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ANNUAL REPORT OF
NATURAL GAS UTILITIES

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ECONOMIC REGULATION

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, 2011

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, 2011 and 2010, the related statements of income for the years then ended and the statement of retained earnings for the year ended December 31, 2011, included on pages 6 through 10 and 11-A through 11-U 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, 2011 and 2010 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 24, 2012

INSTRUCTIONS FOR FILING THE ANNUAL REPORT OF NATURAL GAS UTILITIES

GENERAL INSTRUCTIONS

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

DEFINITIONS

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

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

| | |
|--|---|
| 01 Exact Legal Name of Respondent Peoples Gas System, a Division of Tampa Electric Company | 02 Year of Report 2011 |
| 03 Previous Name and Date of Change (if name changed during year) | |
| 04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 702 N. Franklin Street Tampa, Florida 33602 | |
| 05 Name of Contact Person Jeffrey S. Chronister | 06 Title of Contact Person Controller |
| 07 Address of Contact Person (Street, City, State, Zip Code) P.O Box 2562 Tampa, Florida 33601-2562 | |
| 08 Telephone of Contact Person, Including Area Code (813) 228-1609 | 09 Date of Report (Mo., Day, Yr) Dec. 31, 2011 |

ATTESTATION

I certify that I am the responsible accounting officer of

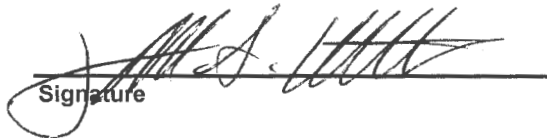
Peoples Gas System;

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, 2011 to December 31, 2011, 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

Jeffrey S. Chronister
Name

4/20/12
Date

Controller
Title

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| | |
|---|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2011 |
| CONTROL OVER RESPONDENT | |
| <p>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 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.</p> | |
| <p>Peoples Gas System is a division of Tampa Electric Company, which is a wholly owned subsidiary of TECO Energy.</p> | |

| | | | |
|---|-------------------------|-----------------------------------|----------------------|
| CORPORATIONS CONTROLLED BY RESPONDENT | | | |
| <p>1. Report below the names of all corporations, business trusts and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote. 2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.</p> | | | |
| <p>3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests. 4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.</p> | | | |
| DEFINITIONS | | | |
| <p>1. See the Uniform System of Accounts for a definition of control. 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.</p> | | | |
| Name of Company Controlled (a) | Kind of Business (b) | Percent Voting Stock Owned (c) | Footnote Ref. (d) |
| TECO Gas Services | Natural Gas Marketing | 100% | |
| TECO Partners | Marketing Services | 100% | |

| | |
|--------------------|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2011 |

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 * | G. Gillette | \$ 100,000 |
| Vice President Energy Delivery * | W. Whale | \$ 90,314 |
| Vice President Customer Care & Fuels Management * | B. Narzissenfeld | \$ 63,000 |

*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, 2011 |

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 As a result of the unprecedented cold winter weather in 2010, PGS earned above the top of its allowed ROE cap of 11.75% in 2010. PGS recorded a \$9.2 million total provision related to the 2010 earnings above the top of the range. In December 2010, PGS and the Office of Public Counsel entered into a stipulation and settlement agreement requesting Commission approval that \$3.0 million of the provision be refunded to customers in the form of a credit on customers' bills in 2011, and the remainder be applied to accumulated depreciation reserves. On January 25, 2011 the FPSC approved the stipulation. In April 2011, PGS refunded \$3 million to customers, and in June 2011, applied \$6,150,000 to accumulated depreciation reserves.
- 5 None

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

| Line No. | Title of Account (a) | Ref. Page No. (b) | Balance at Beginning of Year (c) | Balance at End of Year (d) |
|----------|--|----------------------|-------------------------------------|-------------------------------|
| 1 | UTILITY PLANT | | | |
| 2 | Utility Plant (101-106, 114) | 12 | 1,060,796,920 | 1,113,767,143 |
| 3 | Construction Work in Progress (107) | 12 | 19,456,471 | 24,120,118 |
| 4 | TOTAL Utility Plant Total of lines 2 and 3) | | 1,080,253,391 | 1,137,887,261 |
| 5 | (Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115) | 12 | 474,745,894 | 514,179,503 |
| 6 | Net Utility Plant (Total of line 4 less 5) | | 605,507,497 | 623,707,758 |
| 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) | - | 1,185,084 | 1,357,470 |
| 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) | | 1,186,084 | 1,357,470 |
| 17 | CURRENT AND ACCRUED ASSETS | | | |
| 18 | Cash (131) | - | (734,832) | 3,277,597 |
| 19 | Special Deposits (132-134) | - | 25,000 | 25,000 |
| 20 | Working Funds (135) | - | 3,700 | 3,700 |
| 21 | Temporary Cash Investments (136) | - | | |
| 22 | Notes Receivable (141) | - | | |
| 23 | Customer Accounts Receivable (142) | - | 32,111,832 | 25,640,915 |
| 24 | Other Accounts Receivable (143) | - | 17,730,120 | 10,426,520 |
| 25 | (Less) Accumulated Provision for Uncollectible Accounts-Credit (144) | - | (559,593) | (675,370) |
| 26 | Notes Receivable from Associated Companies (145) | - | | |
| 27 | Accounts Receivable from Associated Companies (146) | - | | |
| 28 | Fuel Stock (151) | - | | |
| 29 | Fuel Stock Expense Undistributed (152) | - | | |
| 30 | Residuals (Electric) and Extracted Products (Gas) (153) | - | | |
| 31 | Plant Material and Operating Supplies (154) | - | 1,483,476 | 2,278,601 |
| 32 | Merchandise (155) | - | 1,000 | 47,900 |
| 33 | Other Material and Supplies (156) | - | | |
| 34 | Stores Expenses Undistributed (163) | - | | |
| 35 | Gas Stored Underground & LNG Stored (164.1-164.3) | - | | |
| 36 | Prepayments (165) | 18 | 1,404,513 | 1,478,333 |
| 37 | Advances for Gas (166-167) | - | | |
| 38 | Interest and Dividends Receivable (171) | - | | |
| 39 | Rents Receivable (172) | - | | |
| 40 | Accrued Utility Revenues (173) | - | 18,038,504 | 14,257,258 |
| 41 | Miscellaneous Current and Accrued Assets (174) | - | 24,470 | |
| 42 | TOTAL Current and Accrued Assets (Total of lines 18 through 41) | | 69,528,190 | 56,760,454 |
| 43 | DEFERRED DEBITS | | | |
| 44 | Unamortized Debt Expense (181) | - | 1,218,720 | 783,982 |
| 45 | Extraordinary Property Losses (182.1) | 18 | | |
| 46 | Unrecovered Plant and Regulatory Study Costs (182.2) | 18 | | |
| 47 | Other Regulatory Assets (182.3) | 19 | 44,681,759 | 56,129,169 |
| 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 | 9,840,158 | 5,921,307 |
| 52 | Deferred Losses from Disposition of Utility Plant. (187) | - | | |
| 53 | Research, Development and Demonstration Expenditures (188) | - | | |
| 54 | Unamortized Loss on Reacquired Debt (189) | 20 | 742,672 | 287,419 |
| 55 | Accumulated Deferred Income Taxes (190) | 24 | 45,608,149 | 45,252,151 |
| 56 | Unrecovered Purchased Gas Costs (191) | - | 18,486,907 | 13,532,878 |
| 57 | TOTAL Deferred Debits (Total of lines 44 through 56) | | 120,578,365 | 121,906,906 |
| 58 | TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57) | | 796,800,136 | 803,732,588 |

| Name of Respondent | | For the Year Ended | | |
|---|---|----------------------|-------------------------------------|-------------------------------|
| Peoples Gas System | | Dec. 31, 2011 | | |
| 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) | - | 165,550,169 | 165,550,169 |
| 5 | Retained Earnings (215, 216) | 10 | | |
| 6 | Other Comprehensive Income (219) | | (1,782,924) | (1,541,172) |
| 7 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 10 | 110,951,039 | 113,528,648 |
| 8 | (Less) Reacquired Capital Stock (217) | - | | |
| 9 | TOTAL Proprietary Capital (Total of lines 2 through 8) | | 274,718,284 | 277,537,645 |
| 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 | 226,800,000 | 223,400,000 |
| 15 | Unamortized Premium on Long-Term Debt (225) | 21 | | |
| 16 | (Less) Unamortized Discount on Long-Term Debt-Debit (226) | 21 | (411,393) | (328,497) |
| 17 | TOTAL Long-Term Debt (Total of lines 11 through 16) | | 226,388,607 | 223,071,503 |
| 18 | OTHER NONCURRENT LIABILITIES | | | |
| 19 | Obligations Under Capital Leases - Noncurrent (227) | - | | |
| 20 | Accumulated Provision for Property Insurance (228.1) | - | 91,041 | 148,152 |
| 21 | Accumulated Provision for Injuries and Damages (228.2) | - | | |
| 22 | Accumulated Provision for Pensions and Benefits (228.3) | - | 27,577,859 | 31,602,693 |
| 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) | | 27,668,900 | 31,750,845 |
| 26 | CURRENT AND ACCRUED LIABILITIES | | | |
| 27 | Notes Payable (231) | - | 12,000,000 | - |
| 28 | Accounts Payable (232) | - | 40,886,605 | 17,467,681 |
| 29 | Notes Payable to Associated Companies (233) | - | | |
| 30 | Accounts Payable to Associated Companies (234) | - | 15,630,273 | 11,285,705 |
| 31 | Customer Deposits (235) | - | 38,875,274 | 38,931,569 |
| 32 | Taxes Accrued (236) | - | 2,340,831 | 1,891,406 |
| 33 | Interest Accrued (237) | - | 3,234,858 | 3,282,894 |
| 34 | Dividends Declared (238) | - | | |
| 35 | Matured Long-Term Debt (239) | - | | |
| 36 | Matured Interest (240) | - | | |
| 37 | Tax Collections Payable (241) | - | 1,697,243 | 2,125,415 |
| 38 | Miscellaneous Current and Accrued Liabilities (242) | 22 | 10,500,803 | 11,910,709 |
| 39 | Obligations Under Capital Leases-Current (243) | - | | |
| 40 | Derivative Liabilities (245) | | 7,908,100 | 14,232,670 |
| 41 | TOTAL Current and Accrued Liabilities (Total of lines 27 through 40) | | 133,073,987 | 101,128,049 |
| 42 | DEFERRED CREDITS | | | |
| 43 | Customer Advances for Construction (252) | - | 9,444,514 | 9,846,624 |
| 44 | Other Deferred Credits (253) | 22 | 1,737,324 | 1,737,324 |
| 45 | Other Regulatory Liabilities (254) | 22 | 31,518,806 | 29,392,452 |
| 46 | Accumulated Deferred Investment Tax Credits (255) | 23 | | |
| 47 | Deferred Gains from Disposition of Utility Plant (256) | - | | |
| 48 | Unamortized Gain on Reacquired Debt (257) | 20 | | |
| 49 | Accumulated Deferred Income Taxes (281-283) | 24 | 92,249,714 | 129,267,755 |
| 50 | TOTAL Deferred Credits (Total of lines 43 through 49) | | 134,950,358 | 170,244,155 |
| 51 | TOTAL Liabilities and Other Credits (Total of lines 9, 17, 25, 41 and 50) | | 796,800,136 | 803,732,197 |

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.
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

| Line No. | Account (a) | Ref. Page No. (b) | Total Gas Utility Current Year (c) | Total Gas Utility Previous Year (d) |
|----------|---|----------------------|---------------------------------------|--|
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) | 26 | 444,084,998 | 521,441,968 |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 27-29 | 287,321,009 | 360,937,607 |
| 5 | Maintenance Expenses (402) | 27-29 | 7,257,806 | 6,749,550 |
| 6 | Depreciation Expense (403) | 15-16 | 45,881,807 | 43,807,403 |
| 7 | Amortization & Depletion of Utility Plant (404-405) | - | 1,587,303 | 1,261,901 |
| 8 | Amortization of Utility Plant Acquisition Adjustment (406) | - | 151,334 | 149,146 |
| 9 | Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1) | - | | |
| 10 | Amortization of Conversion Expenses (407.2) | - | | |
| 11 | Regulatory Debits (407.3) | - | 639,996 | 639,996 |
| 12 | (Less) Regulatory Credits (407.4) | - | | |
| 13 | Taxes Other Than Income Taxes (408.1) | 23 | 35,815,693 | 38,289,202 |
| 14 | Income Taxes - Federal (409.1) | - | (17,902,906) | 5,334,833 |
| 15 | - Other (409.1) | - | (836,205) | 2,342,351 |
| 16 | Provision for Deferred Income Taxes (410.1) | 24 | 37,222,218 | 12,223,720 |
| 17 | (Less) Provision for Deferred Income Taxes - Cr.(411.1) | 24 | | |
| 18 | Investment Tax Credit Adjustment - Net (411.4) | 23 | | |
| 19 | (Less) Gains from Disposition of Utility Plant (411.6) | - | | |
| 20 | Losses from Disposition of Utility Plant (411.7) | - | | |
| 21 | Other Operating Income (412-414) | - | | |
| 22 | TOTAL Utility Operating Expenses (Total of lines 4 -21) | | 397,138,055 | 471,735,709 |
| 23 | Net Utility Operating Income (Total of line 2 less 22) | | | |
| 24 | (Carry forward to page 9, line 25) | | 46,946,943 | 49,706,259 |

| Name of Respondent | | | For the Year Ended | |
|---------------------------------|---|-------------------|--------------------|-------------------|
| Peoples Gas System | | | Dec. 31, 2011 | |
| 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) | | 46,946,943 | 49,706,259 |
| 26 | Other Income and Deductions | | | |
| 27 | Other Income | | | |
| 28 | Nonutility Operating Income | | | |
| 29 | Revenues From Merchandising, Jobbing and Contract Work (415) | - | 44,587 | 75,034 |
| 30 | (Less) Costs and Exp. of Merchandising, Job & Contract Work (416) | - | (104,884) | (240,543) |
| 31 | Revenues From Nonutility Operations (417) | - | | |
| 32 | (Less) Expenses of Nonutility Operations (417.1) | - | | |
| 33 | Nonoperating Rental Income (418) | - | | |
| 34 | Equity in Earnings of Subsidiary Companies (418.1) | 10 | 3,062,692 | 2,383,391 |
| 35 | Interest and Dividend Income (419) | - | 242,248 | 268,850 |
| 36 | Allowance for Other Funds Used During Construction (419.1) | - | | |
| 37 | Miscellaneous Nonoperating Income (421) | - | 290,509 | 233,620 |
| 38 | Gain on Disposition of Property (421.1) | - | 302,378 | 345,768 |
| 39 | TOTAL Other Income (Total of lines 29 through 38) | | 3,837,530 | 3,066,120 |
| 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 | 217,061 | 173,691 |
| 44 | TOTAL Other Income Deductions (Total of lines 41 through 43) | | 217,061 | 173,691 |
| 45 | Taxes Applicable to Other Income and Deductions | | | |
| 46 | Taxes Other Than Income Taxes (408.2) | - | | |
| 47 | Income Taxes - Federal (409.2) | - | 181,881 | 156,499 |
| 48 | Income Taxes - Other (409.2) | - | 30,245 | 26,024 |
| 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) | | 212,126 | 182,523 |
| 54 | Net Other Income and Deductions (Total of lines 39,44,53) | | 3,408,343 | 2,709,906 |
| 55 | Interest Charges | | | |
| 56 | Interest on Long-Term Debt (427) | - | 13,814,373 | 14,617,110 |
| 57 | Amortization of Debt Discount and Expense (428) | 21 | 1,401,911 | 1,235,675 |
| 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 | 2,541,572 | 2,470,260 |
| 63 | (Less) Allowance for Borrowed Funds Used During Const.-Credit (432) | - | | |
| 64 | Net Interest Charges (Total of lines 56 through 63) | | 17,757,856 | 18,323,045 |
| 65 | Income Before Extraordinary Items (Total of lines 25, 54 and 64) | | 32,597,430 | 34,093,120 |
| 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) | | 32,597,430 | 34,093,120 |

STATEMENT OF RETAINED EARNINGS

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

| Line No. | Item (a) | Contra Primary Account Affected (b) | Amount (c) |
|----------|--|-------------------------------------|-------------|
| | UNAPPROPRIATED RETAINED EARNINGS (Account 216) | | |
| 1 | Balance - Beginning of Year | | 109,168,114 |
| 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) | | 29,534,738 |
| 11 | Appropriations of Retained Earnings (Account 436) TOTAL | | |
| 12 | Dividends Declared - Preferred Stock (Account 437) TOTAL | | |
| 13 | Dividends Declared - Common Stock (Account 438) TOTAL | | 30,019,821 |
| 14 | Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings | | 3,062,692 |
| 15 | FAS 133 Other Comprehensive Income | | 241,752 |
| 16 | Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15) | | 111,987,475 |
| | 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) | | 111,987,475 |

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.

2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.

3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and

plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.

5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The significant accounting policies are as follows:

Basis of Accounting

Peoples Gas System (PGS) maintains its accounts in accordance with recognized policies prescribed or permitted by the Florida Public Service Commission (FPSC) and the Federal Regulatory Commission (FERC). These policies conform with generally accepted accounting principles (GAAP) in all material respects.

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.

