

ANNUAL REPORT OF **GU608-98-AR**
NATURAL GAS UTILITIES

PEOPLES GAS SYSTEM
(EXACT NAME OF RESPONDENT)

702 N. Franklin Street
Tampa, Florida 33602
(ADDRESS OF RESPONDENT)

TO THE
FLORIDA PUBLIC SERVICE COMMISSION
FOR THE
YEAR ENDED DECEMBER 31, 1998

RECEIVED
PUBLIC SERVICE
COMMISSION
TAMPA
JAN 14 1999

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

Name	Francis J. Sivard	Title	Vice President - Accounting		
Address	P. O. Box 2562	City	Tampa	State	FL 33601-2562
Telephone No.	(813) 228-4592				PSC/AFA 20 (4/96)

Report of Independent Certified Public Accountants

To the Board of Directors
Tampa Electric Company

We have audited the balance sheets of Peoples Gas System, a division of Tampa Electric Company, as of December 31, 1998 and 1997, and the related statements of income for the years then ended, and the statements of retained earnings and of cash flows for the year ended December 31, 1998, included on pages 10 through 19I of the accompanying annual report of natural gas utilities to the Florida Public Service Commission. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 discussed in Note A, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In 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, 1998 and 1997, the results of its operations and its cash flows for the year ended December 31, 1998, and net income for the year ended December 31, 1997, in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

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

PricewaterhouseCoopers LLP

January 15, 1999

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 1998
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 Francis J. Sivard	06 Title of Contact Person Vice President - Accounting
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) 228-4592	09 Date of Report (Mo, Da, Yr) Dec. 31, 1998

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, 1998 to December 31, 1998, inclusive.

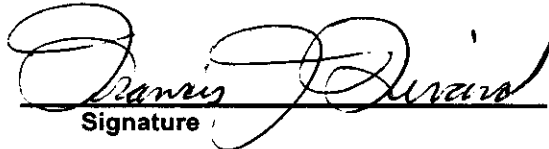
I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

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 official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

April 28, 1999

Date


Signature

Francis J. Sivard

Name

Vice President - Accounting

Title

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Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 1998
GENERAL INFORMATION	
<p>1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.</p> <p style="padding-left: 40px;">Francis J. Sivard, Vice President - Accounting 702 N. Franklin Street Tampa, Florida 33602</p>	
<p>2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.</p> <p style="padding-left: 40px;">Florida, 1949</p>	
<p>3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.</p> <p style="padding-left: 40px;">None</p>	
<p>4. State the type of utility and nonutility services furnished by respondent during the year in each State in which the respondent operated.</p> <p style="padding-left: 40px;">Natural Gas Utility All in the State of Florida</p>	
<p>5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?</p> <p>(1) <input checked="" type="checkbox"/> YES ...Enter the date when such independent accountant was initially engaged: <u>June 1997</u></p> <p>(2) <input type="checkbox"/> NO</p>	

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 1998

CONTROL OVER RESPONDENT

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

In June 1997, TECO Energy, Inc., acquired Lykes Energy, Inc. As part of this acquisition, Lykes' regulated gas distribution utility, Peoples Gas System, Inc., (PGS) was merged into Tampa Electric Company and now operates as the Peoples Gas System division. Also in June 1997, TECO Energy completed its acquisition of West Florida Natural Gas Company (West Florida), which was merged into Tampa Electric Company and now operates as part of the Peoples Gas System division.

The acquisitions of PGS and West Florida, were accounted for as poolings of interests and, accordingly, the 1997 financial statements filed with the Securities and Exchange Commission in Tampa Electric Company's Annual Report on Form 10-K included the financial results of PGS and West Florida. However, for purposes of this Annual Report, only the Financial and Operating results for the natural gas operation of Peoples Gas System (which includes West Florida) are presented herein.

CORPORATIONS CONTROLLED BY RESPONDENT

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

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

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
None			

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.

3. Utilities which are required to file the same data with the Securities and Exchange Commission, may substitute a copy of item 4 of Regulation S-K (identified as this page). The substituted page(s) should be the same size as this page.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c) (1)
1	President	W. N. Cantrell	\$240,000
2	Vice President - Marketing and Sales	J. M. Householder	\$115,000
3	Vice President - Accounting	F. J. Sivard	\$113,000
4	Vice President - Operations	R. B. Christmas	\$125,000
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40	(1) Amounts included in FPSC copies only.		
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Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 1998	
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)
<p>Peoples Gas System, as a division of Tampa Electric Company, has no directors. However, all directors of Tampa Electric Company, a wholly owned subsidiary of TECO Energy, Inc. (TECO Energy), are also directors of TECO Energy as reported in its definitive proxy statement dated March 4, 1999, for its Annual Meeting of Shareholders held on April 21, 1999.</p>			

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 other 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. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants or rights were issued on a prorata basis.

