103 | 923 Outside Services Employed | 947,000 | 586,182 |
| 104 | 924 Property Insurance | 156,850 | 119,730 |
| 105 | 925 Injuries and Damages | 2,539,865 | (192,091) |
| 106 | 926 Employee Pensions and Benefits | 12,679,165 | 7,134,884 |
| 107 | 927 Franchise Requirements | | |
| 108 | 928 Regulatory Commission Expenses | 787,621 | |
| 109 | (Less) (929) Duplicate Charges--Credit | | |
| 110 | 930.1 General Advertising Expenses | | |
| 111 | 930.2 Miscellaneous General Expenses | 1,100,484 | 1,074,643 |
| 112 | 931 Rents | 357,325 | 341,672 |
| 113 | TOTAL Operation (Total of lines 100 through 112) | 40,514,667 | 31,464,504 |
| 114 | Maintenance | | |
| 115 | 935 Maintenance of General Plant | 115,864 | 182,019 |
| 116 | TOTAL Administrative and General Expense (Total of lines 113 and 115) | 40,630,531 | 31,646,523 |
| 117 | | | |
| 118 | TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116) | 324,462,695 | 546,370,774 |
| 119 | | | |
| 120 | | | |

| NUMBER OF GAS DEPARTMENT EMPLOYEES | |
|---|---|
| | 1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31. |
| | 2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote. |
| | 3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions. |
| 1 | |
| 2 | 1. Payroll Period Ended (Date) 12/31/2009 |
| 3 | 2. Total Regular Full-Time Employees 513 |
| 4 | 3. Total Part-Time and Temporary Employees 7 |
| 5 | 4. Total Employees 520 |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |
| 11 | |
| 12 | |
| 13 | |

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 | 414,134,830 | \$201,691,088 | 48.70 |
| 2 | 808.1 - Gas Withdrawn from Storage-Debit | 300,000 | \$140,937 | 46.98 |
| 3 | 808.2 - Gas Delivered to Storage-Credit | (300,000) | (\$140,937) | 46.98 |
| 4 | 804.1 - Gas Accounting and Gas Control Expenses | | \$1,537,614 | |
| 5 | 804.2 - Natural Gas City Gate Purchases-Commodity | 2,990,656 | \$562,860 | 18.82 |
| 6 | 804.3 - Natural Gas City Gate Purchases-Other | | \$789,423 | |
| 7 | 804.4 - Legal Costs | | \$4,791 | |
| 8 | 804.5 - Natural Gas City Gate | | \$46,825,042 | |
| 9 | 804.6 - Natural Gas City Gate-Penalty Transportation System | | \$354,205 | |
| 10 | 805.1 - Purchased Gas Cost Adjustments | | (\$7,080,590) | |
| 11 | TOTAL (Total of lines 1 through 10) | 417,125,486 | \$244,684,433 | 58.66 |

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.
 2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
 3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.
 4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).
 5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

| Line No. | Purpose for Which Gas Was Used (a) | Account Charged (b) | Therms of Gas Used (c) | Natural Gas Amount of Credit (d) |
|----------|---|---------------------|------------------------|----------------------------------|
| 1 | 812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.) | | | |
| 2 | Operations Expense | 880-01 | 53,076 | 47,929 |
| 3 | | | | |
| 4 | Transportation Clearing Account CNG | 184-01 | 2,706 | 2,833 |
| 5 | | | | |
| 6 | Utilities | 921-01 | 12,917 | 12,059 |
| 7 | | | | |
| 8 | Other Income Deductions | 426-01 | 9,863 | 9,596 |
| 9 | | | | |
| 10 | Sales Tax Account | 241-50 | N/A | (4,660) |
| 11 | | | | |
| 12 | Gas Lost- Damaged Facilities | 143 | N/A | 98,387 |
| 13 | | | | |
| 14 | | | | |
| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | TOTAL | | 78,562 | 166,144 |

REGULATORY COMMISSION EXPENSES (Account 928)