PGS'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, PGS. All significant intercompany balances and intercompany transactions have been eliminated in consolidation. The use of estimates is inherent in the preparation of financial statements in accordance with GAAP. Actual results could differ from these estimates.

Depreciation

Peoples Gas System computes depreciation expense by applying composite, straight-line rates (approved by the state regulatory agency) to the investment in depreciable property. The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 4.4% for 2011 and 2010. Construction work in progress is not depreciated until the asset is completed or placed in service.

Deferred Income Taxes

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

Revenue Recognition

Peoples Gas System recognizes revenues consistent with accounting standards for revenue recognition. 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's retail business 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 accounting for 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 PGS. These adjustment factors are based on costs incurred and projected for a specific recovery period. Any over- or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as regulatory liabilities, and under-recoveries of costs are recorded as regulatory assets.

Certain other costs incurred by the regulated utilities are allowed to be recovered from customers through prices approved in the regulatory process. These costs are recognized as the associated revenues are billed. The Company accrues base revenues for services rendered but unbilled to provide a closer matching of revenues and expenses (see **Note 3**). As of Dec. 31, 2011 and 2010, unbilled revenues of \$10.7 million and \$14.8 million, respectively, are included in the "Accrued Utility Revenue" line item on Balance Sheet.

Accounting for Excise Taxes, Franchise Fees and Gross Receipts

PGS is allowed to recover certain costs on a dollar-for-dollar basis 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 Statement of Income. Franchise fees and gross receipt taxes payable by the Company are included as an expense on the Statement of Income in "Taxes, other than income". These amounts totaled \$23.7 million and \$26.3 million, for the years ended Dec. 31, 2011 and 2010, respectively. Excise taxes paid by the regulated utilities are not material and are expensed as incurred.

Restrictions on Dividend Payments and Transfer of Assets

Certain long-term debt at PGS contains restrictions that limit the payment of dividends and distributions on the common stock of Tampa Electric Company. See **Note 8** for additional information on significant financial covenants.

Receivables and Allowance for Uncollectible Accounts

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

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 210-20 cash balances
- the Balance Sheet classification of ASC 740-10-45 deferred income tax credits
- the use of the equity method to account for majority owned subsidiaries
- the Balance Sheet classification of the current portion of long term debt of \$66.6 million and \$3.4 million at December 31, 2011 and 2010, 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

Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance enhancing disclosures of financial instruments and derivative instruments that are offset in the statement of financial position or subject to enforceable master netting agreements. The guidance is effective for interim and annual reporting periods beginning on or after January 1, 2013. The company will adopt this guidance as required. It will have no effect on the company's results of operations, financial position or cash flows.

Presentation of Comprehensive Income

In June 2011, the FASB issued guidance requiring companies to present the total of comprehensive income, the components of net income and the components of other comprehensive income, in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance is effective for interim and annual periods beginning after December 15, 2011. The company will adopt this guidance as required. It will have no effect on the company's results of operations, financial position or cash flows.

Additionally, in December 2011, the FASB issued guidance that indefinitely delayed the effective date of the requirement to present the reclassification adjustment out of AOCI. The guidance is effective for interim and annual periods beginning after December 15, 2011. The company will adopt this guidance as required. It will have no effect on the company's results of operations, financial position or cash flows.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards

In May 2011, the FASB issued guidance to more closely align its fair value measurement and disclosure requirements with IFRS. The guidance relates to: measuring the fair value of financial instruments that are managed in a portfolio; the application of premiums and discounts in fair value measurement; and disclosures for items required to be disclosed, but not reported on the statement of financial position, at fair value and Level 3 measures. The guidance is effective for interim and annual periods beginning after December 15, 2011. The company will adopt the guidance as required. It will have no effect on the company's results of operations, financial position or cash flows.

3. Regulatory

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

Stipulation with the Office of Public Counsel - PGS

On June 9, 2010, PGS filed a letter with the FPSC agreeing to cap its earned ROE for the year ending Dec. 31, 2010 at 11.75%, the maximum of the ROE range established in its last base rate proceeding.

On December 16, 2010, PGS and the Office of Public Counsel filed a joint motion for FPSC approval of a proposed stipulation resolving all issues relating to any 2010 overearnings of PGS.

On January 25, 2011, the FPSC approved the stipulation for PGS to provide a one-time credit to customer bills totaling \$3.0 million for 2010 earnings above 11.75%, excluding the portion of the company's share of net revenues derived from off-system sales, and credit the remaining balance to its accumulated depreciation reserves. This one-time credit was applied to customer bills in April 2011 and the \$6.2 million remaining balance was credited to the accumulated depreciation reserves in June 2011.

Regulatory Assets and Liabilities

PGS maintains its accounts in accordance with recognized policies of the FPSC. PGS applies the accounting standards for regulated operations. Areas of applicability include: the 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, 2011 and 2010 are presented in the following table:

Regulatory Assets and Liabilities

| <i>(millions)</i> | <i>Dec. 31,</i> <i>2011</i> | <i>Dec. 31,</i> <i>2010</i> |
|--|--------------------------------|--------------------------------|
| Regulatory assets: | | |
| Cost recovery clauses | 13.5 | 18.5 |
| Postretirement benefit asset | 27.7 | 23.4 |
| Deferred bond refinancing costs ⁽¹⁾ | 0.3 | 0.8 |
| Environmental remediation | 30.5 | 23.6 |
| Competitive rate adjustment | 3.5 | 3.3 |
| Other | 0.3 | 0.4 |
| Total regulatory assets | 75.8 | 70.0 |
| Less: Current portion | 18.4 | 25.1 |
| Long-term regulatory assets | \$ 57.4 | \$ 44.9 |
| Regulatory liabilities: | | |
| Recovery clause related | 0.7 | 1.4 |
| Environmental remediation | 28.4 | 21.2 |
| Storm reserve | 0.2 | 0.1 |
| Deferred gain on property sales ⁽²⁾ | 0.2 | 0.5 |
| Provision for stipulation and other ⁽³⁾ | 0.8 | 9.8 |
| Accumulated reserve-cost of removal | 127.9 | 119.1 |
| Total regulatory liabilities | 158.2 | 152.1 |
| Less: Current portion | 1.5 | 11.2 |
| Long-term regulatory liabilities | \$ 156.7 | \$ 140.9 |

(1) Amortized over the term of the related debt instruments.

(2) Amortized over a 4 year period with various ending dates.

(3) Includes a provision to reflect the FPSC-approved PGS stipulation regarding PGS's 2010 earnings above 11.75%. A one-time credit to customer bills totaling \$3.0 million was applied in April 2011 and the \$6.2 million remaining balance of the 2010 earnings above 11.75% was credited to accumulated depreciation reserves in June 2011.

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

Regulatory assets

| <i>(millions)</i> | <i>Dec. 31,</i> <i>2011</i> | <i>Dec. 31,</i> <i>2010</i> |
|--|--------------------------------|--------------------------------|
| Clause recoverable ⁽¹⁾ | \$ 17.1 | \$ 21.8 |
| Components of rate base ⁽²⁾ | 27.7 | 23.4 |
| Capital structure and other ⁽³⁾ | 31.0 | 24.8 |
| Total | \$ 75.8 | \$ 70.0 |

(1) To be recovered through cost-recovery clauses approved by the FPSC on a dollar-for-dollar basis in the next year.

(2) Primarily reflects allowed working capital, which is included in rate base and earns a rate of return as permitted by the FPSC.

(3) "Regulatory tax assets" and "Capital structure and other" regulatory assets have a recoverable period longer than a fiscal year and are recognized over the period authorized by the regulatory agency. Also included are unamortized debt 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 Taxes

Peoples Gas System 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 for Consolidated Peoples Gas System consists of the following components:

| Income Tax Expense (Benefit) | | |
|-------------------------------------|-------------|-------------|
| <i>(millions)</i> | | |
| <i>For the year ending Dec. 31,</i> | <i>2011</i> | <i>2010</i> |
| Current income taxes | | |
| Federal | \$ (16.2) | \$ 7.0 |
| State | (0.6) | 2.6 |
| Deferred income taxes | | |
| Federal | 33.9 | 11.2 |
| State | 3.5 | 0.4 |
| Total income tax expense | 20.6 | 21.2 |
| Included in other income, net | (0.2) | (0.1) |
| Included in operating expenses | \$ 20.4 | \$ 21.1 |

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 deferred tax assets and liabilities for Consolidated Peoples Gas System recognized in the balance sheet are as follows:

| Deferred Income Taxes | | |
|--|-------------|-------------|
| <i>(millions) As of Dec. 31,</i> | | |
| | <i>2011</i> | <i>2010</i> |
| Deferred tax liabilities ⁽¹⁾ | | |
| Property related | \$ (106.8) | \$ (71.1) |
| Hedging Activities (FAS 133) | (5.5) | (3.0) |
| Pension and postretirement benefits (FAS 158) | (8.4) | (9.1) |
| Deferred Fuel | 0.0 | (4.1) |
| Pension | (3.2) | (2.2) |
| Other | (0.7) | 0.0 |
| Total deferred income tax liabilities | (124.6) | (89.5) |
| Deferred tax assets ⁽¹⁾ | | |
| Hedging Activities (FAS 133) | 6.5 | 4.2 |
| Insurance reserves | 1.3 | 1.3 |
| Pension and postretirement benefits (FAS 158) | 8.4 | 9.1 |
| Medical benefits | 4.5 | 4.3 |
| Capitalized energy conservation assistance costs | 20.0 | 22.9 |
| Other | 0.0 | 1.4 |
| Total deferred income tax assets | 40.7 | 43.2 |
| Net deferred income taxes | (83.9) | (46.3) |

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

Deferred income tax assets and liabilities are included in the balance sheet as follows:

| Deferred Income Taxes | | |
|--------------------------------------|-------------|-------------|
| <i>(millions) As of Dec. 31,</i> | | |
| | <i>2011</i> | <i>2010</i> |
| Current deferred tax assets | \$ 6.6 | \$ 10.5 |
| Current deferred tax liabilities | (4.8) | (6.9) |
| Non-current deferred tax assets | 36.3 | 35.2 |
| Non-current deferred tax liabilities | (122.0) | (85.1) |
| Total | (83.9) | (46.3) |

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:

| Explanation of differences: | | |
|---|-------------|-------------|
| <i>(millions) As of Dec. 31,</i> | <i>2011</i> | <i>2010</i> |
| Net income | \$ 32.6 | \$ 34.1 |
| Total income tax provision | 20.6 | 21.2 |
| Income before income taxes | 53.2 | 55.3 |
| Income taxes on above at federal statutory rate of 35% | 18.6 | 19.4 |
| Increase/(decrease) due to state income tax, net of federal income tax | 1.9 | 2.0 |
| Other | 0.1 | (0.1) |
| Total income tax provision | 20.6 | 21.3 |
| Provision for income taxes as a percent of income from continuing operations, before income taxes | 38.7% | 38.4% |

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, Peoples Gas System 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 50% likelihood of being realized upon ultimate settlement. The guidance also provides standards on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

As of December 31 2011 and 2010, Peoples Gas System did not have a liability for unrecognized tax benefits. Based on current information, PGS does not anticipate that this will change materially in 2012. As of December 31, 2011, The Company does not have a liability recorded for payment of interest and penalties associated with uncertain tax positions.

The Internal Revenue Service (IRS) concluded its examination of federal income tax returns for the year 2010 during 2011. The U.S. federal statute of limitations remains open for the year 2008 and onward. The federal income tax return for calendar year 2011 is part of the IRS's Compliance Assurance Program. As a result, the IRS audit of such return is expected to be completed in 2012. Florida's statute of limitations is three years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by Florida's tax authorities include 2008 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 Benefits

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 in benefit liabilities and regulatory assets. The results of operations are not impacted.

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 became effective January 1, 2008 and requires companies to, among other things, maintain certain defined minimum funding thresholds (or face plan benefit restrictions), pay higher premiums to the 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 Pension Protection Act (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%. 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, 2011 estimate reflected the adoption of the asset smoothing methodology under WRERA.

The qualified pension plan's actuarial value of assets, including credit balance, was 90% of the Pension Protection Act funded target as of January 1, 2011 and is estimated at 85% of the Pension Protection Act funded target as of January 1, 2012.

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. TECO Energy reserves the right to terminate or modify the plans in whole or in part at any time.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) added prescription drug coverage to Medicare, with a 28% tax-free subsidy to encourage employers to retain their prescription drug programs for retirees, along with other key provisions. TECO Energy's current retiree medical program for those eligible for Medicare (generally over age 65) includes coverage for prescription drugs. TECO Energy has determined that prescription drug benefits available to certain Medicare-eligible participants under its defined-dollar-benefit postretirement health care plan are at least "actuarially equivalent" to the standard drug benefits that are offered under Medicare Part D.

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

In March 2010, the Patient Protection and Affordability Care Act and a companion bill, The Health Care and Education Reconciliation Act, collectively referred to as the Health Care Reform Acts, were signed into law. Among other things, both acts reduce the tax benefits available to an employer that receives the Medicare Part D subsidy, resulting in a write-off of any associated deferred tax asset. As a result, PGS reduced its deferred tax asset by \$0.5 million and recorded a regulatory tax asset of \$0.5 million in 2010.

Additionally, the Health Care Reform Acts contain other provisions that may impact TECO Energy's obligation for retiree medical benefits. In particular, the Health Care Reform Acts include a provision that imposes an excise tax on certain high-cost plans beginning in 2018, whereby premiums paid over a prescribed threshold will be taxed at a 40% rate. TECO Energy does not currently believe the excise tax or other provisions of the Health Care Reform Acts will materially increase its postretirement benefit obligation. TECO Energy will continue to monitor and assess the impact of the Health Care Reform Acts, including any clarifying regulations issued to address how the provisions are to be implemented, on its future results of operations, cash flows or financial position.

During 2011, TECO Energy, Inc. received subsidy payments under Part D for the fourth quarter of the 2010 plan year, along with payments for the first three quarters of the 2011 plan year. TECO Energy, Inc. received the fourth quarter 2011 plan year payment in February 2012.

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

| Obligations and Funded Status <i>(millions)</i> | Pension Benefits | | Other Benefits | |
|--|-------------------------|---------|-----------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Change in benefit obligation | | | | |
| Net benefit obligation at prior measurement date ⁽¹⁾ | \$610.3 | \$587.7 | \$222.0 | \$207.6 |
| Service cost | 16.0 | 16.2 | 2.1 | 3.2 |
| Interest cost | 30.9 | 33.2 | 11.0 | 10.9 |
| Plan participants' contributions | 0.0 | 0.0 | 3.9 | 3.6 |
| Actuarial loss (gain) | 26.8 | 12.3 | (7.4) | 11.7 |
| Special termination benefits | | | | |
| Gross benefits paid | (35.2) | (34.2) | (16.2) | (16.7) |
| Settlements | (2.4) | (4.9) | 0.0 | 0.0 |
| Federal subsidy on benefits paid | n/a | n/a | 1.1 | 1.7 |
| Net benefit obligation at measurement date ⁽¹⁾ | \$646.4 | \$610.3 | \$216.5 | \$222.0 |
| Change in plan assets | | | | |
| Fair value of plan assets at prior measurement date ⁽¹⁾ | \$479.7 | \$388.9 | \$0.0 | \$0.0 |
| Actual return on plan assets ⁽²⁾ | 21.8 | 42.3 | 0.0 | 0.0 |
| Employer contributions | 3.7 | 87.6 | 11.2 | 11.5 |
| Plan participants' contributions | 0.0 | 0.0 | 3.9 | 3.6 |
| Settlements | (2.4) | (4.9) | 0.0 | 0.0 |
| Gross benefits paid | (35.2) | (34.2) | (15.1) | (15.1) |
| Fair value of plan assets at measurement date ⁽¹⁾ | \$467.6 | \$479.7 | \$0.0 | \$0.0 |
| Funded status | | | | |
| Fair value of plan assets ⁽³⁾ | \$467.6 | \$479.7 | \$0.0 | \$0.0 |
| Benefit obligation (PBO/APBO) | 646.4 | 610.3 | 216.5 | 222.0 |
| Funded status at measurement date ⁽¹⁾ | (178.8) | (130.6) | (216.5) | (222.0) |
| Net contributions after measurement date | 0.0 | 0.0 | 0.0 | 0.0 |
| Unrecognized net actuarial loss | 251.7 | 220.8 | 25.5 | 31.9 |
| Unrecognized prior service (benefit) cost | (1.2) | (1.7) | 4.9 | 5.7 |
| Unrecognized net transition obligation | 0.0 | 0.0 | 1.9 | 4.2 |
| Accrued liability at end of year | \$71.7 | \$88.5 | (\$184.2) | (\$180.2) |
| Amounts recognized in balance sheet | | | | |
| Regulatory assets | \$199.7 | \$176.3 | \$52.7 | \$61.2 |
| Prepaid benefit cost | | | | |
| Intangible assets | | | | |
| Accrued benefit costs and other current liabilities | (2.9) | (4.4) | (13.2) | (13.8) |
| Deferred credits and other liabilities | (175.9) | (126.2) | (203.3) | (208.2) |
| Additional minimum liability | | | | |
| Accumulated other comprehensive loss (income) (pretax) | 50.8 | 42.8 | (20.4) | (19.4) |
| Net amount recognized at end of year | \$71.7 | \$88.5 | (\$184.2) | (\$180.2) |

(1) The measurement dates were Dec. 31, 2011 and Dec. 31, 2010.