1. Give date of the latest closing of the stock book prior to the end year, and state the purpose of such closing:	2. State the total number of votes cast at the latest general meeting prior to the end of year for the election of directors of the respondents and number of such votes cast by proxy. Total: By Proxy:	3. Give the date and place of such meeting:
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VOTING SECURITIES

Number of votes as of (date):

Line No.	Name (Title) and Address of Security Holder (a)	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
4	NONE				
5					
6					
7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33	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. Changes in and important information to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. 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. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases,

development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc.

6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Give reference to Commission authorization if any was required.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. 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.
10. 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 reported on page 8, 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.
11. Estimate increase or decrease in annual revenues due to important rate changes: State effective rate and approximate amount of increase or decrease from each revenue classification. State the number of customers affected.
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instruction 1 to 11 above, such notes may be attached to this page.

None

Name of Respondent				For the Year Ended	
Peoples Gas System				Dec. 31, 1998	
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)					
Line No.	Title of Account	Ref. Page No.	Balance at Beginning of Year	Balance at End of Year	
	(a)	(b)	(c)	(d)	
1	UTILITY PLANT				
2	Utility Plant (101-106, 114)	20-21	\$465,306,879	\$506,106,430	
3	Construction Work in Progress (107)	20-21	6,021,749	12,630,418	
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		471,328,628	518,736,848	
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	20-21	182,449,162	194,307,574	
6	Net Utility Plant (Enter Total of line 4 less 5)		288,879,466	324,429,274	
7	Utility Plant Adjustments (116)	19			
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)	-			
13	Investment in Subsidiary Companies (123.1)	-			
14	Other Investments (124)	-			
15	Special Funds (125-128)	-			
16	TOTAL Other Property and Investments (Total of lines 10 through 15)				
17	CURRENT AND ACCRUED ASSETS				
18	Cash (131)	-	1,308,804	(751,832)	
19	Special Deposits (132-134)	-	8,231,523	9,883,166	
20	Working Funds (135)	-	(281,204)	17,555	
21	Temporary Cash Investments (136)	-	613,693		
22	Notes Receivable (141)	-			
23	Customer Accounts Receivable (142)	-	18,019,370	16,310,105	
24	Other Accounts Receivable (143)	-	(11,552)	974,641	
25	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	-	(107,000)	(107,000)	
26	Notes Receivable from Associated Companies (145)	-			
27	Accounts Receivable from Assoc. Companies (146)	-	4,800,615		
28	Fuel Stock (151)	-			
29	Fuel Stock Expense Undistributed (152)	-			
30	Residuals (Elec) and Extracted Products (Gas) (153)	-			
31	Plant Material and Operating Supplies (154)	-	1,474,927	1,790,632	
32	Merchandise (155)	-			
33	Other Material and Supplies (156)	-			
34	Stores Expenses Undistributed (163)	-			
35	Gas Stored Undgrd. & Liq. Nat. Gas Stored (164.1-164.3)	-			
36	Prepayments (165)	32	659,312	257,739	
37	Advances for Gas (166-167)	-			
38	Interest and Dividends Receivable (171)	-	5,971	(2,702)	
39	Rents Receivable (172)	-			
40	Accrued Utility Revenues (173)	-	12,558,208	17,479,044	
41	Miscellaneous Current and Accrued Assets (174)	-			
42	TOTAL Current and Accrued Assets (Enter Total of lines 18 through 41)		47,272,667	45,851,348	
43	DEFERRED DEBITS				
44	Unamortized Debt Expense (181)	38	1,546,565	1,349,376	
45	Extraordinary Property Losses (182.1)	32			
46	Unrecovered Plant and Regulatory Study Costs (182.2)	32			
47	Other Regulatory Assets (182.3)	33			
48	Prelim. Survey and Investigation Charges (Gas) (183.1, 183.2)	-			
49	Clearing Accounts (184)	-	(46)		
50	Temporary Facilities (185)	-			
51	Miscellaneous Deferred Debits (186)	34	4,922,205	3,763,116	
52	Def. Losses from Disposition of Utility Plant. (187)	-			
53	Research, Devel. and Demonstration Expend. (188)	-			
54	Unamortized Loss on Reacquired Debt (189)	39			
55	Accumulated Deferred Income Taxes (190)	35	4,531,471	4,531,471	
56	Unrecovered Purchased Gas Costs (191)	-	1,705,497	(4,298,844)	
57	TOTAL Deferred Debits (Enter Total of lines 44 through 56)		12,705,692	5,345,119	
58	TOTAL Assets and other Debits (Enter Total of lines 6, 7, 8, 16, 42, 57)		\$348,857,825	\$375,625,741	