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

| Line No. | Description (Name of regulatory commission, the docket number, and a description of the case.) (a) | Total Expenses to Date (b) | Deferred in Account 186 Beginning of Year (c) | Expenses Incurred During Year | | Amortized During Year | | Deferred in Account 186 End of Year (i) |
|----------|--|-------------------------------|--|-------------------------------|---------------|--------------------------------|-----------------------|--|
| | | | | Charged Currently to | | Deferred to Account 186 (f) | Contra Account (g) | |
| | | | | Account No. (d) | Amount (e) | | | |
| 1 | Florida Public Service Commission | | | | | | | |
| 2 | Docket 080318-GU - Rate case. | | | | | | | |
| 3 | Four year amortization of \$684,500 | | | | | | | |
| 4 | beginning June 2009. | 1,372,299 | 725,926 | 928 | 646,372 | | 928 | 99,823 |
| 5 | | | | | | | | |
| 6 | Additional expense over allowed amount | | | | | | | |
| 7 | not incurred during year. | | | 928 | 41,426 | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | TOTAL | 1,372,299 | 725,926 | | 687,798 | - | | 99,823 |

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

| Line No. | Description (a) | Amount (b) |
|----------|--|---------------|
| 1 | Industry Association Dues | 426,378 |
| 2 | Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other | 500,000 |
| 3 | Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent. | - |
| 4 | Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.) | |
| 5 | Economic Development | 145,564 |
| 6 | | |
| 7 | Other Dues | 1,750 |
| 8 | | |
| 9 | Miscellaneous | 173 |
| 10 | | |
| 11 | Employee Moving Expenses | 26,618 |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | TOTAL | 1,100,483 |

DISTRIBUTION OF SALARIES AND WAGES

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

| Line No. | Classification (a) | Direct Payroll Distribution (b) | Allocation of Payroll Charged for Clearing Accounts (c) | Total (d) |
|----------|---|---------------------------------|---|-------------------|
| 1 | Electric | | | |
| 2 | TOTAL Operation and Maintenance - Electric | | | |
| 3 | Gas | | | |
| 4 | Operation | | | |
| 5 | Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 6 | Transmission | | | |
| 7 | Distribution | 8,655,998 | | |
| 8 | Customer Accounts | 3,078,350 | | |
| 9 | Customer Service and Informational | 303,156 | | |
| 10 | Sales | 8,067 | | |
| 11 | Administrative and General | 9,580,598 | | |
| 12 | TOTAL Operation (Total of lines 5 through 11) | 21,626,169 | | |
| 13 | Maintenance | | | |
| 14 | Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 15 | Transmission | | | |
| 16 | Distribution | 2,737,262 | | |
| 17 | Administrative and General | 3,550,687 | | |
| 18 | TOTAL Maintenance (Total of lines 14 through 17) | 6,287,949 | | |
| 19 | Total Operation and Maintenance | | | |
| 20 | Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 21 | Transmission (Enter Total of lines 6 and 15) | | | |
| 22 | Distribution (Total of lines 7 and 16) | 11,393,260 | | |
| 23 | Customer Accounts (Transcribe from line 8) | 3,078,350 | | |
| 24 | Customer Service and Informational (Transcribe from line 9) | 303,156 | | |
| 25 | Sales (Transcribe from line 10) | 8,067 | | |
| 26 | Administrative and General (Total of lines 11 and 17) | 13,131,285 | | |
| 27 | TOTAL Operation and Maint. (Total of lines 20 through 26) | 27,914,118 | 54,654 | 27,968,772 |
| 28 | Other Utility Departments | | | |
| 29 | Operation and Maintenance | | | |
| 30 | TOTAL All Utility Dept. (Total of lines 2, 27, and 29) | 27,914,118 | 54,654 | 27,968,772 |
| 31 | Utility Plant | | | |
| 32 | Construction (By Utility Departments) | | | |
| 33 | Electric Plant | | | |
| 34 | Gas Plant | 4,526,272 | 183,405 | 4,709,677 |
| 35 | Other | | | |
| 36 | TOTAL Construction (Total of lines 33 through 35) | 4,526,272 | 183,405 | 4,709,677 |
| 37 | Plant Removal (By Utility Department) | | | |
| 38 | Electric Plant | | | |
| 39 | Gas Plant | 583,900 | 2,898 | 586,798 |
| 40 | Other | | | |
| 41 | TOTAL Plant Removal (Total of lines 38 through 40) | 583,900 | 2,898 | 586,798 |
| 42 | | | | |
| 43 | Other Accounts (Specify): | | | |
| 44 | | | | |
| 45 | Accts Receivable - Associate Companies | 397,709 | | 397,709 |
| 46 | Clearing | - | 93 | 93 |
| 47 | Other Work in Progress | 333,096 | 7 | 333,103 |
| 48 | Merchandise / Jobbing | 217,630 | 718 | 218,348 |
| 49 | Miscellaneous | - | | |
| 50 | | | | |
| 51 | | | | |
| 52 | | | | |
| 53 | TOTAL Other Accounts | 948,435 | 818 | 949,253 |
| 54 | TOTAL SALARIES AND WAGES | 33,972,725 | 241,775 | 34,214,500 |