(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

| PGS Amounts recognized in balance sheet (millions) | Pension Benefits | | Other Benefits | |
|---|-------------------------|---------|-----------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Regulatory assets | \$ 29.6 | \$ 25.2 | \$ (1.9) | \$ (1.7) |
| Accrued benefit costs and other current liabilities | (0.8) | (0.8) | (0.5) | (0.5) |
| Deferred credits and other liabilities | (23.2) | (16.3) | (11.8) | (12.3) |
| | \$ 5.6 | \$ 8.1 | \$ (14.2) | \$ (14.5) |

The accumulated benefit obligation for TECO Energy Consolidated defined benefit pension plans was \$596.2 million at December 31, 2011 and \$558.4 million at December 31, 2010.

Assumptions used to determine benefit obligations at Dec. 31, 2011 and 2010:

| | Pension Benefits | | Other Benefits | |
|--|-------------------------|-------|-----------------------|-------|
| | 2011 | 2010 | 2011 | 2010 |
| Discount rate | 4.80% | 5.30% | 4.74% | 5.25% |
| Rate of compensation increase-weighted average | 3.83% | 3.88% | 3.82% | 3.87% |
| Healthcare cost trend rate | | | | |
| Immediate rate | n/a | n/a | 7.75% | 8.00% |
| Ultimate rate | n/a | n/a | 4.50% | 4.50% |
| Year rate reaches ultimate | n/a | n/a | 2025 | 2023 |

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

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

The discount rate assumption used to determine the December 31, 2011 benefit obligation was based on a cash flow matching technique developed by our outside actuaries and a review of current economic conditions. This technique constructs hypothetical bond portfolios using high-quality (AA or better by Standard & Poor's) corporate bonds available from the Barclays Capital database at the measurement date to meet the plan's year-by-year projected cash flows. The technique calculates all possible bond portfolios that produce adequate cash flows to pay the yearly benefits and then selects the portfolio with the highest yield and uses that yield as the recommended discount rate.

Components of TECO Energy Consolidated net periodic benefit cost

| (millions) | Pension Benefits | | Other Benefits | |
|--------------------------------|-------------------------|---------------------|-----------------------|---------------------|
| | 2011 ⁽¹⁾ | 2010 ⁽¹⁾ | 2011 ⁽¹⁾ | 2010 ⁽¹⁾ |
| Service cost | \$ 16.0 | \$ 16.2 | \$ 2.1 | \$ 3.2 |
| Interest cost | 30.9 | 33.2 | 11.1 | 10.9 |
| Expected return on plan assets | (38.4) | (36.3) | 0.0 | 0.0 |
| Amortization of: | | | | |
| Actuarial loss | 11.3 | 12.4 | 0.1 | 0.0 |
| Prior service (benefit) cost | (0.4) | (0.4) | 0.8 | 0.8 |
| Transition obligation | 0.0 | 0.0 | 2.3 | 2.3 |
| Curtailment loss (benefit) | 0.0 | 0.0 | 0.0 | 0.0 |
| Settlement loss | 0.9 | 1.6 | 0.0 | 0.0 |
| Net periodic benefit cost | \$ 20.3 | \$ 26.7 | \$ 16.4 | \$ 17.2 |

(1) Benefit cost was measured for the twelve months ended Dec. 31, 2011 and 2010.

PGS's portion of the net periodic benefit costs for pension benefits was \$2.5 million and \$2.9 million for 2011 and 2010, respectively. PGS's portion of the net periodic benefit costs for other benefits was \$1.3 million and \$1.5 million for 2011 and 2010, respectively.

The estimated net loss 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 is \$1.7 million. The estimated prior service cost and transition obligation for the other postretirement benefit plan that will be amortized from regulatory asset into net periodic benefit cost over the next fiscal year total \$0.2 million and \$0.1 million, respectively.

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

| | <u>Pension Benefits</u> | | <u>Other Benefits</u> | |
|--|-------------------------|-------------|-----------------------|-------------|
| | <i>2011</i> | <i>2010</i> | <i>2011</i> | <i>2010</i> |
| Discount rate | 5.30% | 5.75% | 5.25% | 5.60% |
| Expected long-term return on plan assets | 7.75% | 8.25% | n/a | n/a |
| Rate of compensation increase | 3.88% | 4.25% | 3.87% | 4.25% |
| Healthcare cost trend rate | | | | |
| Immediate rate | n/a | n/a | 8.00% | 8.00% |
| Ultimate rate | n/a | n/a | 4.50% | 5.00% |
| Year rate reaches ultimate | n/a | n/a | 2023 | 2017 |

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 TECO Energy'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, 2011, TECO Energy's pension plan experienced actual asset returns of approximately 4.4%.

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 no significant effect on PGS's expense.

Pension Plan Assets

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

| <u>Asset Category</u> | <u>Target Allocation</u> | <u>Actual Allocation, End of Year</u> | |
|-------------------------|--------------------------|---------------------------------------|-------------|
| | | <i>2011</i> | <i>2010</i> |
| Equity securities | 55% | 50% | 56% |
| Fixed income securities | 45% | 50% | 44% |
| Total | 100% | 100% | 100% |

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

The plan's investments are held by a trust fund administered by JP Morgan Chase Bank, N.A. (JP

Morgan). 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 TECO Energy 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, 2011 and 2010. 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.

| <i>(millions)</i> | At Fair Value as of Dec. 31, 2011 | | | |
|--|--|----------------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash | \$4.4 | \$0.0 | \$0.0 | \$4.4 |
| Accounts receivable | 39.6 | 0.0 | 0.0 | 39.6 |
| Accounts payable | (20.4) | 0.0 | 0.0 | (20.4) |
| Cash equivalents | | | | |
| Treasury bills (T bills) | 0.0 | 4.3 | 0.0 | 4.3 |
| Short term investment fund (STIF) | 13.2 | 0.0 | 0.0 | 13.2 |
| Money markets | 0.0 | 0.3 | 0.0 | 0.3 |
| Total cash equivalents | <u>13.2</u> | <u>4.6</u> | <u>0.0</u> | <u>17.8</u> |
| Equity securities | | | | |
| Common stocks | 114.2 | 0.0 | 0.0 | 114.2 |
| Preferred stocks | 0.0 | 1.0 | 0.0 | 1.0 |
| American depository receipt (ADR) | 6.5 | 0.6 | 0.0 | 7.1 |
| Real estate investment trust (REIT) | 2.0 | 0.0 | 0.0 | 2.0 |
| Commingled fund | 0.0 | 19.8 | 0.0 | 19.8 |
| Mutual fund | 88.3 | 0.0 | 0.0 | 88.3 |
| Total equity securities | <u>211.0</u> | <u>21.4</u> | <u>0.0</u> | <u>232.4</u> |
| Fixed income securities | | | | |
| Municipal bonds | 0.0 | 8.7 | 0.0 | 8.7 |
| Government bonds | 0.0 | 31.7 | 0.0 | 31.7 |
| Corporate bonds | 0.0 | 29.5 | 0.0 | 29.5 |
| Asset backed securities (ABS) | 0.0 | 0.5 | 0.0 | 0.5 |
| Mortgage back securities (MBS) | 0.0 | 20.0 | 0.0 | 20.0 |
| Collateralized mortgage obligation/Real estate mortgage investment conduit (CMO/REMIC) | 0.0 | 2.5 | 0.0 | 2.5 |
| Mutual funds | 0.0 | 101.1 | 0.0 | 101.1 |
| Total fixed income securities | <u>0.0</u> | <u>194.0</u> | <u>0.0</u> | <u>194.0</u> |
| Derivatives | | | | |
| Swaps | 0.0 | (0.3) | 0.0 | (0.3) |
| Written options | 0.0 | 0.1 | 0.0 | 0.1 |
| Total Derivatives | <u>0.0</u> | <u>(0.2)</u> | <u>0.0</u> | <u>(0.2)</u> |
| Total | <u>\$247.8</u> | <u>\$219.8</u> | <u>\$0.0</u> | <u>\$467.6</u> |

| <i>(millions)</i> | At Fair Value as of Dec. 31, 2010 | | | |
|--|--|----------------|----------------|----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Accounts receivable | \$31.4 | \$0.0 | \$0.0 | \$31.4 |
| Accounts payable | (45.2) | 0.0 | 0.0 | (45.2) |
| Cash equivalents | | | | |
| Short term investment fund (STIF) | 7.9 | 0.0 | 0.0 | 7.9 |
| Repurchase agreements | 0.0 | 14.0 | 0.0 | 14.0 |
| Money markets | 0.0 | 0.3 | 0.0 | 0.3 |
| Total cash equivalents | <u>7.9</u> | <u>14.3</u> | <u>0.0</u> | <u>22.2</u> |
| Equity securities | | | | |
| Common stocks | 112.6 | 0.0 | 0.0 | 112.6 |
| Preferred stocks | 0.0 | 1.0 | 0.0 | 1.0 |
| American depository receipt (ADR) | 4.8 | 1.3 | 0.0 | 6.1 |
| Real estate investment trust (REIT) | 2.0 | 0.0 | 0.0 | 2.0 |
| Commingled fund | 0.0 | 24.8 | 0.0 | 24.8 |
| Mutual fund | 121.5 | 0.0 | 0.0 | 121.5 |
| Total equity securities | <u>240.9</u> | <u>27.1</u> | <u>0.0</u> | <u>268.0</u> |
| Fixed income securities | | | | |
| Municipal bonds | 0.0 | 7.9 | 0.0 | 7.9 |
| Government bonds | 0.0 | 26.3 | 0.0 | 26.3 |
| Corporate bonds | 0.0 | 26.0 | 0.0 | 26.0 |
| Asset backed securities (ABS) | 0.0 | 0.6 | 0.0 | 0.6 |
| Mortgage back securities (MBS) | 0.0 | 53.6 | 0.0 | 53.6 |
| Collateralized mortgage obligation/Real estate mortgage investment conduit (CMO/REMIC) | 0.0 | 3.0 | 0.0 | 3.0 |
| Mutual funds | 0.0 | 86.1 | 0.0 | 86.1 |
| Total fixed income securities | <u>0.0</u> | <u>203.5</u> | <u>0.0</u> | <u>203.5</u> |
| Derivatives | | | | |
| Swaps | 0.0 | 0.1 | 0.0 | 0.1 |
| Written options | 0.0 | (0.3) | 0.0 | (0.3) |
| Total Derivatives | <u>0.0</u> | <u>(0.2)</u> | <u>0.0</u> | <u>(0.2)</u> |
| Total | <u>\$235.0</u> | <u>\$244.7</u> | <u>\$0.0</u> | <u>\$479.7</u> |

- T bills are valued at amortized cost.
- The STIFs are money market mutual funds and are valued using the net asset value (NAV), as determined by the fund's trustee in accordance with U.S. GAAP, at year end. Shares may be sold any day the fund is accepting purchase orders, at the next NAV calculated after the order is accepted. The NAVs are validated with purchases and sales at NAV, making these Level 1 assets.
- Money markets and repurchase agreements valued using cost due to their short term nature. Additionally, money markets are backed by 102% collateral.
- The primary pricing inputs in determining the fair value of the Level 1 assets, excluding the mutual funds and STIFs, 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 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. ABS and CMO are priced using TBA prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads and cash flow information.

- The primary pricing input in determining the fair value of the Level 2 mutual funds are their NAV at year end. Shares may be purchased at the NAV without sales charges or other fees. Since these mutual funds are private funds, they are Level 2 assets. The funds invest 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.
- The Level 2 options are valued using the bid-ask spread and the last price. Swaps are valued using benchmark yields, swap curves and cash flow analyses.

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 made no cash contribution to this plan in 2011 and \$81.3 million in 2010, which met the minimum funding requirements for both 2011 and 2010. PGS's portion of the contribution in 2010 was \$7.4 million. This amount is reflected in the "Other" line item on the Consolidated Statements of Cash Flows. TECO Energy plans on making a contribution in 2012 of \$35.5, with PGS's portion being \$4.1 million. TECO Energy estimates annual contributions to range from \$40.0 to \$55.0 million per year in 2013 to 2016 based on current assumptions. PGS's portion of the contributions range from \$4.8 to \$6.0 million per year in 2013 to 2016.

The SERP is funded annually to meet the benefit obligations. TECO Energy made contributions of \$3.7 million and \$6.3 million to this plan in 2011 and 2010, respectively. PGS's portion of the contributions in 2011 and 2010 were \$0.9 million and \$3.1 million, respectively. In 2012, TECO Energy expects to make a contribution of about \$2.9 million to this plan. PGS's portion of the expected contribution is \$0.8 million.

The other postretirement benefits are funded annually to meet benefit obligations. TECO Energy's contribution toward health care coverage for most employees who retired after the age of 55 between January 1, 1990 and June 30, 2001 is limited to a defined dollar benefit based on service. TECO Energy 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 2012, TECO Energy expects to make a contribution of about \$13.2 million. PGS's portion of the expected contribution is \$0.5 million.

Benefit Payments

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

| Expected Benefit Payments - TECO Energy (including projected service and net of employee contributions) | Pension Benefits | Other Postretirement Benefits | |
|--|---------------------|-------------------------------|------------------|
| | | Gross | Expected Federal |
| | | | Subsidy |
| (millions) | | | |
| 2012 | \$ 46.1 | \$ 14.7 | \$ 1.4 |
| 2013 | \$ 45.9 | \$ 15.4 | \$ 1.6 |
| 2014 | \$ 46.9 | \$ 16.2 | \$ 1.7 |
| 2015 | \$ 48.3 | \$ 16.8 | \$ 1.9 |
| 2016 | \$ 52.1 | \$ 17.3 | \$ 2.0 |
| 2017-2021 | \$ 279.5 | \$ 19.6 | \$ 11.8 |

Defined Contribution Plan

TECO Energy has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries that enables participants to save a portion of their compensation up to the limits allowed by IRS guidelines. TECO Energy and its subsidiaries match up to 6% of the participant's payroll savings deductions. Effective April 2010, employer matching contributions were 60% of eligible participant contributions with additional incentive match of up to 40% of eligible participant contributions based on the achievement of certain operating company financial goals. Prior to this, 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, 2011 and 2010, TECO Energy and its subsidiaries recognized expense totaling \$9.0 million and \$12.6, respectively, related to the matching contributions made to this plan. PGS's portion of expense totaled \$0.6 million and \$1.0 million for 2011 and 2010, respectively.

6. Short-Term Debt

At December 31, 2011, these credit facilities require commitment fees ranging from 17.5 to 35.0 basis points. The weighted-average interest rate on outstanding notes payable at December 31, 2010 was 0.64%. There were no outstanding notes payable at December 31, 2011.

Tampa Electric Company \$325 million bank credit facility amendment

On October 25, 2011, Tampa Electric Company amended its \$325 million bank credit facility, entering into a Third Amended and Restated Credit Agreement. The amendment (i) extended the maturity date of the credit facility from May 9, 2012 to October 25, 2016 (subject to further extension with the consent of each lender); (ii) continued to allow Tampa Electric Company to borrow funds at a rate equal to the London interbank deposit rate plus a margin; (iii) allows Tampa Electric Company to borrow funds at an interest rate equal to a margin plus the higher of Citibank's prime rate, the federal funds rate plus 50 basis points, or the London interbank deposit rate plus 1.00%; (iv) as an alternative to the above interest rate, allows Tampa Electric Company to borrow funds on a same-day basis under a new swingline loan provision, which loans mature on the fourth banking day after which any such loans are made and bear interest at an interest rate as agreed by the Borrower and the relevant swingline lender prior to the making of any such loans; (v) continues to allow Tampa Electric Company to request the lenders to increase their commitments under the credit facility by up to \$175 million in the aggregate; (vi) includes a \$200 million letter of credit facility (compared to \$50 million under the previous agreement); and (vii) made other technical changes.

7. Long-Term Debt

Tampa Electric Company Exchange Offer and Issuance of 5.40% Notes due 2021

On December 14, 2010, Tampa Electric Company completed an exchange offer (the Exchange Offer) which resulted in the exchange of approximately \$278.5 million principal amount of Tampa Electric Company notes for approximately \$278.5 million principal amount of newly issued Tampa Electric Company 5.40% Notes due 2021.

The Exchange Offer resulted in the exchange and retirement of approximately:

- \$131.5 million principal amount of Tampa Electric Company 6.875% Notes due 2012
- \$147.0 million principal amount of Tampa Electric Company 6.375% Notes due 2012 for approximately \$278.5 million principal amount of newly issued Tampa Electric Company 5.40% Notes due 2021. \$46.7 million of the \$278.5 million principal is included under the Long-Term debt portion of the PGS Balance Sheet.

The 5.40% Notes bear interest at a rate of 5.40% per year, payable on May 15 and November 15 each year, beginning May 15, 2011 and mature May 15, 2021. Tampa Electric Company may redeem some or all of the 5.40% Notes at a price equal to the greater of (i) 100% of the principal amount of the applicable Tampa Electric Company notes to be redeemed, plus accrued and unpaid interest, or (ii) the net present value

of the remaining payments of principal and interest on the Tampa Electric Company 5.40% Notes, discounted at the applicable treasury rate (as defined in the applicable supplemental indenture), plus 25 basis points. Such redemption price would include accrued and unpaid interest to the redemption date. In accordance with allowed regulatory treatment, the unamortized costs are being amortized over the life of the original notes.