Name of Respondent				For the Year Ended	
Peoples Gas System				Dec. 31, 1998	
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 (208-211) & Accounts 212, 213, 214	-	36,550,169		46,550,169
5	Retained Earnings (215, 215.1, 216)	15-16			
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	15-16	108,311,839		111,477,632
7	(Less) Reacquired Capital Stock (217)	-			
8	TOTAL Proprietary Capital (Enter Total of lines 2 through 7)		144,862,008		158,027,801
9	LONG-TERM DEBT				
10	Bonds (221)	37			
11	(Less) Reacquired Bonds (222)	37			
12	Advances from Associated Companies (223)	37			
13	Other Long-Term Debt (224)	37	69,100,000		78,000,000
14	Unamortized Premium on Long-Term Debt (225)	38			252,133
15	(Less) Unamortized Discount on Long-Term Debt-Dr. (226)	38			
16	TOTAL Long-Term Debt (Enter Total of lines 10 through 15)		69,100,000		78,252,133
17	OTHER NONCURRENT LIABILITIES				
18	Obligations Under Capital Leases - Noncurrent (227)	-			
19	Accumulated Provision for Property Insurance (228.1)	-			
20	Accumulated Provision for Injuries and Damages (228.2)	-			
21	Accumulated Provision for Pensions and Benefits (228.3)	-	5,608,189		5,827,054
22	Accumulated Miscellaneous Operating Provisions (228.4)	-			
23	Accumulated Provision for Rate Refunds (229)	-			
24	TOTAL Other Noncurrent Liabilities (Enter Total of lines 18 through 23)		5,608,189		5,827,054
25	CURRENT AND ACCRUED LIABILITIES				
26	Notes Payable (231)	-	38,200,000		29,300,000
27	Accounts Payable (232)	-	21,609,008		16,673,515
28	Notes Payable to Associated Companies (233)	-			
29	Accounts Payable to Associated Companies (234)	-			19,240,915
30	Customer Deposits (235)	-	24,836,726		24,842,217
31	Taxes Accrued (236)	41	(1,241,972)		3,063,681
32	Interest Accrued (237)	-	3,707,161		669,868
33	Dividends Declared (238)	-			
34	Matured Long-Term Debt (239)	-			
35	Matured Interest (240)	-			
36	Tax Collections Payable (241)	-	2,289,454		2,040,974
37	Miscellaneous Current and Accrued Liabilities (242)	43	9,670,365		9,421,825
38	Obligations Under Capital Leases-Current (243)	-			
39					
40	TOTAL Current and Accrued Liabilities (Enter Total of lines 26 through 39)		99,070,742		105,252,995
41	DEFERRED CREDITS				
42	Customer Advances for Construction (252)	-	847,497		1,388,437
43	Other Deferred Credits (253)	43	508,886		82,766
44	Other Regulatory Liabilities (254)	45	260,518		669,704
45	Accumulated Deferred Investment Tax Credits (255)	42	445,581		402,194
46	Deferred Gains from Disposition of Utility Plant (256)	-			
47	Unamortized Gain on Reacquired Debt (257)	39			
48	Accumulated Deferred Income Taxes (281-283)	44	28,154,404		25,722,657
49	TOTAL Deferred Credits (Enter Total of lines 42 through 48)		30,216,886		28,265,758
50					
51	TOTAL Liabilities and Other Credits (Enter Total of lines 8, 16, 24, 40 and 49)		\$348,857,825		\$375,625,741
52					