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 | 186/925-legal services 90,598 |
| 2 | Arcadis of New York Inc | 186-environmental services 802,436 |
| 3 | Arcadis US Inc | 186-environmental services 289,666 |
| 4 | Ausley & McMullen, PA | 186-legal services 32,131 |
| 5 | Baker & Hosteleter LLP | 186-legal services 91,441 |
| 6 | Bracewell & Giuliani LLP | 804/923-legal services 341,600 |
| 7 | Broad & Cassel | Capital/923-legal services 141,188 |
| 8 | CH Guernsey & Company | 186-consulting services 89,915 |
| 9 | Daniel M Ives | 804-rate case consulting services 29,798 |
| 10 | Environmental Systems | 921-software/license 39,230 |
| 11 | Gunster Yoakley & Stewart PA | 923-legal services 224,453 |
| 12 | Huron Consulting Services LLC | 186-rate case consulting services 38,658 |
| 13 | InforGlobal Solutions Inc | 921-software/license 463,058 |
| 14 | Intercontinental Exchange | 804-trading services 45,500 |
| 15 | Lau, Lane, Pieper, Conley & McCreadie PA | 925-legal services 149,716 |
| 16 | LFR Inc | 186-environmental services 173,311 |
| 17 | Macfarlane Ferguson & McMullen PA | Capital/186/923-legal services 555,995 |
| 18 | Marketing Talent | 909-advertising services 543,400 |
| 19 | Matrikon International Inc | Capital/921-software consulting services 49,697 |
| 20 | McClain Smoak & Chistolini LLC | 925-legal services 52,944 |
| 21 | Pricewaterhouse Coopers | 923-accounting services 257,888 |
| 22 | Rivero, Gordimer & Company PA | 186-accounting services 28,350 |
| 23 | Southern Catholic Protection | 887/921-engineering services 494,515 |
| 24 | Sungard Energy Systems | 921-software/maintenance/consulting 77,616 |
| 25 | Tampa Electric* | various 7,124,856 |
| 26 | Teco Energy* | various 4,695,200 |
| 27 | Teco Partners* | 912-marketing 6,463,711 |
| 28 | Trimble Navigation LTD | Capital/921-software consulting services 128,138 |
| 29 | Vernis & Bowling of Broward PA | 925-legal services 30,983 |
| 30 | Wayne R Makin | 923-regulatory consulting services 35,221 |

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 | 192,958 |
| 3 | Account 426-04 - Political Related Activities | 24,640 |
| 4 | Account 426-05 - Other Deductions | 13,568 |
| 5 | | |
| 6 | | 231,166 |
| 7 | Account 431 - Other Interest Charges | |
| 8 | PGA True Up | 14,374 |
| 9 | Intercompany | 13,228 |
| 10 | ECCR | 10,285 |
| 11 | Syndicated Line of Credit | 79 |
| 12 | Customer Deposits | 2,304,335 |
| 13 | AR Facility | 35,961 |
| 14 | Fed Funds | 2,644 |
| 15 | | |
| 16 | | 2,380,906 |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |

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 | The following were charged to capital accounts: | |
| 2 | Ash Engineering, Inc | 49,015 |
| 3 | Calhoun Collister & Parham inc | 146,542 |
| 4 | Captec Engineering, Inc | 37,878 |
| 5 | EMS Land & Environmental Services LLC | 272,770 |
| 6 | Energy Management & Services Co | 1,948,663 |
| 7 | Environmental Consulting & Technology Inc | 48,730 |
| 8 | Eric B Stallings | 43,555 |
| 9 | FGE Engineering, Inc | 350,348 |
| 10 | Frank M Murray | 44,818 |
| 11 | George F Young Inc | 24,961 |
| 12 | HDR Engineering Inc | 31,717 |
| 13 | Mai Engineering Services, Inc | 239,855 |
| 14 | Mears Group Inc | 406,015 |
| 15 | Orth Rodgers & Associates Inc | 34,444 |
| 16 | PowerPlan | 508,633 |
| 17 | Raymond F Ross | 33,068 |
| 18 | Southern Design Group Inc | 40,656 |
| 19 | Tampa Electric* | 71,710 |
| 20 | Teco Energy* | 24,639 |
| 21 | Teco Partners* | 500,028 |
| 22 | Wilbur Smith Associates Inc | 25,636 |
| 23 | William J Greer | 96,304 |
| 24 | | |
| 25 | | |
| 26 | | |
| 27 | | |
| 28 | | |
| 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 |
|----|------|--------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
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| 14 | | |
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| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |

**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) | 331,394,766 | | 331,394,766 | 331,394,766 | - |
| 2 | Sales for Resale (483) | 1,080,427 | | 1,080,427 | 1,080,427 | - |
| 3 | Total Natural Gas Service Revenues | 332,475,193 | | 332,475,193 | 332,475,193 | - |
| 4 | Total Other Operating Revenues (485-495) | 129,510,472 | | 129,510,472 | 129,510,472 | - |
| 5 | Total Gas Operating Revenues | 461,985,666 | | 461,985,666 | 461,985,666 | - |
| 6 | Provision for Rate Refunds (496) | | | | | |
| 7 | Other (specify) | | | | | |
| 8 | Mutually Beneficial Wholesale | | | | (13,755,656) | 13,755,656 |
| 9 | Energy Conservation True-Up | | | | (1,928,334) | 1,928,334 |
| 10 | Unbilled Revenue Adjustment | | | | 4,127,921 | (4,127,921) |
| 11 | OSS Sales for Resale | | | | (105,398,965) | 105,398,965 |
| 12 | Total Gross Operating Revenues | 461,985,666 | | 461,985,666 | 345,030,632 | 116,955,034 |

Notes:

Difference due to RAF return adjustments for exempt revenue.

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2009

CORPORATE STRUCTURE

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

Effective Date: Dec 31, 2009

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 Gemstone, Inc.

Peoples Gas System (Florida), Inc.

TECO Energy Foundation, Inc.

TECO Pipeline Holding Company, LLC

 SeaCoast Gas Transmission, LLC

TECO EnergySource, Inc.

TECO Consumer Holdings, Inc.

 TECO Consumer Ventures, Inc.

 UtiliPro Services, LLC

CORPORATE STRUCTURE

TECO Wholesale Generation, Inc.

TECO Guatemala, Inc.

H Power I, Inc.

H Power II, Inc.

TPS Guatemala One, Inc.

Tampa Centro Americana de Electricidad, Limitada

TECO Guatemala Holdings, LLC

TECO Guatemala Services, Ltd

TPS San Jose International, Inc.

Tecnologia Maritima, S.A.

Triangle Finance Company, LLC

Palm Import and Export Corporation

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.

Inversiones Electricas Centroamericanas, S.A.