After the Exchange Offer, approximately \$118.6 million principal amount of Tampa Electric Company 6.875% Notes due 2012 and \$253.0 million principal amount of Tampa Electric Company 6.375% Notes due 2012 remain outstanding. Of the remaining outstanding, \$19.9 million of the principal amount of the 6.875% Notes due 2012 and \$44.3 of the principal amount of the 6.375% Notes due 2012 remain on the Balance Sheet for PGS.

8. Commitments and Contingencies

Legal Contingencies

From time to time, Peoples Gas System is involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of its business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss. While the outcome of such proceedings is uncertain, management does not believe that their ultimate resolution will have a material adverse effect on PGS's results of operations, financial condition or cash flows.

Merco Group at Aventura Landings v. Peoples Gas System

In a Florida district court case pending in Miami, Merco Group at Aventura Landings I, II and III (Merco) alleged that coal tar from a certain former PGS manufactured gas plant site had been deposited in the early 1960s onto property now owned by Merco. Merco alleged that it incurred approximately \$3.9 million in costs associated with the removal of such coal tar and provided testimony claiming approximately \$110.0 million plus interest in damages from out-of-pocket development expenses and lost profits due to the delay in its condominium development project allegedly caused by the presence of the coal tar. PGS maintains that it is not liable because the coal tar did not originate from its manufactured gas plant site and filed a third-party complaint against Continental Holdings, Inc. (CHI), which Merco also added as a defendant in its suit, as the owner at the relevant time of the site that PGS believes was the source of the coal tar on Merco's property. In addition, the court will consider PGS's counterclaim against Merco which claims that, because Merco purchased the property with actual knowledge of the presence of coal tar on the property, Merco should contribute toward any damages resulting from the presence of coal tar. The bench trial in this matter was concluded in February 2012 and a ruling is expected in the spring of 2012. Co-defendant CHI reached a settlement with Merco but still remains as a defendant in PGS's third-party complaint.

Superfund and Former Manufactured Gas Plant Sites

Peoples Gas 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, 2011, Peoples Gas System has estimated its ultimate financial liability to be \$28.4 million. This amount has been accrued and is primarily reflected in "Long-term regulatory liabilities" on the Balance Sheet. 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 clean-up costs attributable to Peoples Gas System. The estimates to perform the work are based on PGS's experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, many of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, Peoples Gas System could be liable for more than its actual percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or

regulations that could require additional remediation. These costs are recoverable through customer rates established in subsequent base rate proceedings.

9. Related Party Transactions

A summary of activities between Tampa Electric Company and its affiliates follows:

Net transactions with affiliates:

| <i>(millions)</i> | 2011 | 2010 |
|--|---------|---------|
| Administrative and general, net | \$ 4.3 | \$ 3.9 |
| Amounts due from or to affiliates at Dec. 31, | | |
| <i>(millions)</i> | 2011 | 2010 |
| Accounts receivable ⁽¹⁾ | \$ 0.9 | \$ 1.0 |
| Accounts payable ⁽¹⁾ | \$ 12.2 | \$ 16.6 |

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

10. Asset Retirement Obligations

Peoples Gas System's accounts for asset retirement obligations (AROs) under the applicable accounting standards. An 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. PGS uses current cost of removal factors as part of the estimation method to approximate the amount of cost of removal in accumulated depreciation.

11. Accounting for Derivative Instruments and Hedging Activities

From time to time, Peoples Gas System 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.

Peoples Gas System uses derivatives only to reduce normal operating and market risks, not for speculative purposes. PGS'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 PGS 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.

Peoples Gas System 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 (see **Note 12**). The changes in fair value that are recorded in OCI are not immediately recognized in current net income. As the underlying hedged transaction matures or the physical commodity is delivered, the deferred gain or loss on the related hedging instrument must be reclassified from OCI to earnings based on its value at the time of the instrument's settlement. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the market change of the amount paid or received on the underlying physical transaction.

PGS applies accounting standards for regulated operations to financial instruments used to hedge the purchase of natural gas. 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**).

Peoples Gas System'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 PGS deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if PGS intends to receive physical delivery and if the transaction is reasonable in relation to the Company's business needs. As of December 31, 2011, all of Peoples Gas System's physical contracts qualify for the NPNS exception.

The following table presents the derivative hedges of natural gas contracts at December 31, 2011 and December 31, 2010 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 ⁽¹⁾ | <i>Dec. 31,</i> | <i>Dec. 31,</i> |
|---|-----------------|-----------------|
| <i>(millions)</i> | <i>2011</i> | <i>2010</i> |
| Current assets | \$0.0 | \$0.0 |
| Long-term assets | 0.0 | 0.0 |
| Total assets | \$0.0 | \$0.0 |
| Current liabilities | \$11.9 | \$7.1 |
| Long-term liabilities | 2.3 | 0.8 |
| Total liabilities | \$14.2 | \$7.9 |

(1) 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 effect of energy related derivatives on the fuel recovery clause mechanism on the Balance Sheet as of December 31, 2011 and 2010:

Energy Related Derivatives

| <i>(millions)</i> <i>at Dec. 31, 2011</i> | Asset Derivatives | | Liability Derivatives | |
|--|-------------------------|--------------|-------------------------|---------------|
| | Balance Sheet | Fair | Balance Sheet | Fair |
| | Location ⁽¹⁾ | Value | Location ⁽¹⁾ | Value |
| Commodity Contracts: | | | | |
| <u>Natural gas derivatives:</u> | | | | |
| Current | Regulatory liabilities | \$0.0 | Regulatory assets | \$11.9 |
| Long-term | Regulatory liabilities | 0.0 | Regulatory assets | 2.3 |
| Total | | \$0.0 | | \$14.2 |

| <i>(millions)</i> <i>at Dec. 31, 2010</i> | Asset Derivatives | | Liability Derivatives | |
|--|-------------------------|--------------|-------------------------|--------------|
| | Balance Sheet | Fair | Balance Sheet | Fair |
| | Location ⁽¹⁾ | Value | Location ⁽¹⁾ | Value |
| Commodity Contracts: | | | | |
| <u>Natural gas derivatives:</u> | | | | |
| Current | Regulatory liabilities | \$0.0 | Regulatory assets | \$7.1 |
| Long-term | Regulatory liabilities | 0.0 | Regulatory assets | 0.8 |
| Total | | \$0.0 | | \$7.9 |

- (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, 2011, net pretax losses of \$11.9 million are expected to be reclassified from regulatory assets to the Statement of Income within the next twelve months.

The following table presents the effect of hedging instruments on OCI and income for the years ended December 31, 2011 and 2010:

| <i>(millions)</i> <i>For the years ended Dec. 31:</i> | Location of Gain/(Loss) Reclassified From AOCI Into Income | Amount of Gain/(Loss) Reclassified From | |
|--|---|--|----------------|
| | | 2011 | 2010 |
| <u>Derivatives in Cash Flow Hedging Relationships</u> | | <u>Effective Portion⁽¹⁾</u> | |
| <i>Interest rate contracts:</i> | Interest expense | (\$0.2) | (\$0.2) |
| Total | | (\$0.2) | (\$0.2) |

(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, 2011 and 2010, all hedges were effective.

The maximum length of time over which the company is hedging its exposure to the variability in future cash flows extends to December 31, 2013 for the financial natural gas contracts. The following table presents by commodity type the company's derivative volumes that, as of December 31, 2011, are expected to settle during the 2012 and 2013 fiscal years:

Natural Gas Contracts

| <i>(millions)</i> Year | <i>(MMBtus)</i> | |
|---------------------------|-----------------|-----------|
| | Physical | Financial |
| 2012 | 0.0 | 7.9 |
| 2013 | 0.0 | 2.2 |
| Total | 0.0 | 10.1 |

Peoples Gas System 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, PGS could suffer a material financial loss. However, as of December 31, 2011, substantially all of the counterparties with transaction amounts outstanding in Peoples Gas System's energy portfolio were rated investment grade by the major rating agencies. PGS assesses credit risk internally for counterparties that are not rated.

Peoples Gas System has implemented procedures to monitor the creditworthiness of its 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 changes in ownership. Net liability positions are generally not adjusted as PGS 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, 2011, substantially all positions with counterparties were net liabilities.

Certain PGS derivative instruments contain provisions that require PGS's debt to maintain an investment grade credit rating from any or all of the major credit rating agencies. If debt ratings were to fall below investment grade, it could trigger these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The Company 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's derivative activity at December 31, 2011:

Contingent Features

| <i>(millions)</i> | Fair Value | Derivative | Posted |
|-------------------|-----------------------|-----------------------------------|--------|
| | Asset/ (Liability) | Exposure Asset/ (Liability) | |
| Credit Rating | (\$14.2) | (\$14.2) | \$0.0 |

12. Fair Value Measurements

Items Measured at Fair Value on a Recurring Basis

The following table sets forth by level within the fair value hierarchy Peoples Gas system's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2011 and 2010. 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. PGS'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, 2011</i> | | | |
|-------------------|--|----------------|----------------|--------------|
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| Assets | | | | |
| Natural gas swaps | \$ 0.0 | \$0.0 | \$ 0.0 | \$0.0 |
| Total | \$ 0.0 | \$0.0 | \$ 0.0 | \$0.0 |

Liabilities

| | | | | |
|-------------------|--------|--------|--------|--------|
| Natural gas swaps | \$ 0.0 | \$14.2 | \$ 0.0 | \$14.2 |
| Total | \$ 0.0 | \$14.2 | \$ 0.0 | \$14.2 |

| <i>(millions)</i> | <i>At fair value as of Dec. 31, 2010</i> | | | |
|-------------------|--|----------------|----------------|--------------|
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| Assets | | | | |
| Natural gas swaps | \$ 0.0 | \$0.0 | \$ 0.0 | \$0.0 |
| Total | \$ 0.0 | \$0.0 | \$ 0.0 | \$0.0 |

Liabilities

| | | | | |
|-------------------|--------|-------|--------|-------|
| Natural gas swaps | \$ 0.0 | \$7.9 | \$ 0.0 | \$7.9 |
| Total | \$ 0.0 | \$7.9 | \$ 0.0 | \$7.9 |

Natural gas swaps are over-the-counter swap instruments. The primary pricing inputs in determining the fair value of natural gas swaps are the 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 (see **Note 11**).

PGS considered the impact of nonperformance risk in determining the fair value of derivatives. PGS considered the net position with each counterparty, past performance of both parties, the intent of the parties, indications of credit deterioration, and whether the markets in which PGS transacts have experienced dislocation. At December 31, 2011, the fair value of derivatives was not materially affected by nonperformance risk. PGS's net positions with substantially all counterparties were liability positions. There were no Level 3 assets or liabilities during the 2011 or 2010 fiscal years.

13. Other Comprehensive Income

Peoples Gas System reported the following other comprehensive income (loss) for the years ended December 31, 2011, 2010 and 2009, related to changes in the fair value of cash flow hedges and amortization of unrecognized benefit costs associated with the company's pension plans:

| Other comprehensive income (loss) <i>(millions)</i> | <i>Gross</i> | | <i>Tax</i> | | <i>Net</i> |
|---|--------------|-----|------------|-------|------------|
| 2011 | | | | | |
| Unrealized loss on cash flow hedges | \$ | 0.0 | \$ | 0.0 | \$ 0.0 |
| Plus: Loss reclassified to net income | | 0.4 | | (0.2) | 0.2 |
| Gain on cash flow hedges | | 0.4 | | (0.2) | 0.2 |
| Total other comprehensive income (loss) | \$ | 0.4 | \$ | (0.2) | \$ 0.2 |
| 2010 | | | | | |
| Unrealized loss on cash flow hedges | \$ | 0.0 | \$ | 0.0 | \$ 0.0 |

| | | | |
|---|--------|----------|--------|
| Plus: Loss reclassified to net income | 0.4 | (0.2) | 0.2 |
| Gain on cash flow hedges | 0.4 | (0.2) | 0.2 |
| Total other comprehensive income (loss) | \$ 0.4 | \$ (0.2) | \$ 0.2 |

Accumulated other comprehensive (loss)

(millions) As of Dec. 31,

| | 2011 | 2010 |
|--|----------|----------|
| Net unrealized loss from cash flow hedges ⁽¹⁾ | \$ (1.5) | \$ (1.8) |
| Total accumulated other comprehensive loss | \$ (1.5) | \$ (1.8) |

(1) Net of tax benefit of \$1.0 million and \$1.1 million as of Dec. 31, 2011 and 2010, respectively.

14. 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 Peoples Gas System. 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 for the year ended December 31, 2009. The total cash payments related to these actions were \$3.7 million, including the settlement of pension obligations (see Note 5), paid during 2009 and early 2010.

Restructuring Charges Incurred

| (millions) | Termination of Benefits | Other Costs | Total |
|-------------------------------------|----------------------------|-------------|-------|
| Total costs expected to be incurred | \$4.6 | \$0 0 | \$4.6 |
| Costs incurred in 2009 | (4.6) | 0 0 | (4.6) |
| Total costs remaining | \$0.0 | \$0 0 | \$0.0 |

Accrued Liability for Restructuring Charges

| (millions) | Termination of Benefits | Other Costs | Total |
|---------------------------------------|----------------------------|-------------|-------|
| Beginning balance, Jul. 1, 2009 | \$0.0 | \$0 0 | \$0.0 |
| Costs incurred and charged to expense | 4.6 | 0 0 | 4.6 |
| Costs paid/settled | (3.7) | 0 0 | (3.7) |
| Non-cash expense | (0.9) | 0 0 | (0.9) |
| Ending balance, Dec. 31, 2010 | \$0.0 | \$0 0 | \$0.0 |

15. Subsequent Events

Tampa Electric Company Accounts Receivable Facility

On February 17, 2012, Tampa Electric Company and TEC Receivables Corporation (TRC), a wholly-owned subsidiary of Tampa Electric Company, amended their \$150 million accounts receivable collateralized borrowing facility, entering into Amendment No. 10 to the Loan and Servicing Agreement with certain lenders named therein and Citibank, N.A. as Program Agent. The amendment (i) extends the maturity date to February 15, 2013, (ii) provides that TRC will pay program and liquidity fees, which will total 60 basis points, (iii) continues to provide that the interest rates on the borrowings 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 offered rate (if available) plus a margin and (iv) makes other technical changes.

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

| Line No. | Item (a) | Total (b) | Gas (c) |
|----------|--|---------------|---------------|
| 1 | UTILITY PLANT | | |
| 2 | In Service | | |
| 3 | 101 Plant in Service (Classified) | 1,045,791,325 | 1,045,791,325 |
| 4 | 101.1 Property Under Capital Leases | | |
| 5 | 102 Plant Purchased or Sold | | |
| 6 | 106 Completed Construction not Classified | 62,714,967 | 62,714,967 |
| 7 | 103 Experimental Plant Unclassified | | |
| 8 | 104 Leased to Others | | |
| 9 | 105 Held for Future Use | 228,955 | 228,955 |
| 10 | 114 Acquisition Adjustments | 5,031,897 | 5,031,897 |
| 11 | TOTAL Utility Plant (Total of lines 3 through 10) | 1,113,767,143 | 1,113,767,143 |
| 12 | 107 Construction Work in Progress | 24,120,118 | 24,120,118 |
| 13 | Accum. Provision for Depreciation, Amortization, & Depletion | 514,179,503 | 514,179,503 |
| 14 | Net Utility Plant (Total of lines 11 plus 12 less line 13) | 623,707,758 | 623,707,758 |
| 15 | DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION | | |
| 16 | In Service: | | |
| 17 | 108 Depreciation | 510,515,187 | 510,515,187 |
| 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) | 510,515,187 | 510,515,187 |
| 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 | 3,664,317 | 3,664,317 |
| 32 | TOTAL Accum. Provisions (Should agree with line 13 above) (Total of lines 21, 25, 29, 30, and 31) | 514,179,503 | 514,179,503 |