Name of Respondent			For the Year Ended	
Peoples Gas System			Dec. 31, 1998	
STATEMENT OF INCOME				
<p>1. Report amounts for Accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount (s) over lines 01 through 24 as appropriate. Include these amounts in columns (c) and (d) totals.</p> <p>2. Report amounts in Account 414, Other Utility Operating Income, in the same manner as Accounts 412 and 413 above.</p> <p>3. Report data for lines 7,9,10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.</p> <p>4. Use page 19 for important notes regarding the statement of income or any account thereof.</p> <p>5. Give concise explanations on page 19 concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.</p> <p>6. Give concise explanations on page 19 concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting</p>				
Line No.	Account (a)	Ref. Page No. (b)	Total Current Year (c)	Total Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	46-47	\$252,807,338	\$249,553,143
3	Operating Expenses			
4	Operation Expenses (401)	49-51	170,913,030	170,149,746
5	Maintenance Expenses (402)	49-51	4,151,150	5,157,286
6	Depreciation Expense (403)	55	20,151,861	19,362,026
7	Amort. & Depl. of Utility Plant (404-405)	55	87,894	93,420
8	Amort. of Utility Plant Acq. Adj. (406)	-	156,372	156,372
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-		
10	Amort. of Conversion Expenses (407.2)	-		
11	Regulatory Debits (407.3) Environmental Amortization	-	640,000	198,589
12	(Less) Regulatory Credits (407.4)	-		
13	Taxes Other Than Income Taxes (408.1)	41	20,892,993	20,855,633
14	Income Taxes - Federal (409.1)	41	9,603,035	9,308,350
15	- Other (409.1)	41	1,597,070	794,615
16	Provision for Deferred Inc. Taxes (410.1)	35, 44	(1,159,190)	(1,105,965)
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	35, 44		
18	Investment Tax Credit Adj. - Net (411.4)	42	(43,387)	(43,389)
19	(Less) Gains from Disp. of Utility Plant (411.6)	-		
20	Losses from Disp. of Utility Plant (411.7)	-		
21	(Less) Gains from Disposition of Allowances (411.8)	-		
22	Losses from Disposition of Allowances (411.9)	-		
23	TOTAL Utility Operating Expenses (Total of lines 4 -22)		226,990,828	224,926,683
24	Net Utility Operating Income (Total of line 2 less 23) (Carry forward to page 14, line 25)		\$25,816,511	\$24,626,460

Name of Respondent						For the Year Ended
Peoples Gas System						Dec. 31, 1998
STATEMENT OF INCOME (Continued)						
revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.			allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.			
7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 19.			9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.			
8. Enter on page 19 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of			10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 22, and report the information in the blank space on page 19 or in a supplemental statement.			
ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY - WATER		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
						1
		\$252,807,338	\$249,553,143			2
						3
		170,913,030	170,149,746			4
		4,151,150	5,157,286			5
		20,151,861	19,362,026			6
		87,894	93,420			7
		156,372	156,372			8
						9
						10
		640,000	198,589			11
						12
		20,892,993	20,855,633			13
		9,603,035	9,308,350			14
		1,597,070	794,615			15
		(1,159,190)	(1,105,965)			16
						17
		(43,387)	(43,389)			18
						19
						20
						21
						22
		226,990,828	224,926,683			23
						24
		\$25,816,511	\$24,626,460			

Name of Respondent		For the Year Ended		
Peoples Gas System		Dec. 31, 1998		
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 12)		\$25,816,511	\$24,626,460
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-		
	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-		
31	Revenues From Nonutility Operations (417)	-		
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-		
34	Equity in Earnings of Subsidiary Companies (418.1)	15-16		
35	Interest and Dividend Income (419)	-	50,927	4,233,382
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-	35,303	54,069
38	Gain on Disposition of Property (421.1)	-		
39	TOTAL Other Income (Enter Total of lines 29 through 38)		86,230	4,287,451
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)	-		
42	Miscellaneous Amortization (425)	56	471,956	-
43	Miscellaneous Income Deductions (426.1-426.5)	56	(174,272)	2,075,390
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		297,684	2,075,390
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	41		
47	Income Taxes - Federal (409.2)	41	(70,038)	(621,000)
48	Income Taxes - Other (409.2)	41	(12,057)	(103,000)
49	Provision for Deferred Income Taxes (410.2)	35, 44		
50	(Less) Provision for Deferred Income Taxes - Cr. (411.2)	35, 44		
51	Investment Tax Credit Adj. - Net (411.5)	-		
52	(Less) Investment Tax Credits (420)	-		
53	TOTAL Taxes on Other Inc. and Ded. (Enter Total of 46 through 52)		(82,095)	(724,000)
54	Net Other Income and Deductions (Enter Total of lines 39,44,53)		(129,359)	2,936,061
55	Interest Charges			
56	Interest on Long-Term Debt (427)	37	6,306,237	7,244,967
57	Amortization of Debt Disc. and Expense (428)	38	275,507	166,111
58	Amortization of Loss on Reacquired Debt (428.1)	-		
59	(Less) Amort. of Premium on Debt - Credit (429)	38	(45,467)	
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-		
61	Interest on Debt to Assoc. Companies (430)	56		
62	Other Interest Expense (431)	56	3,648,390	6,934,683
63	(Less) Allow. for Borrowed Funds Used During Const. - Cr. (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		10,184,667	14,345,761
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		15,502,485	13,216,760
66	Extraordinary Items			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	41		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		\$15,502,485	\$13,216,760