Almacenaje y Manejo de Materials Electricos, 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

TPS Tejas GP, LLC

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 | | 215,282 |
| | G&A Allocation | | s | | 487,992 |
| | Marketing Services - O&M | | p | | 6,463,711 |
| | Marketing Services - Capital | | p | | 500,028 |
| | Various Products & Services | | s | | 118,797 |
| | Various Services | | s | | 19,816 |
| Tampa Electric | Various Products & Services - O&M | | p | | 7,124,856 |
| | Various Products & Services - Capital | | p | | 71,710 |
| | Company Aircraft Allocation | | s | | 23,550 |
| | Various Services | | s | | 708,782 |
| | Off System Sales | | s | | 15,037,776 |
| | Gas Purchases | | p | | 1,568,504 |
| | Net Imbalance Trade Bookouts & Overages | | s | | 112,081 |
| | Net Imbalance Trade Bookouts & Overages | | p | | 285,218 |
| Teco Guatemala | Company Aircraft Allocation | | s | | 26,993 |
| Teco Energy | Various Services | | s | | 114,443 |
| | Company Aircraft Allocation | | s | | 66,150 |
| | Various Products & Services - O&M | | p | | 4,695,200 |
| | Various Products & Services - Capital | | s | | 24,639 |
| | Various Products & Services | | s | | 18,374 |
| Teco Gas Services | Various Services | | s | | 23,008 |
| | Gas Purchases | | p | | 15,755 |
| | Off System Sales | | s | | 936,877 |
| SeaCoast Gas Transmission | Various Services | | s | | 100,052 |
| | Various Products & Services | | s | | 15,198 |

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 - increasing by the previous year's CPI. 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 April 2009 through March 2010. Peoples Gas System contracted Tampa Electric to provide monthly gas meter reading at a price of \$0.325 per reading in the Tampa division, and \$0.94 per reading in the Lakeland division. For 2009, both parties mutually agree to establish the volume for April 2009 - March 2010 at 61,402 meters for Tampa, and for Lakeland a volume for April 2009 - March 2010 at 6,288 meters. An automatic review of billing volumes will occur should a 10% differential exist. In Tampa, prior to Sept 1, 2009, 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 \$0.325 per read will be applied for Sept 2009-March 2010 at 61,402 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 | Monthly G&A Charged to Teco Partners | 487,992 |
| | Monthly Marketing Services (Costs) - O&M | 6,463,711 |
| | Monthly Marketing Services (Costs) - Capital | 500,028 |
| Tampa Electric | Monthly Various Products & Services (Costs) - O&M | 7,124,856 |
| | Monthly Various Products & Services (Costs) - Capital | 71,710 |
| | Monthly Various Products & Services (Revenue) | 94,897 |
| | Off System Sales | 15,037,776 |
| | Gas Purchases | 1,568,504 |
| | Net Imbalance Trade Bookouts & Overages (Sales) | 112,081 |
| | Net Imbalance Trade Bookouts & Overages (Purchases) | 285,218 |
| Teco Energy | Monthly Various Products & Services (Costs) - O&M | 4,695,200 |
| Teco Gas Services | Off System Sales | 936,877 |

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2009

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 | Tampa Electric | Human Resource Generalist | Mgr Human Resources | Permanent |
| TECO Partners | Peoples Gas | Mgr Marketing Support | Marketing Support Mgr | Permanent |
| Peoples Gas | TECO Energy | Executive Assistant | Executive Assistant | Permanent |
| Peoples Gas | Tampa Electric | VP Operations | VP Cust Care Fuels Mgmt | Permanent |
| Peoples Gas | Tampa Electric | Sr Mgr Human Resources | Mgr Human Resources | Permanent |
| Peoples Gas | TECO Energy | Mgr Process Analysis | Efficiency&Process Impr | Permanent |
| Peoples Gas | Tampa Electric | Manager-Purchasing | Mgr Purchasing&Contracts | Permanent |
| Tampa Electric | Peoples Gas | Sr Technology Analyst | Business Analyst | Permanent |
| Peoples Gas | TECO Partners | General Manager | Mgr Municipal Systems | Permanent |
| Peoples Gas | TECO Energy | Director Strategic Planning & Regulatory | Director Business Strategy | Permanent |