Annual Status Report
Analysis of Plant in Service Accounts

Company: Peoples Gas System
For the Year Ended December 31, 2011

Page 1 of 2

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|--|-----------------------------|------------|--------------------|------------------|--------------------|----------------|-------------|-----------|-------------------|
| Amortizable General Plant Assets: | | | | | | | | | |
| 30100 | Organization | 0.0 | 12,620 | - | - | - | - | - | 12,620 |
| 30200 | Franchise & Consents | 4.0 | 427,466 | - | - | - | - | - | 427,466 |
| 30300 | Misc Intangible Plant | 4.0 | 815,325 | - | - | - | - | - | 815,325 |
| 30301 | Custom Intangible Plant | 6.7 | 18,414,205 | 2,070,745 | (1,760,363) | (5,923) | - | - | 18,718,663 |
| 37402 | Land Rights | 3.1 | 2,571,921 | (50,165) | - | - | - | - | 2,521,756 |
| 39002 | Structures & Improve Leases | 2.9 | 70,976 | - | - | - | - | - | 70,976 |
| | Subtotal | | 22,312,512 | 2,020,580 | (1,760,363) | (5,923) | - | - | 22,566,806 |
| Depreciable Assets: | | | | | | | | | |
| 37400 | Land Distribution | 0.0 | 3,297,699 | (162,298) | - | - | - | - | 3,135,400 |
| 37500 | Structures & Improvements | 2.8 | 18,333,848 | 282,398 | (13,686) | - | - | - | 18,602,559 |
| 37600 | Mains Steel | 4.0 | 307,838,952 | 15,078,682 | (2,094,044) | - | - | - | 320,823,590 |
| 37602 | Mains Plastic | 2.9 | 287,758,182 | 15,918,491 | (902,909) | - | - | - | 302,773,765 |
| 37800 | Meas & Reg Station Eq Gen | 3.3 | 6,439,250 | 561,830 | (54,491) | - | - | - | 6,946,589 |
| 37900 | Meas & Reg Station Eq City | 3.4 | 18,849,587 | 1,214,857 | - | - | - | - | 20,064,444 |
| 38000 | Services Steel | 8.0 | 39,767,546 | 1,410,090 | (146,544) | - | - | - | 41,031,092 |
| 38002 | Services Plastic | 5.1 | 187,984,485 | 9,901,073 | (446,705) | - | - | - | 197,438,853 |
| 38100 | Meters | 6.6 | 45,971,985 | 9,856,684 | (1,482,135) | - | - | - | 54,346,533 |
| 38200 | Meter Installations | 5.0 | 40,274,928 | 2,210,320 | (496,128) | - | - | - | 41,989,121 |
| 38300 | House Regulators | 3.5 | 11,639,291 | 758,803 | (50,209) | - | - | - | 12,347,884 |
| 38400 | House Regulator Installs | 5.1 | - | 734,165 | (213,519) | - | - | - | 520,646 |
| 38500 | Meas & Reg Station Eq Ind | 3.4 | 9,516,717 | - | (194,354) | - | - | - | 9,322,363 |
| 38700 | Other Equipment | 5.7 | 3,600,810 | 460,749 | (361,008) | - | - | - | 3,700,551 |
| 39000 | Structures & Improvements | 2.9 | 9,582 | - | - | - | - | - | 9,582 |
| 39100 | Office Furniture | 7.6 | 2,776,694 | 269,217 | (253,922) | - | - | - | 2,791,990 |
| 39101 | Computer Equipment | 7.2 | 7,551,267 | 765,825 | (556,685) | 5,923 | - | - | 7,766,330 |
| 39102 | Office Equipment | 7.0 | 530,536 | 264,138 | (74,390) | - | - | - | 720,285 |
| 39201 | Vehicles up to 1/2 Tons | 10.6 | 6,337,623 | 1,041,731 | (879,941) | (52,192) | - | - | 6,447,221 |
| 39202 | Vehicles from 1/2 - 1 Tons | 14.8 | 5,315,853 | 1,076,276 | (634,938) | - | - | - | 5,757,192 |
| 39203 | Airplane | 1.9 | - | - | - | - | - | - | - |
| 39204 | Trailers & Other | 4.1 | 270,367 | 63,339 | (15,847) | - | - | - | 317,859 |
| 39205 | Vehicles over 1 Ton | 9.9 | 1,155,098 | 136,072 | (39,347) | 52,192 | - | - | 1,304,015 |
| 39300 | Stores Equipment | 1.8 | 48,913 | - | (40,334) | - | - | - | 8,579 |
| 39400 | Tools, Shop & Garage Equip | 6.0 | 3,813,524 | 300,165 | (534,589) | - | - | - | 3,579,100 |
| 39500 | Laboratory Equipment | 5.2 | 46,445 | - | - | - | - | - | 46,445 |
| 39600 | Power Operated Equipment | 5.2 | 1,846,636 | 221,173 | (364,963) | - | - | - | 1,702,846 |
| 39700 | Communication Equipment | 11.4 | 5,821,570 | 584,182 | (189,560) | - | - | - | 6,216,192 |
| 39800 | Miscellaneous Equipment | 4.3 | 451,918 | 20,643 | (1,574) | - | - | - | 470,987 |
| 39900 | Other Tangible Property | 0.0 | - | - | - | - | - | - | - |

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

Company: Peoples Gas System
For the Year Ended December 31, 2011

Page 2 of 2

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|---|------------------------------|------------|--------------------|------------|--------------|----------|-------------|-----------|-----------------|
| (Continued) | | | | | | | | | |
| Capital Recovery Schedules: | | | | | | | | | |
| Total Account 101 and 106 * | | | 1,039,561,821 | 64,989,183 | (11,802,185) | (0) | - | - | 1,092,748,818 |
| 10500 | Property Held for Future Use | | 228,955 | - | - | - | - | - | 228,955 |
| 11400 | Acquisition Adjustment | | 5,248,671 | - | (216,774) | - | - | - | 5,031,897 |
| | Subtotal | | 5,477,626 | - | (216,774) | - | - | - | 5,260,852 |
| Total Utility Plant ** | | | 1,045,039,446 | 64,989,183 | (12,018,959) | (0) | - | - | 1,098,009,670 |
| <p>Note: * The total beginning and ending balances must agree to account 101 and 106, Plant in Service, Line 3 and Line 6, Page 12.</p> <p>Note: ** The total beginning and ending balances must agree to Line 11, Page 12.</p> | | | | | | | | | |

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System
 For the Year Ended December 31, 2011

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: | | | | | | | | | | |
| 30100 | Organization | 3,116 | - | - | - | - | - | - | - | 3,116 |
| 30200 | Franchise & Consents | 416,027 | 3,713 | - | - | - | - | - | - | 419,740 |
| 30300 | Misc Intangible Plant | 550,942 | 76,097 | - | - | - | - | - | - | 627,039 |
| 30301 | Custom Intangible Plant | 13,830,965 | 1,434,802 | (1,760,363) | - | - | (1,625) | - | - | 13,503,779 |
| 37402 | Land Rights | 1,153,625 | 70,633 | - | - | - | - | - | - | 1,224,258 |
| 39002 | Structures & Improve Leases | (3,383) | 2,058 | - | - | - | - | - | - | (1,325) |
| | Subtotal 108 - 404 * | 15,951,293 | 1,587,303 | (1,760,363) | - | - | (1,625) | - | - | 15,776,608 |
| Items necessary to reconcile the total amortization accrual amount to Acct. 404.3, Amortization Expense, shown on Line 7, Page 8. | | | | | | | | | | |
| Depreciable Assets: | | | | | | | | | | |
| 37400 | Land Distribution | - | - | - | - | - | - | - | - | - |
| 37500 | Structures & Improvements | 4,971,326 | 517,385 | (13,686) | - | - | - | - | - | 5,475,025 |
| 37600 | Mains Steel | 169,244,751 | 12,493,154 | (2,094,044) | 1,785 | (1,084,462) | - | - | - | 178,561,184 |
| 37602 | Mains Plastic | 85,475,819 | 8,493,981 | (902,909) | - | (289,941) | - | - | - | 92,776,951 |
| 37800 | Meas & Reg Station Eq Gen | 2,022,247 | 218,139 | (54,491) | - | (29,775) | - | - | - | 2,156,121 |
| 37900 | Meas & Reg Station Eq City | 4,128,185 | 659,265 | - | - | - | - | - | - | 4,787,450 |
| 38000 | Services Steel | 41,373,535 | 3,211,530 | (146,544) | 3,300 | (250,277) | - | - | - | 44,191,544 |
| 38002 | Services Plastic | 83,457,914 | 9,774,090 | (446,705) | 3,520 | (139,107) | - | - | - | 92,649,712 |
| 38100 | Meters | 14,115,447 | 3,266,345 | (1,482,135) | 87,095 | (37,778) | - | - | - | 15,948,974 |
| 38200 | Meter Installations | 16,435,047 | 2,053,406 | (496,128) | - | (109,587) | - | - | - | 17,882,739 |
| 38300 | House Regulators | 5,166,793 | 418,584 | (50,209) | 121 | - | - | - | - | 5,535,289 |
| 38400 | House Regulator Installs | 5,731,437 | 815,389 | (213,519) | - | (41,280) | - | - | - | 6,292,026 |
| 38500 | Meas & Reg Station Eq Ind | 4,564,974 | 320,615 | (194,354) | - | (20,154) | - | - | - | 4,671,081 |
| 38700 | Other Equipment | 1,473,024 | 200,764 | (361,008) | - | - | - | - | - | 1,312,780 |
| 39000 | Structures & Improvements | 43,305 | 278 | - | - | - | - | - | - | 43,583 |
| 39100 | Office Furniture | 1,682,397 | 211,616 | (253,922) | - | - | - | - | - | 1,640,090 |
| 39101 | Computer Equipment | 6,502,006 | 535,251 | (556,685) | - | - | 1,625 | - | - | 6,482,197 |
| 39102 | Office Equipment | 224,784 | 38,236 | (74,390) | - | - | - | - | - | 188,630 |
| 39201 | Vehicles up to 1/2 Tons | 2,733,639 | 674,194 | (879,941) | 70,315 | - | (51,030) | - | - | 2,547,177 |
| 39202 | Vehicles from 1/2 - 1 Tons | 2,784,465 | 827,353 | (634,938) | 38,558 | - | - | - | - | 3,015,438 |
| 39203 | Airplane | (3,512,118) | - | - | - | - | - | - | - | (3,512,118) |
| 39204 | Trailers & Other | 166,067 | 10,969 | (15,847) | 1,013 | - | - | - | - | 162,202 |
| 39205 | Vehicles over 1 Ton | 654,975 | 118,876 | (39,347) | 1,708 | - | 51,030 | - | - | 787,242 |
| 39300 | Stores Equipment | 48,858 | 458 | (40,334) | - | - | - | - | - | 8,982 |
| 39400 | Tools, Shop & Garage Equip | 2,882,241 | 214,687 | (534,589) | - | - | - | - | - | 2,562,338 |
| 39500 | Laboratory Equipment | (16,111) | 2,415 | - | - | - | - | - | - | (13,696) |
| 39600 | Power Operated Equipment | 1,408,887 | 90,641 | (364,963) | 12,190 | - | - | - | - | 1,146,755 |
| 39700 | Communication Equipment | 3,938,246 | 694,794 | (189,560) | - | (93) | - | - | - | 4,443,387 |
| 39800 | Miscellaneous Equipment | 309,138 | 19,393 | (1,574) | - | - | - | - | - | 326,957 |
| 39900 | Other Tangible Property | - | - | - | - | - | - | 6,150,000 | - | 6,150,000 |

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

Company: Peoples Gas System

For the Year Ended December 31, 2011

Page 2 of 2

| 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 | (2,946,431) | | | 29,094 | (564,122) | - | - | - | (3,481,459) |
| Capital Recovery Schedules: | | | | | | | | | | |
| Subtotal 108 - 403 * | | 455,064,845 | 45,881,807 | (10,041,822) | 248,698 | (2,566,574) | 1,625 | 6,150,000 | - | 494,738,578 |
| Items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on Line 6, Page 8. | | | | | | | | | | |
| 10500 | Property Held for Future Use | - | - | - | - | - | - | - | - | - |
| 11500 | Acquisition Adjustment | 3,729,756 | 151,335 | (216,774) | - | - | - | - | - | 3,664,317 |
| | Subtotal | 3,729,756 | 151,335 | (216,774) | - | - | - | - | - | 3,664,317 |
| Total Accumulated Reserve ** | | 474,745,894 | 47,620,445 | (12,018,959) | 248,698 | (2,566,574) | - | 6,150,000 | - | 514,179,503 |
| 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 account 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, 2011 | |
| 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 Stations | 30,776 | - |
| 2 | Cast Iron/Bare Steel Main Replacement Project | 2,544,172 | 1,389,215 |
| 3 | Cathodic Protection | 118,708 | 27,635 |
| 4 | Communication Equipment | 177,290 | 213,713 |
| 5 | Distribution System Improvements | 474,102 | 2,477,596 |
| 6 | Governmental/Municipal Relocations | 3,235,160 | 2,919,361 |
| 7 | Improvements to Leased Property | 58,279 | - |
| 8 | Improvements to Property | 271,016 | 234,178 |
| 9 | Industrial Installations | 1,138 | - |
| 10 | Main Replacements | 2,093,225 | 1,893,505 |
| 11 | Measuring and Regulating Stations | 1,762,923 | 1,032,457 |
| 12 | Gate Station - Lakeland North - Reimb by FGT | 649,205 | - |
| 13 | Gate Station - Green Circle - Bay County | 664,060 | 185,940 |
| 14 | Gate Station - Panama City Airport | 689,144 | - |
| 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 | See 17c | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | TOTAL | | |

| | |
|--------------------|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2011 |

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 | Gate Station - FGT Interconnect - St Petersburg | 695,565 | 129,438 |
| 2 | Miscellaneous - Non Revenue Producing | 52,856 | 12,582 |
| 3 | Miscellaneous - Revenue Producing | 232,591 | 289,409 |
| 4 | Office Equipment & Software | 848,243 | 434,117 |
| 5 | Software - ERP / SAP / HR Integration | 511,866 | 369,134 |
| 6 | Software - ERP / SAP / Procurement Integration | 675,691 | 1,087,309 |
| 7 | Software - ERP / SAP / Financial Systems Integr. | 1,052,569 | 709,431 |
| 8 | Software - Scheduling & Dispatch - PragmaCad | 1,905,996 | 800,000 |
| 9 | Revenue Mains | 3,275,711 | 14,611,118 |
| 10 | Revenue Mains - 8" to Panama City Airport | 583,646 | 696,354 |
| 11 | Revenue Mains - 6" to Marco Island | 606,286 | 2,632,603 |
| 12 | Service Line | 30,233 | - |
| 13 | Power Operated Equipment | 21,625 | 1,170 |
| 14 | Reimbursable Construction | -27,479 | 706,670 |
| 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.
 2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed
 and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.
 3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

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

| Name of Respondent | | For the Year Ended | |
|---|--|---|---|
| Peoples Gas System | | Dec. 31, 2011 | |
| 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 | Testing and Measuring Equipment | 131,087 | 85,376 |
| 2 | Tools and Shop Equipment | 725,037 | 1,223,061 |
| 3 | Transportation Equipment | 29,396 | 83,984 |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | TOTAL (17a & 17b & 17c) | 24,120,118 | 34,245,357 |

| CONSTRUCTION OVERHEADS-GAS | | | |
|---|--|--|---|
| 1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items. | | and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction. | |
| 2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed | | 3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs. | |
| Line No. | Description of Overhead (a) | Total Amount Charged for the Year (b) | Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c) |
| 1 | Plant Accounting Dep. Costs and Supervision | 1,067,588 | 75,433,248 |
| 2 | (These costs are allocated to CWIP as outlined | | |
| 3 | in instruction 3 above) | | |
| 4 | | | |
| 5 | Corporate G&A | 4,019,785 | 75,433,248 |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | TOTAL | | |

| | |
|--------------------|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2011 |

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 | 576,321 |
| 2 | Line of Credit | 361,660 |
| 3 | Service / Maintenance Agreements | 440,914 |
| 4 | Permits | 82,000 |
| 5 | Miscellaneous Prepayments | 17,439 |
| 6 | | |
| 7 | | |
| 8 | TOTAL | 1,478,334 |

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, 2011 | |
| 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 | 21,194,670 | 7,216,419 | 254 | | 28,411,089 |
| 2 | | | | | | |
| 3 | FAS 158 Pension | 21,510,995 | 5,347,599 | 228 | 1,158,511 | 25,700,083 |
| 4 | | | | | | |
| 5 | FAS 158 SERP Current | 784,687 | | 228 | 7,669 | 777,018 |
| 6 | | | | | | |
| 7 | FAS 158 SERP | 2,900,376 | 422,400 | 228 | 228,336 | 3,094,440 |
| 8 | | | | | | |
| 9 | FAS 158 - FAS 106 Current | 538,187 | | 228 | 8,836 | 529,351 |
| 10 | | | | | | |
| 11 | FAS 158 - FAS 106 | (2,247,156) | 197,644 | 228 | 333,300 | (2,382,812) |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | TOTAL | 44,681,759 | 13,184,062 | | 1,736,652 | 56,129,169 |

| MISCELLANEOUS DEFERRED DEBITS (Account 186) | | | | | | |
|--|---|-------------------------------|--|---------------------|------------|-------------------------|
| 1. Report below the particulars (details) called for concerning miscellaneous deferred debits. | | | 3. Minor items (amounts less than \$25,000) may be grouped by classes. | | | |
| 2. For any deferred debit being amortized, show period of amortization in column (a). | | | | | | |
| Line No. | Description of Miscellaneous Deferred Debit (a) | Balance Beginning of Year (b) | Debits (c) | Account Charged (d) | Amount (e) | Balance End of Year (f) |
| | | | | | | |
| 2 | | | | | | |
| 3 | Greenland Energy Center | 6,963,011 | 1,586,149 | 107 | 4,990,192 | 3,558,968 |
| 4 | | | | | | |
| 5 | Environmental - MGP | 1,414,105 | 1,285,737 | 407 | 639,996 | 2,059,573 |
| 6 | | | | 131 | 273 | |
| 7 | | | | | | |
| 8 | Legal Defense | 988,387 | 4,644,223 | 925 | 5,632,610 | - |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | Misc. Work in Progress | 61,103 | | | | 60,316 |
| 18 | Deferred Regulatory Comm. Expenses | | | | | |
| 19 | TOTAL | 9,840,158 | | | | 5,921,307 |

| | |
|--------------------|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2011 |

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

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

Securities Retired

| | | |
|----------------------|---------------|--------------------|
| Long Term Note 8.00% | Due 2012 | 3,400,000 |
| | Total Retired | <u>\$3,400,000</u> |

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

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

| Line No. | Designation of Long-Term Debt (a) | Date Reacquired (b) | Principal of Debt Reacquired (c) | Net Gain or Net Loss (d) | Balance at Beginning of Year (e) | Balance at End of Year (f) |
|----------|--------------------------------------|------------------------|-------------------------------------|-----------------------------|-------------------------------------|-------------------------------|
| 1 | 31-Note/Tampa Elec 5.94% | 07-2001 | 12,000,000 | (232,811) | 7,719 | |
| 2 | ---Amortization | | | | (7,719) | 0 |
| 3 | | | | | | |
| 4 | 30-Note/Tampa Elec 7.375% | 09-2002 | 50,000,000 | (3,542,552) | 550,040 | |
| 5 | ---Amortization | | | | (330,024) | 220,016 |
| 6 | | | | | | |
| 7 | 34-Note/Tampa Elec 6.875% | 12-2010 | 40,000,000 | (20,612) | 20,612 | |
| 8 | --Loss | | | | (13,741) | 6,871 |
| 9 | | | | | | |
| 10 | 35-Note/Tampa Elec 6.375% | 12-2010 | 70,000,000 | (164,301) | 164,301 | |
| 11 | ---Loss | | | | (103,769) | 60,532 |
| 12 | Total Amortization - Acct 428 | | | | (455,253) | |
| 13 | Loss on Reacquired Debt | | | | | 287,419 |

| | |
|--------------------|--------------------|
| Name of Respondent | For the Year Ended |
| Peoples Gas System | Dec. 31, 2011 |

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, Recquired 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 | | | | | | | |
| 5 | Long Term Note | 12/03/92 | 07/02/12 | 35,000,000 | 8.00 | 405,756 | 3,400,000 |
| 6 | Note Issued by Tampa Electric | 06/20/01 | 06/15/12 | 40,000,000 | 6.875 | 1,303,907 | 18,965,920 |
| 7 | Note Issued by Tampa Electric | 08/15/02 | 08/15/12 | 70,000,000 | 6.375 | 2,822,174 | 44,269,400 |
| 8 | Note Issued by Tampa Electric | 05/15/07 | 05/15/37 | 60,000,000 | 6.15 | 3,690,000 | 60,000,000 |
| 9 | Note Issued by Tampa Electric | 05/15/08 | 05/15/18 | 50,000,000 | 6.10 | 3,050,000 | 50,000,000 |
| 10 | Note Issued by Tampa Electric | 12/09/10 | 05/15/21 | 46,764,680 | 5.40 | 2,542,536 | 46,764,680 |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | TOTAL | | | 301,764,680 | | 13,814,373 | 223,400,000 |

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 | | | | | | | | |
| 2 | Unamortized Debt Exp-Acct 181 | | | | | | | |
| 3 | | | | | | | | |
| 4 | 33-Long term Note 8.00% | 35,000,000 | 976,684 | 01-93 | 07-12 | 75,197 | (50,131) | 25,066 |
| 5 | 34-Note/Tampa Electric 6.875% | 18,965,920 | 308,507 | 06-01 | 06-12 | 18,586 | (12,390) | 6,196 |
| 6 | 35-Note/Tampa Electric 6.375% | 44,269,400 | 2,839,136 | 08-02 | 08-12 | 282,679 | (178,534) | 104,145 |
| 7 | 36-Note/Tampa Electric 6.15% | 60,000,000 | 347,571 | 05-07 | 05-37 | 305,863 | (11,586) | 294,277 |
| 8 | 37-Note/Tampa Electric 6.10% | 50,000,000 | 378,502 | 05-08 | 05-18 | 279,145 | (37,851) | 241,294 |
| 9 | 38-Note/Tampa Electric 5.40% | 46,764,680 | 263,847 | 12-10 | 05-21 | 257,251 | (144,248) | 113,003 |
| 10 | | | | | | <u>1,218,721</u> | <u>(434,739)</u> | <u>783,982</u> |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | Footnote: | | | | | | | |
| 16 | Partial exchange of 6.875% and 6.375% notes resulted in a reclass of a portion of issuing expenses to account 189 in 2010. | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |

| Name of Respondent | | | | | For the Year Ended | | |
|--|---------------------------------------|------------------------------|-------------------------|--|--------------------|---------------|---------------------------------|
| Peoples Gas System | | | | | Dec. 31, 2011 | | |
| LONG-TERM DEBT (Accounts 221, 222, 223, and 224) | | | | | | | |
| 1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible. | | | | 3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote. | | | |
| 2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated | | | | 4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies. | | | |
| Line No. | Class and Series of Obligation (a) | Nominal Date of Issue (b) | Date of Maturity (c) | Original Amount Issued (d) | Interest for Year | | Total Amount Outstanding (g) |
| | | | | | Rate (in %) (e) | Amount (f) | |
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | TOTAL | | | 0 | | 0 | 0 |

| UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226) | | | | | | | | |
|---|--|--|--|--|----------------|-------------------------------------|-------------------------------------|-------------------------------|
| 1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt. | | | | 5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. | | | | |
| 2. Show premium amounts by enclosing the figures in parentheses. | | | | 6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years. | | | | |
| 3. In column (b) show the principal amount of bonds or other long-term debt originally issued. | | | | 7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit. | | | | |
| 4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued. | | | | Amortization Period | | Balance at beginning of Year (f) | Debits (Credits) During Year (g) | Balance at End of Year (h) |
| Line No. | Designation of Long-Term Debt (a) | Principal Amount of Debt issued (b) | Total Expense Premium or Discount (c) | Date From (d) | Date To (e) | | | |
| 1 | Unamortized Debt Disc - Acct 226 | | | | | | | |
| 2 | 34-Note/Tampa Electric 6.875% | 18,965,920 | 168,800 | 06-01 | 06-12 | 23,018 | (15,346) | 7,672 |
| 3 | 35-Note/Tampa Electric 6.375% | 44,269,400 | 562,100 | 08-02 | 08-12 | 88,999 | (56,210) | 32,789 |
| 4 | 36-Note/Tampa Electric 6.15% | 60,000,000 | 340,200 | 05-07 | 05-37 | 299,376 | (11,340) | 288,036 |
| 5 | | | | | | 411,393 | (82,896) | 328,497 |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | Unamortized Debt Disc - OCI | | | | | | | |
| 15 | 37-Note/Tampa Electric 6.10% (Interest Rate Settlement) | 50,000,000 | 3,935,734 | 05-08 | 05-18 | 2,902,604 | (393,574) | 2,509,030 |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |

| Name of Respondent | | For the Year Ended |
|--|---------------------------------|---|
| Peoples Gas System | | Dec. 31, 2011 |
| 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 | (7,194,270) |
| 2 | Insurance & Litigation Reserves | 3,812,978 |
| 3 | Post Retirement Benefits | 14,172,898 |
| 4 | Conservation Cost True Up | 702,454 |
| 5 | Other | 416,649 |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | TOTAL | 11,910,709 |

| 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 Recovery | 1,737,324 | | 0 | 0 | 1,737,324 |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | 1,737,324 | | | | 1,737,324 |

| OTHER REGULATORY LIABILITIES (Account 254) | | | | | | |
|--|---|-------------------------------|---|------------|-------------|-------------------------|
| 1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts). | | | 2. For regulatory liabilities being amortized, show period of amortization in column (a). | | | |
| | | | 3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes. | | | |
| Line No. | Description and Purpose of Other Regulatory Liabilities (a) | Balance Beginning of Year (b) | Debits | | Credits (d) | Balance End of Year (e) |
| | | | Contra Account (b) | Amount (c) | | |
| 1 | Gas Technology Research | 670,173 | 930 | 409,706 | 519,311 | 779,778 |
| 2 | | | | | | |
| 3 | Environmental Remediation | 21,194,670 | 182 | - | 7,216,419 | 28,411,089 |
| 4 | | | | | | |
| 5 | Amortization Gain on Land | 503,963 | 421 | 302,378 | - | 201,585 |
| 6 | | | | | | |
| 7 | Regulatory Liability - Potential Over Earnings | 9,150,000 | 142 & 108 | 9,174,209 | 24,209 | - |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | 31,518,806 | | 9,886,293 | 7,759,939 | 29,392,452 |

| Name of Respondent | | | | | | | | | | | For the Year Ended |
|--|---|---------------|----------------------------|------------------------------|------------------|----------------|----------------------------|-----------------------|-----------|--------|--------------------|
| Peoples Gas System | | | | | | | | | | | Dec. 31, 2011 |
| TAXES OTHER THAN INCOME TAXES (Account 408.1) | | | | | | | | | | | |
| | Name of Taxing Authority | Real Property | Tangible Personal Property | Intangible Personal Property | FICA, SUTA, FUTA | Gross Receipts | Regulatory Assessment Fees | Environmental, Excise | Franchise | Other* | Total |
| 1 | Various FL Counties | 8,521,732 | | | | | | | | | 8,521,732 |
| 2 | Internal Revenue Service (FICA) | | | | 2,376,515 | | | | | | 2,376,515 |
| 3 | FL Public Service Commission | | | | | | 1,687,011 | | | | 1,687,011 |
| 4 | FL Dept of Revenue | | | | | 14,838,389 | | | | | 14,838,389 |
| 5 | Various FL Municipalities | | | | | | | | 8,816,452 | 1,735 | 8,818,188 |
| 6 | Internal Revenue Svc (FUTA) | | | | 43,621 | | | | | | 43,621 |
| 7 | Internal Revenue Svc (SUTA) | | | | 131,125 | | | | | | 131,125 |
| 8 | Various FL Counties (tags) | | | | | | | | | 67,090 | 67,090 |
| 9 | Various FL Municipalities | | | | | | | | | | - |
| 10 | (occupational Licenses) | | | | | | | | | 16,759 | 16,759 |
| 11 | Department of State | | | | | | | | | | - |
| 12 | Other | | | | | | | | | | - |
| 13 | Less: charged to other revenue (495) | | | | | | (31,109) | | | | (31,109) |
| 14 | Less: Charged to Construction | | | | (437,770) | | (118,571) | | | | (556,341) |
| 15 | Less: Charged to clearing, jobbing, AR | | | | (97,287) | | | | | | (97,287) |
| 16 | TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1 | 8,521,732 | | | 2,016,204 | 14,838,389 | 1,537,331 | - | 8,816,452 | 85,584 | 35,815,693 |
| 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 | | |
| Notes | | | | | | | | |

| Name of Respondent | | | | | | | | | | | For the Year Ended |
|---|--|------------------------------|----------------------------------|-----------------------------------|----------------------------------|---|-------------|-----------|-------------|--------|------------------------|
| Peoples Gas System | | | | | | | | | | | Dec. 31, 2011 |
| ACCUMULATED DEFERRED INCOME TAXES (Account 190) | | | | | | | | | | | |
| 1. At Other (Specify), include deferrals relating to other income and deductions. | | | | | | 2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. | | | | | |
| Line No. | | Balance at Beginning of Year | Changes During Year | | | | Adjustments | | | | Balance at End of Year |
| | | | Amounts Debited to Account 410.1 | Amounts Credited to Account 411.1 | Amounts Debited to Account 410.2 | Amounts Credited to Account 411.2 | Debits | | Credits | | |
| | | | | | | | Account No. | Amount | Account No. | Amount | |
| 1 | GAS | | | | | | | | | | |
| 2 | FAS 158 | 9,097,457 | | | | | 190 | 1,632,098 | | | 10,729,555 |
| 3 | FAS 133 | 4,160,792 | | | | | 190 | 2,297,321 | | | 6,458,113 |
| 4 | | | | | | | | | | | |
| 5 | Gas | 32,349,900 | 3,674,404 | | 611,013 | | | | | | 28,064,483 |
| 6 | | | | | | | | | | | |
| 7 | | | | | | | | | | | |
| 8 | | | | | | | | | | | |
| 9 | | | | | | | | | | | |
| 10 | | | | | | | | | | | |
| 11 | TOTAL Gas (Lines 2 - 10) | 45,608,149 | 3,674,404 | | 611,013 | | | 3,929,419 | | | 45,252,151 |
| 12 | Other (Specify) | | | | | | | | | | |
| 13 | TOTAL (Account 190) (Total of lines 11 and 12) | 45,608,149 | 3,674,404 | | 611,013 | | | 3,929,419 | | | 45,252,151 |
| NOTES: | | | <u>Federal</u> | <u>State</u> | <u>Total</u> | | | | | | |
| Deferred income tax Other adjustments includes: | | | 1,969,771 | 327,550 | 2,297,321 | | FAS 133 | | | | |
| | | | 1,399,398 | 232,700 | 1,632,098 | | FAS158 | | | | |
| | | | <u>3,369,169</u> | <u>560,250</u> | <u>3,929,419</u> | | | | | | |

| ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283) | | | | | | | | | | | |
|--|---|------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------|--------|-------------|--------|------------------------|
| Line No. | | Balance at Beginning of Year | Changes During Year | | | | Adjustments | | | | Balance at End of Year |
| | | | Amounts Debited to Account 410.1 | Amounts Credited to Account 411.1 | Amounts Debited to Account 410.2 | Amounts Credited to Account 411.2 | Debits | | Credits | | |
| | | | | | | | 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 | 71,111,945 | 32,449,951 | | 3,252,159 | | | | | | 106,814,055 |
| 9 | Other | | | | | | | | | | |
| 10 | TOTAL Account 282 (Lines 7 thru 9) | 71,111,945 | 32,449,951 | | 3,252,159 | | | | | | 106,814,055 |
| 11 | Account 283 - Other | | | | | | | | | | |
| 12 | Electric | | | | | | | | | | |
| 13 | Gas | 21,137,769 | (2,371,033) | | (394,276) | | | 283 | 4,081,240 | | 22,453,700 |
| 14 | Other | | | | | | | | | | |
| 15 | TOTAL Account 283 - Other (Lines 12 thru 14) | 21,137,769 | (2,371,033) | | (394,276) | | | 283 | 4,081,240 | | 22,453,700 |
| 16 | GAS | | | | | | | | | | |
| 17 | Federal Income Tax | 81,398,520 | 30,078,918 | | | | | | 3,499,343 | | 114,976,781 |
| 18 | State Income Tax | 10,851,194 | | | 2,857,883 | | | | 581,897 | | 14,290,974 |
| 19 | | | | | | | | | | | |
| 20 | TOTAL Gas (Lines 17 thru 19) | 92,249,714 | 30,078,918 | | 2,857,883 | | | | 4,081,240 | | 129,267,755 |
| 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) | 92,249,714 | 30,078,918 | | 2,857,883 | | | | 4,081,240 | | 129,267,755 |
| NOTES: | | | <u>Federal</u> | <u>State</u> | <u>Total</u> | | | | | | |
| Deferred income tax adjustment includes: | | | (2,099,945) | (349,197) | (2,449,142) | | FAS 133 | | | | |
| | | | (1,399,398) | (232,700) | (1,632,098) | | FAS158 | | | | |
| Total 283 | | | <u>(3,499,343)</u> | <u>(581,897)</u> | <u>(4,081,240)</u> | | | | | | |

| Name of Respondent | | For the Year Ended |
|---|--|--------------------|
| Peoples Gas System | | Dec. 31, 2011 |
| RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES | | |
| <p>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.</p> <p>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.</p> | | |
| Line No. | Particulars (Details) (a) | Amount (b) |
| 1 | Net Income for the Year (Page 9) | 32,597,430 |
| 2 | Reconciling Items for the Year | |
| 3 | | |
| 4 | <i>Taxable Income Not Reported on Books</i> | |
| 5 | CIAC and AIAC | 2,045,828 |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | <i>Deductions Recorded on Books Not Deducted for Return</i> | |
| 10 | Bond Refinancing Premium | 337,743 |
| 11 | Capitalized Interest (Sec. 263) | 1,188,272 |
| 12 | Deferred Fuel | 10,603,277 |
| 13 | Environmental Disposal Costs | 342,913 |
| 14 | FAS 106 | 369,433 |
| 15 | State Tax Deduction | 2,842,160 |
| 16 | Deferred Taxes | 37,222,218 |
| 17 | Other | 2,075,670 |
| 18 | <i>Income Recorded on Books Not Included in Return</i> | |
| 19 | Competitive Rate Adjustment | 256,811 |
| 20 | Gain/Loss on Fixed Assets | 302,378 |
| 21 | Federal Income Tax | 17,721,024 |
| 22 | Other | 654,095 |
| 23 | <i>Deductions on Return Not Charged Against Book Income</i> | |
| 24 | Capitalized ECA Costs Tax Amortization | 1,379,165 |
| 25 | Cost of Removal | 2,566,574 |
| 26 | Depreciation - Excess Over Books | 41,157,861 |
| 27 | PGS Contingency Accrual | 3,000,000 |
| 28 | Repairs Capitalized on Books | 5,000,000 |
| 29 | SERP | 324,728 |
| 30 | Pension | 1,205,058 |
| 31 | Bonus | 1,980,417 |
| 32 | Other | 366,547 |
| 33 | | |
| 34 | Federal Taxable Net Income | 13,710,286 |
| 35 | <i>Show Computation of Tax:</i> | |
| 36 | Federal Taxable Net Income - Less Income from Subsidiaries | 10,647,594 |
| 37 | Federal Income Tax @ 35% | 3,726,658 |
| 38 | Prior Year True-up Provision to Actual Per Return and FAS 109 Adjustment | (21,447,682) |
| 39 | Federal Income Tax | 17,721,024 |
| 40 | Federal Income Tax Allocation to Other Income | 181,881 |

NAME OF RESPONDENT:
Peoples Gas System

This Report is An Original

YEAR OF REPORT:
December 31, 2011

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
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 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 Properties Corporation
TECO Receivables Corporation
TECO Solutions, Inc.
TECO Wholesale Generation, Inc.
TPS Guatemala One, Inc.
Whitaker Coal Corporation

| Name of Respondent | | For the Year Ended | | | | | |
|--|---|------------------------|---------------------------------|----------------------------|----------------------|---|----------------------|
| Peoples Gas System | | Dec. 31, 2011 | | | | | |
| 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 | 132,877,604 | 150,316,767 | 64,732,249 | 76,810,129 | 305,800 | 303,529 |
| 4 | 480 Residential GS1 | 4,082,785 | 4,630,372 | 3,389,376 | 3,677,067 | 1,038 | 1,061 |
| 5 | 480 Residential GS2 | 1,449,516 | 2,229,784 | 1,339,627 | 1,948,541 | 90 | 106 |
| 6 | 480 Residential GS3 | 283,483 | 317,598 | 270,602 | 316,338 | 5 | 5 |
| 7 | 481 Commercial Street Lighting | 75,528 | 91,267 | 78,038 | 94,892 | 22 | 32 |
| 8 | 481 Small General Service | 8,783,543 | 9,321,412 | 5,667,991 | 5,977,215 | 8,013 | 8,048 |
| 9 | 481 General Service 1 | 25,022,775 | 28,603,539 | 21,357,992 | 24,054,533 | 5,932 | 6,396 |
| 10 | 481 General Service 2 | 15,575,690 | 18,724,493 | 14,717,750 | 17,408,651 | 915 | 1,030 |
| 11 | 481 General Service 3 | 4,667,510 | 4,871,248 | 4,599,240 | 4,656,596 | 68 | 64 |
| 12 | 481 General Service 4 | 908,736 | 1,561,824 | 1,067,012 | 1,531,626 | 10 | 5 |
| 13 | 481 General Service 5 | 1,861,766 | 1,257,352 | 2,188,305 | 1,373,671 | 4 | 2 |
| 14 | 481 Natural Gas Vehicle Sales | 4,246 | 15,453 | 2,762 | 12,190 | 3 | 4 |
| 15 | Interruptible Sales Service | | | | | | |
| 16 | 481 Small Interruptible Service | 484,721 | 387,018 | 649,302 | 595,086 | 0 | 0 |
| 17 | 481 Interruptible Lg. Vol - 1 | 332,031 | 599,139 | 622,101 | 998,815 | 0 | 0 |
| 18 | 481 Interruptible Lg. Vol - 2 | (615,928) | (533,978) | 615,733 | 814,704 | 0 | 0 |
| 19 | Off System Sales Service | | | | | | |
| 20 | 481 Mutually Beneficial | 14,352,323 | 13,522,360 | 27,761,530 | 25,211,630 | 3 | 4 |
| 21 | 481 Off System Sales | 91,621,695 | 148,794,942 | 203,230,800 | 284,460,400 | 14 | 14 |
| 22 | Firm Transportation Service | | | | | | |
| 23 | 489 Res-General Svc 1 | 403,459 | 394,126 | 1,092,756 | 1,101,168 | 230 | 199 |
| 24 | 489 Res-General Svc 2 | 1,083,105 | 1,061,366 | 4,061,655 | 3,986,399 | 187 | 174 |
| 25 | 489 Res-General Svc 3 | 607,373 | 580,719 | 2,789,247 | 2,676,091 | 34 | 30 |
| 26 | 489 Commercial Street Lighting | 129,446 | 128,305 | 645,915 | 640,274 | 27 | 28 |
| 27 | 489 Natural Gas Vehicles | 35,359 | 29,857 | 140,708 | 116,867 | 10 | 10 |
| 28 | 489 Small General Service | 1,389,644 | 1,267,189 | 2,245,063 | 2,117,084 | 1,899 | 1,646 |
| 29 | 489 General Service 1 | 16,062,036 | 15,251,451 | 44,998,809 | 42,906,319 | 8,158 | 7,538 |
| 30 | 489 General Service 2 | 27,666,234 | 26,741,658 | 102,218,029 | 98,725,944 | 5,355 | 5,065 |
| 31 | 489 General Service 3 | 16,361,383 | 16,883,341 | 72,474,037 | 75,275,589 | 710 | 722 |
| 32 | 489 General Service 4 | 7,683,328 | 7,486,220 | 46,014,645 | 44,931,096 | 131 | 130 |
| 33 | 489 General Service 5 | 10,588,282 | 10,344,273 | 87,935,610 | 86,156,716 | 115 | 112 |
| 34 | Interruptible Transportation Serv. | | | | | | |
| 35 | 489 Small Interruptible Transp | 3,877,676 | 4,165,995 | 52,907,309 | 56,989,225 | 29 | 28 |
| 36 | 489 Interruptible Transp LG - 1 | 5,967,999 | 5,977,662 | 172,586,463 | 173,512,006 | 16 | 16 |
| 37 | 489 Interruptible Transp LG - 2 | 9,415,820 | 8,018,646 | 592,002,723 | 546,742,069 | 8 | 8 |
| 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 | 403,039,168 | 483,041,398 | 1,534,403,379 | 1,585,818,931 | 338,826 | 336,006 |
| 41 | 483 Sales for Resale | 1,169,228 | 1,195,945 | 2,919,102 | 1,957,898 | 14 | 13 |
| 42 | Off-System Sales | 0 | 0 | 0 | 0 | 0 | 0 |
| 43 | TOTAL Nat. Gas Service Revenues | 404,208,396 | 484,237,343 | | | | |
| 44 | TOTAL Gas Service Revenues | 404,208,396 | 484,237,343 | | | | |
| 45 | Other Operating Revenues | | | | | | |
| 46 | 485 Intracompany Transfers | | | | | | |
| 47 | 487 Forfeited Discounts | 687,533 | 823,365 | | | | |
| 48 | 488 Misc. Service Revenues | 4,988,207 | 5,366,371 | | | | |
| 49 | 488 Gross Recpts Tax/Franch Fee Coll | 23,654,841 | 26,258,515 | | | | |
| 50 | 488 Individual Transp Charge | 533,952 | 544,250 | | | | |
| 51 | 489 Rev. from Trans. of Gas of Others | | | | | | |
| 52 | not included in above rate schedules) | 0 | 0 | | | | |
| 53 | 493 Rent from Gas Property | 375,538 | 310,891 | | | | |
| 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 | 8,733,385 | 9,141,923 | | | | |
| 61 | 495.1 Overrecoveries Purchased Gas | 903,146 | (2,240,690) | | | | |
| 62 | TOTAL Other Operating Revenues | 39,876,602 | 40,204,625 | | | | |
| 63 | TOTAL Gas Operating Revenues | 442,915,770 | 523,246,023 | | | | |
| 64 | (Less) 496 Provision for Rate Refunds | 0 | (3,000,000) | | | | |
| 65 | TOTAL Gas Operating Revenues | | | | | | |
| 66 | Net of Provision for Refunds | 442,915,770 | 520,246,023 | | | | |
| 67 | Sales for Resale | 1,169,228 | 1,195,945 | | | | |
| 68 | Other Sales to Public Authority | 0 | 0 | | | | |
| 69 | Interdepartmental Sales | 0 | 0 | | | | |
| 70 | TOTAL | 444,084,998 | 521,441,968 | | | | |

| Name of Respondent | | For the Year Ended | |
|--|--|-------------------------|--------------------------|
| Peoples Gas System | | Dec. 31, 2011 | |
| 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 | 154,593,645 | 235,842,123 |
| 11 | 802 Natural Gas Gasoline Plant Outlet Purchases | | |
| 12 | 803 Natural Gas Transmission Line Purchases | | |
| 13 | 804 Natural Gas City Gate Purchases | 51,509,786 | 53,045,142 |
| 14 | 804.1 Liquefied Natural Gas Purchases | | |
| 15 | 805 Other Gas Purchases | | |
| 16 | 805.1 Purchased Gas Cost Adjustments - Debit/(Credit) | 5,270,660 | (3,965,925) |
| 17 | TOTAL Purchased Gas (Total of Lines 8 to 16) | 211,374,091 | 284,921,340 |
| 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 | | 236,505 |
| 27 | (Less) 808.2 Gas Delivered to Storage--Credit | | (236,505) |
| 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 | (123,840) | (81,053) |
| 34 | TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33) | (123,840) | (81,053) |
| 35 | 813 Other Gas Supply Expenses | | |
| 36 | TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35 | 211,250,251 | 284,840,287 |
| 37 | TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36) | 211,250,251 | 284,840,287 |
| 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 | | | |

| Name of Respondent | | For the Year Ended | |
|--|--|-------------------------|--------------------------|
| Peoples Gas System | | Dec. 31, 2011 | |
| 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 | 256,857 | 231,384 |
| 50 | 871 Distribution Load Dispatching | 405,676 | 260,191 |
| 51 | 872 Compressor Station Labor and Expenses | 86,716 | 47,731 |
| 52 | 873 Compressor Station Fuel and Power | 789 | 353 |
| 53 | 874 Mains and Services Expenses | 6,879,699 | 6,084,396 |
| 54 | 875 Measuring and Regulating Station Expenses--General | 297,726 | 223,310 |
| 55 | 876 Measuring and Regulating Station Expenses--Industrial | 6,669 | 2,642 |
| 56 | 877 Measuring and Regulating Station Expenses--City Gate Check Station | 61,289 | 81,515 |
| 57 | 878 Meter and House Regulator Expenses | 3,758,782 | 3,154,632 |
| 58 | 879 Customer Installations Expenses | 2,851,235 | 2,547,166 |
| 59 | 880 Other Expenses | 1,776,230 | 1,509,174 |
| 60 | 881 Rents | 172,570 | 172,148 |
| 61 | TOTAL Operation (Total of lines 49 through 60) | 16,554,238 | 14,314,642 |
| 62 | Maintenance | | |
| 63 | 885 Maintenance Supervision and Engineering | | |
| 64 | 886 Maintenance of Structures and Improvements | 327,307 | 399,435 |
| 65 | 887 Maintenance of Mains | 3,308,195 | 3,018,580 |
| 66 | 888 Maintenance of Compressor Station Equipment | | |
| 67 | 889 Maintenance of Meas. and Reg. Sta. Equip.--General | 644,595 | 502,547 |
| 68 | 890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial | 515,867 | 406,878 |
| 69 | 891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station | 860,728 | 735,322 |
| 70 | 892 Maintenance of Services | 737,623 | 704,085 |
| 71 | 893 Maintenance of Meters and House Regulators | 640,389 | 726,177 |
| 72 | 894 Maintenance of Other Equipment | 49,950 | 47,831 |
| 73 | TOTAL Maintenance (Total of Lines 63 through 72) | 7,084,654 | 6,540,855 |
| 74 | TOTAL Distribution Expenses (Total of Lines 61 and 73) | 23,638,892 | 20,855,497 |
| 75 | 5. Customer Accounts Expenses | | |
| 76 | Operation | | |
| 77 | 901 Supervision | | 0 |
| 78 | 902 Meter Reading Expenses | 1,961,416 | 2,296,215 |
| 79 | 903 Customer Records and Collection Expenses | 5,216,871 | 4,616,234 |
| 80 | 904 Uncollectible Accounts | 1,074,185 | 1,279,959 |
| 81 | 905 Miscellaneous Customer Accounts Expenses | | |
| 82 | TOTAL Customer Accounts Expenses (Total of Lines 77 through 81) | 8,252,472 | 8,192,408 |
| 83 | 6. Customer Service and Informational Expenses | | |
| 84 | Operation | | |
| 85 | 907 Supervision | | |
| 86 | 908 Customer Assistance Expenses | 5,853,354 | 4,681,517 |
| 87 | 909 Informational and Instructional Expenses | 1,053,314 | 1,039,486 |
| 88 | 910 Miscellaneous Customer Service and Informational Expenses | | |
| 89 | TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88) | 6,906,668 | 5,721,003 |
| 90 | 7. Sales Expenses | | |
| 91 | Operation | | |
| 92 | 911 Supervision | | |
| 93 | 912 Demonstrating and Selling Expenses | 6,784,012 | 6,150,217 |
| 94 | 913 Advertising Expenses | 278,040 | 37,669 |
| 95 | 916 Miscellaneous Sales Expenses | 80,288 | 29,480 |
| 96 | TOTAL Sales Expenses (Total of lines 92 through 95) | 7,142,340 | 6,217,366 |
| 97 | | | |

| Name of Respondent | | For the Year Ended | |
|---|---|-------------------------|--------------------------|
| Peoples Gas System | | Dec. 31, 2011 | |
| 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 | 5,892,575 | 7,897,501 |
| 101 | 921 Office Supplies and Expenses | 17,558,037 | 18,322,460 |
| 102 | (Less) (922) Administrative Expenses Transferred--Credit | (4,740,004) | (4,210,260) |
| 103 | 923 Outside Services Employed | 718,241 | 604,064 |
| 104 | 924 Property Insurance | 145,961 | 163,832 |
| 105 | 925 Injuries and Damages | 8,317,456 | 3,537,579 |
| 106 | 926 Employee Pensions and Benefits | 7,519,083 | 7,569,327 |
| 107 | 927 Franchise Requirements | | |
| 108 | 928 Regulatory Commission Expenses | 171,125 | 194,318 |
| 109 | (Less) (929) Duplicate Charges--Credit | | |
| 110 | 930.1 General Advertising Expenses | | |
| 111 | 930.2 Miscellaneous General Expenses | 1,209,676 | 7,268,888 |
| 112 | 931 Rents | 422,890 | 304,192 |
| 113 | TOTAL Operation (Total of lines 100 through 112) | 37,215,040 | 41,651,901 |
| 114 | Maintenance | | |
| 115 | 935 Maintenance of General Plant | 173,152 | 208,695 |
| 116 | TOTAL Administrative and General Expense (Total of lines 113 and 115) | 37,388,192 | 41,860,596 |
| 117 | | | |
| 118 | TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116) | 294,578,815 | 367,687,157 |
| 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) 12/31/2011 |
| 3 | 2. Total Regular Full-Time Employees 539 |
| 4 | 3. Total Part-Time and Temporary Employees 4 |
| 5 | 4. Total Employees 543 |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |
| 11 | |
| 12 | |
| 13 | |

| Name of Respondent | | For the Year Ended | | |
|--|---|--|------------------------------------|--|
| Peoples Gas System | | Dec. 31, 2011 | | |
| GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1, 808.1, 808.2) | | | | |
| 1. Provide totals for the following accounts: 800 - Natural Gas Well Head Purchases 800.1- Natural Gas Well Head Purchases Intracompany Transfers 801 - Natural Gas Field Line Purchases 802 - Natural Gas Gasoline Plant Outlet Purchases 803 - Natural Gas Transmission Line Purchases 804 - Natural Gas City Gate Purchases 804.1- Liquefied Natural Gas Purchases 805 - Other Gas Purchases 805.1- Purchases Gas Cost Adjustments 808.1- Gas Withdrawn from Storage-Debit 808.2- Gas Delivered to Storage-Credit | | The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote. 2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years. 3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b). 4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.) | | |
| Line No. | Account Title (a) | Gas Purchased- Therms (14.73 psia 60 F) (b) | Cost of Gas (In dollars) (c) | Average Cost Per Therm (To nearest .01 of a cent) (d) |
| 1 | 801 - Natural Gas Field Line Purchases | 351,473,858 | \$154,593,645 | 43.98 |
| 2 | 808.1 - Gas Withdrawn from Storage-Debit | | | |
| 3 | 808.2 - Gas Delivered to Storage-Credit | | | |
| 4 | 804.1 - Gas Accounting and Gas Control Expenses | | \$1,183,645 | |
| 5 | 804.2 - Natural Gas City Gate Purchases-Commodity | 2,909,423 | \$525,537 | 18.06 |
| 6 | 804.3 - Natural Gas City Gate Purchases-Other | | \$1,016,759 | |
| 7 | 804.4 - Legal Costs | | \$104,691 | |
| 8 | 804.5 - Natural Gas City Gate | | \$48,682,304 | |
| 9 | 804.6 - Natural Gas City Gate-Penalty Transportation System | | (\$3,149) | |
| 10 | 805.1 - Purchased Gas Cost Adjustments | | \$5,270,660 | |
| 11 | TOTAL (Total of lines 1 through 10) | 354,383,281 | \$211,374,092 | 59.65 |
| 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 | 22,513 | 18,873 |
| 3 | | | | |
| 4 | Transportation Clearing Account CNG | 184-01 | 5,041 | 4,160 |
| 5 | | | | |
| 6 | Other Income Deductions | 426-01 | 18,767 | 14,574 |
| 7 | | | | |
| 8 | Sales Tax Account | 241-50 | n/a | (1,468) |
| 9 | | | | |
| 10 | Gas Lost - Damaged Facilities | 143 | n/a | 87,701 |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | TOTAL | | 46,321 | 123,840 |

| Name of Respondent | | | | | | | For the Year Ended | | |
|---|--|-------------------------------|--|---|---------------|--------------------------------|-----------------------|---------------|--|
| Peoples Gas System | | | | | | | Dec. 31, 2011 | | |
| REGULATORY COMMISSION EXPENSES (Account 928) | | | | | | | | | |
| 1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party. | | | | 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 | | | | | |
| 2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization. | | | | 4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts. | | | | | |
| | | | | 5. Minor items (less than \$25,000) may be grouped. | | | | | |
| Line No. | Description (Name of regulatory commission, the docket number, and a description of the case.) (a) | Total Expenses to Date (b) | Deferred in Account 186 Beginning of Year (c) | Expenses Incurred During Year | | | Amortized During Year | | Deferred in Account 186 End of Year (i) |
| | | | | Charged Currently to Account No. (d) | Amount (e) | Deferred to Account 186 (f) | Contra Account (g) | Amount (h) | |
| 1 | Florida Public Service Commission | | | | | | | | |
| 2 | Docket 080318-GU - rate case. | | | | | | | | |
| 3 | Four year amortization of \$684,500 | | | | | | | | |
| 4 | beginning June 2009 | 1,395,491 | 413,552 | 186 | 23 | | 928 | 171,125 | 242,450 |
| 5 | | | | | | | | | |
| 6 | | | | | | | | | |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
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| 10 | | | | | | | | | |
| 11 | | | | | | | | | |
| 12 | | | | | | | | | |
| 13 | | | | | | | | | |
| 14 | | | | | | | | | |
| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | TOTAL | | | | | | | | |

| MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas) | | |
|--|--|---------------|
| Line No. | Description (a) | Amount (b) |
| 1 | Industry Association Dues | 491,511 |
| 2 | Experimental and General Research Expenses: Gas Technology Research | 500,000 |
| 3 | Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent. | |
| 4 | Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.) | |
| 5 | | |
| 6 | Economic Development | 173,607 |
| 7 | | |
| 8 | Employee Moving Expenses | 44,558 |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | TOTAL | |

DISTRIBUTION OF SALARIES AND WAGES

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

| Line No. | Classification (a) | Direct Payroll Distribution (b) | Allocation of Payroll Charged for Clearing Accounts (c) | Total (d) |
|----------|--|------------------------------------|--|--------------|
| 1 | Electric | | | |
| 2 | TOTAL Operation and Maintenance - Electric | | | |
| 3 | Gas | | | |
| 4 | Operation | | | |
| 5 | Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 6 | Transmission | | | |
| 7 | Distribution | 9,521,321 | | |
| 8 | Customer Accounts | 3,045,946 | | |
| 9 | Customer Service and Informational | 232,629 | | |
| 10 | Sales | 21,901 | | |
| 11 | Administrative and General | 5,784,950 | | |
| 12 | TOTAL Operation (Total of lines 5 through 11) | 18,606,747 | | |
| 13 | Maintenance | | | |
| 14 | Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 15 | Transmission | | | |
| 16 | Distribution | 2,859,387 | | |
| 17 | Administrative and General | 3,473,329 | | |
| 18 | TOTAL Maintenance (Total of lines 14 through 17) | 6,332,716 | | |
| 19 | Total Operation and Maintenance | | | |
| 20 | Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 21 | Transmission (Enter Total of lines 6 and 15) | | | |
| 22 | Distribution (Total of lines 7 and 16) | 12,380,708 | | |
| 23 | Customer Accounts (Transcribe from line 8) | 3,045,946 | | |
| 24 | Customer Service and Informational (Transcribe from line 9) | 232,629 | | |
| 25 | Sales (Transcribe from line 10) | 21,901 | | |
| 26 | Administrative and General (Total of lines 11 and 17) | 9,258,279 | | |
| 27 | TOTAL Operation and Maint. (Total of lines 20 through 26) | 24,939,463 | 82,440 | 25,021,903 |
| 28 | Other Utility Departments | | | |
| 29 | Operation and Maintenance | | | |
| 30 | TOTAL All Utility Dept. (Total of lines 2, 27, and 29) | 24,939,463 | 82,440 | 25,021,903 |
| 31 | Utility Plant | | | |
| 32 | Construction (By Utility Departments) | | | |
| 33 | Electric Plant | | | |
| 34 | Gas Plant | 4,095,778 | 179,536 | 4,275,314 |
| 35 | Other | | | |
| 36 | TOTAL Construction (Total of lines 33 through 35) | 4,095,778 | 179,536 | 4,275,314 |
| 37 | Plant Removal (By Utility Department) | | | |
| 38 | Electric Plant | | | |
| 39 | Gas Plant | 395,488 | 2,710 | 398,198 |
| 40 | Other | | | |
| 41 | TOTAL Plant Removal (Total of lines 38 through 40) | 395,488 | 2,710 | 398,198 |
| 42 | | | | |
| 43 | Other Accounts (Specify): | | | |
| 44 | | | | |
| 45 | Accounts Receivable - Associated Companies | 662,314 | 0 | 662,314 |
| 46 | Clearing | 0 | 0 | 0 |
| 47 | Other Work in Progress | 87,388 | 49 | 87,437 |
| 48 | Merchandise / Jobbing | 55,179 | 2,360 | 57,539 |
| 49 | Miscellaneous | 0 | 0 | 0 |
| 50 | | | | |
| 51 | | | | |
| 52 | | | | |
| 53 | TOTAL Other Accounts | 804,881 | 2,409 | 807,290 |
| 54 | TOTAL SALARIES AND WAGES | 30,235,610 | 267,095 | 30,502,705 |

| Name of Respondent | | For the Year Ended |
|--|--|---|
| Peoples Gas System | | Dec. 31, 2011 |
| CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES | | |
| <p>1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including</p> <p>payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.</p> <p>(a) Name of person or organization rendering services, (b) description of services received, (c) basis of charges, (d) total charges for the year, detailing account charged.</p> <p>2. For any services which are of a continuing nature, give the date and term of contract.</p> <p>3. Designate with an asterisk associated companies.</p> | | |
| | Description | Amount |
| 1 | Arcadis of New York Inc | 186-environmental services 177,306 |
| 2 | Arcadis US Inc | 186-environmental services 190,853 |
| 3 | Bajocuva PA | Capital/186/925-legal services 495,836 |
| 4 | Baker & Hosteleter LLP | 186-legal services 247,589 |
| 5 | Barr, Murman, Tonelli, Slother | 925-legal services 53,674 |
| 6 | Berkowitz, Dick, Pollack, & Brant CPA | 186-litigation support 142,128 |
| 7 | Bracewell & Giuliani LLP | 804/923-legal services 177,444 |
| 8 | Brandmark Advertisting, Inc. | 912-advertising services 104,223 |
| 9 | Brown and Caldwell Inc | 186-engineering services 126,685 |
| 10 | Brumer & Brumer PA | 925-legal services 35,000 |
| 11 | C Edward Mills | 923-consulting services 43,090 |
| 12 | Celeritas Works LLC | 925-consulting services 97,810 |
| 13 | Cozen O Connor | 186-legal services 532,707 |
| 14 | Environ International Corp | 186-environmental services 259,367 |
| 15 | Ernst & Young LLP | 923-consulting services 183,410 |
| 16 | Fowler, White, Boggs PA | 186-legal services 41,136 |
| 17 | Gunster Yoakley & Stewart PA | 925-legal services 281,475 |
| 18 | Halliwel Engineering Associates | 186-engineering services 228,130 |
| 19 | Holland & Knight | 186-legal services 254,405 |
| 20 | Lau, Lane, Pieper, Conley & McCreddie PA | 925-legal services 174,674 |
| 21 | Macfarlane Ferguson & McMullen PA | 186/923-legal services 1,451,585 |
| 22 | Marketing Talent | 909/921-advertising services 1,126,935 |
| 23 | Matrikon International Inc | 107/921-software consulting services 79,060 |
| 24 | McClain Smoak & Chistolini LLC | 925-legal services 58,592 |
| 25 | Newfields Companies LLC | 186-environmental services 112,702 |
| 26 | Pricewaterhouse Coopers | 923-accounting services 290,200 |
| 27 | Reynolds Smith & Hills Inc | 186-engineering services 30,484 |
| 28 | Southern Catholic Protection | 887-engineering services 294,277 |
| 29 | Sungard Energy Systems | 921-software/maintenance/consulting 165,107 |
| 30 | Tampa Electric* | various 8,583,092 |
| 31 | Teco Energy* | various 4,343,678 |
| 32 | Teco Partners* | 912-marketing 6,462,768 |
| 33 | Trimble Navigation LTD | 107/921-software consulting services 80,000 |
| 34 | Trial Consulting Services | 186-consulting services 64,098 |
| 35 | Vernis & Bowling | 925-legal services 41,107 |

| PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS | |
|--|--|
| <p>Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.</p> <p>(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.</p> <p>(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts.</p> <p>(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.</p> | |
| | Amount |
| 1 | |
| 2 | Account 426-01 - Donations 73,439 |
| 3 | Account 426-04 - Political Related Activities 25,195 |
| 4 | Account 426-05 - Other 527 |
| 5 | 99,161 |
| 6 | Account 431 - Other Interest Charges |
| 7 | Purchased Gas Adjustment True-Up 5,506 |
| 8 | Intercompany 7,839 |
| 9 | Energy Conservation Cost Recovery 2,797 |
| 10 | Customer Deposit Interest 2,505,962 |
| 11 | Accounts Receivable Facility 1,424 |
| 12 | Fed Funds 222 |
| 13 | Miscellaneous 17,822 |
| 14 | 2,541,572 |
| 15 | |
| 16 | |
| 17 | |
| 18 | |
| 19 | |
| 20 | |

| Name of Respondent | | For the Year Ended |
|--|---|--------------------|
| Peoples Gas System | | Dec. 31, 2011 |
| CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES | | |
| <p>1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including</p> <p>payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.</p> <p>(a) Name of person or organization rendering services, (b) description of services received, (c) basis of charges, (d) total charges for the year, detailing account charged.</p> <p>2. For any services which are of a continuing nature, give the date and term of contract.</p> <p>3. Designate with an asterisk associated companies.</p> | | |
| | Description | Amount |
| 1 | | |
| 2 | The following were charged to capital accounts: | |
| 3 | Ash Engineering, Inc | 64,915 |
| 4 | Broad & Cassel | 319,693 |
| 5 | Calhoun Collister & Parham inc | 215,245 |
| 6 | Captec Engineering | 146,168 |
| 7 | CGI Technologies and Solutions | 633,360 |
| 8 | Community Engineering Services | 51,063 |
| 9 | Deloitte | 1,196,800 |
| 10 | Energy Management & Services Co | 280,442 |
| 11 | FGE Engineering, Inc | 501,628 |
| 12 | Hatch, Mott, Macdonald Florida LLC | 81,185 |
| 13 | John D Cerrato | 64,861 |
| 14 | Mai Engineering Services, Inc | 451,882 |
| 15 | NDT & Inspections Inc | 34,638 |
| 16 | New Century Software Inc | 141,877 |
| 17 | PowerPlan | 254,351 |
| 18 | SAP | 56,179 |
| 19 | Southern Design Group Inc | 42,939 |
| 20 | SJR Structural Engineering LLC | 33,208 |
| 21 | Squire Sanders & Dempsey LLP | 70,294 |
| 22 | Tampa Electric* | 1,060,620 |
| 23 | Teco Partners* | 500,016 |
| 24 | Vernis & Bowling | 41,107 |
| 25 | Wilbur Smith Associates Inc | 98,613 |
| 26 | William J Greer | 91,532 |
| 27 | Winningham & Fradley Inc | 37,746 |
| 28 | Yuro and Associates LLC | 29,059 |
| 29 | | |
| 30 | | |
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |

| PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS | | |
|--|------|--------|
| <p>Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.</p> <p>(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.</p> <p>(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts.</p> <p>(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.</p> | | |
| | Item | Amount |
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
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| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |

**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) | 301,768,024 | | 301,768,024 | 301,768,024 | |
| 2 | Sales for Resale (483) | 1,169,228 | | 1,169,228 | 1,169,228 | |
| 3 | Total Natural Gas Service Revenues | 302,937,252 | | 302,937,252 | 302,937,252 | |
| 4 | Total Other Operating Revenues (485-495) | 141,147,746 | | 141,147,746 | 141,147,746 | |
| 5 | Total Gas Operating Revenues | 444,084,998 | | 444,084,998 | 444,084,998 | |
| 6 | Provision for Rate Refunds (496) | | | - | - | |
| 7 | Other (Specify) | | | | | |
| 8 | Mutually Beneficial and Wholesale | | | | (15,521,551) | 15,521,551 |
| 9 | Energy Conservation True Up | | | | (556,892) | 656,892 |
| 10 | Unbilled Revenue Adjustment | | | | 4,038,057 | (4,038,057) |
| 11 | OSS Sales for Resale | | | | (91,521,695) | 91,621,695 |
| 12 | Total Gross Operating Revenues | 444,084,998 | | 444,084,998 | 340,322,917 | 103,762,081 |

Notes:

Column F differences due to RAF return adjustments for exempt revenue.

CORPORATE STRUCTURE

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

Effective Date: Dec. 31, 2011

TECO Energy, Inc.

Tampa Electric Company

TEC Receivables Corp.

TECO Gas Services, Inc. (merged with TECO EnergySource, Inc., effective January 1, 2012)

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 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.

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

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 2011

CORPORATE STRUCTURE

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

Effective Date: Dec. 31, 2011

Tasajero I, LDC
TPS Operaciones de Guatemala, Ltda.
TPS International Power, Inc.
TPS De Ultramar, Ltd.
TPS De Ultramar Guatemala, S.A.

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 | | 224,835 |
| | G&A Allocation | | s | | 476,250 |
| | Marketing Services - O&M | | p | | 6,462,768 |
| | Marketing Services - Capital | | p | | 500,016 |
| | Various Products & Services | | s | | 38,800 |
| Tampa Electric | Rent | | s | | 72,161 |
| | Various Products & Services - O &M | | p | | 8,583,092 |
| | Various Products & Services - Capital | | p | | 1,060,620 |
| | Various Services | | s | | 763,124 |
| | Off System Sales | | s | | 2,941,882 |
| | Gas Purchases | | p | | 1,174,592 |
| | Net Imbalance Trade Bookouts & Overages | | s | | 426,349 |
| Net Imbalance Trade Bookouts & Overages | | p | | 68,811 | |
| TECO Energy | Various Products & Services | | s | | 102,057 |
| | Various Products & Services - O &M | | p | | 4,343,678 |
| | Various Products & Services - Capital | | p | | 59,611 |
| TECO Gas Services | Various Services | | s | | 12,886 |
| | Net Capacity Releases | | p | | 21,874 |
| | Off System Sales | | s | | 2,194,634 |
| | Net Imbalance Cashouts | | s | | 45,087 |
| | Net Imbalance Cashouts | | p | | 16,649 |
| SeaCoast Gas Transmission | Various Products & Services | | s | | 206,741 |
| | G&A Allocation | | s | | 225,000 |
| | Operational Sale | | s | | 31,217 |

| | |
|--|-------------------------------------|
| Name of Respondent Peoples Gas System | For the Year Ended Dec. 31, 2011 |
|--|-------------------------------------|

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 <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 2011 through March 2012. Peoples Gas System contracted Tampa Electric to provide monthly gas meter reading at a price of \$0.16 per reading in the Tampa division, and \$0.38 per reading in the Lakeland division. For 2011, both parties mutually agree to establish the volume for April 2011 - March 2012 at 62,772 meters for Tampa, and for Lakeland a volume for April 2011 - March 2012 at 6,178 meters. An automatic review of billing volumes will occur should a 10% differential exist.</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 | 476,250 |
| | Monthly Marketing Services (costs) - O&M | 6,462,768 |
| | Monthly Marketing Services (costs) - Capital | 500,016 |
| Tampa Electric | Monthly Various Products & Services (costs) - O&M | 8,583,092 |
| | Monthly Various Products & Services (costs) - Capital | 1,060,620 |
| | Monthly Various Services (revenue) | 763,124 |
| | Off System Sales | 2,941,882 |
| | Gas Purchases | 1,174,592 |
| | Net Imbalance Trade Bookouts & Overages (sales) | 426,349 |
| | Net Imbalance Trade Bookouts & Overages (purchases) | 68,811 |
| TECO Energy | Monthly Various Products & Services (costs) - O&M | 4,343,678 |
| TECO Gas Services | Off System Sales | 2,194,634 |
| SeaCoast Gas Transmission | Various Services | 206,741 |
| | Monthly G&A charged to SeaCoast | 225,000 |
| | Off System Sales | 31,217 |

Name of Respondent
Peoples Gas System

For the Year Ended
Dec. 31, 2011

ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

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

| Name of Affiliate | Description of Asset or Right | Cost/Orig. Cost | Accumulated Depreciation | Net Book Value | Fair Market Value | Purchase Price | Title Passed Yes/No |
|----------------------------|-------------------------------|-----------------|--------------------------|----------------|-------------------|----------------|---------------------|
| Purchases from Affiliates: | | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | \$ | |
| Total | | | | | | \$ | |
| Sales to Affiliates: | | \$ | \$ | \$ | \$ | 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 | Supvr-General Accounting | SAP Configurator Assoc | Perm |
| Peoples Gas | Tampa Electric | Director Market Services | Director Market Services | Perm |
| TECO Energy | Peoples Gas | Efficiency Specialist | Project Implement Sp | Perm |
| Peoples Gas | Tampa Electric | Manager External Affairs | Dir Community Relations | Perm |
| Peoples Gas | TECO Partners | Coord Regulatory Affairs | Energy Manager | Perm |
| Tampa Electric | Peoples Gas | Environmental Specialist | Human Res Generalist | Perm |