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 1998	
STATEMENT OF RETAINED EARNINGS			
<p>1. Report all changes in appropriate retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.</p> <p>2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).</p> <p>3. State the purpose and amount for each reservation or appropriation of retained earnings.</p> <p>4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.</p>		<p>5. Show dividends for each class and series of capital stock.</p> <p>6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.</p> <p>7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.</p> <p>8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 19.</p>	
Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)		
1	Balance - Beginning of Year		\$108,311,839
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	Credit:		
7	Credit:		
8	Credit:		
9	TOTAL Credits to Retained Earnings (Account 439) (Enter Total of lines 4 through 8)		-
10	Debit:		
11	Debit:		
12	Debit:		
13	Debit:		
14	Debit:		
15	TOTAL Debits to Retained Earnings (Account 439) (Enter Total of lines 10 through 14)		-
16	Balance Transferred from Income (Account 433 less Account 418.1)		15,502,485
17	Appropriations of Retained Earnings (Account 436)		
18			
19			
20			
21	TOTAL Appropriations of Retained Earnings (Account 436)		
22	(Enter Total of lines 18 through 20)		
23	Dividends Declared - Preferred Stock (Account 437)		
24			
25			
26			
27			
28	TOTAL Dividends Declared - Preferred Stock (Account 437)		
29	(Enter Total of lines 24 through 27)		
30	Dividends Declared - Common Stock (Account 438)		
31	(Peoples Gas System share of Tampa Electric Company		12,336,692
32	dividend)		
33			
34			
35	TOTAL Dividends Declared - Common Stock (Account 438)		
36	(Enter Total of lines 31 through 34)		12,336,692
37	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
38	Balance - End of Year (Enter Total of lines 01, 09, 15, 16, 22, 29, 36 and 37)		\$111,477,632

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 1998
STATEMENT OF RETAINED EARNINGS (Continued)		
Line No.	Item (a)	Amount (b)
	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.	
39		
40		
41		
42		
43		
44		
45	TOTAL Appropriated Retained Earnings (Account 215)	-0-
	APPROPRIATED RETAINED EARNINGS - Amortization , Reserve, Federal (Account 215.1)	
	State below the total amount set aside through appropriations of retained earnings, as of the end of the year, in compliance with the provisions of Federally granted hydroelectric project licenses held by the respondent. If any reductions or changes other than the normal annual credits hereto have been made during the year, explain such items in a footnote.	
46	TOTAL Appropriated Retained Earnings - Amortization Reserve, Federal (Account 215.1)	-0-
47	TOTAL Appropriated Retained Earnings (Accounts 215, 215.1)(Enter Total of lines 45 & 46)	-0-
48	TOTAL Retained Earnings (Account 215, 215.1, 216)(Enter Total of lines 38 and 47)	\$111,477,632
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)	
49	Balance - Beginning of Year (Debit or Credit)	-0-
50	Equity in Earnings for Year (Credit) (Account 418.1)	
51	(Less) Dividends Received (Debit)	
52	Other Changes (Explain)	
53	Balance - End of year	-0-

STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be attached to page 19. Information about noncash investing and financing activities should be provided on page 19. Provide also on page 19 a reconciliation between "Cash and Cash Equivalents at end of Year" with related amounts on the balance sheet.

3. Operating Activities - Other: include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on page 19 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

2. Under "Other" specify significant amounts and group others.

Line No.	DESCRIPTION (See Instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow From Operating Activities:	
2	Net Income (Line 72(c) on page 14)	\$15,502,485
3	Non-Cash Charges (Credits) to Income:	
4	Depreciation and Depletion	20,151,861
5	Amortization of (Specify) Utility Plant	87,894
6	Acquisition Adjustment	156,372
7	Environmental	640,000
8	Deferred Income Taxes (Net)	(2,431,747)
9	Investment Tax Credit Adjustments (Net)	(43,387)
10	Net (Increase) Decreases in Receivables	5,523,687
11	Net (Increase) Decreases in Inventory	(315,705)
12	Net (Increase) Decreases in Allowances Inventory	
13	Net (Decrease) Increase in Payables and Accrued Expenses	15,082,253
14	Net (Increase) Decreases in Other Regulatory Assets	
15	Net (Decrease) Increase in Other Regulatory Liabilities	
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other: Net (Increase) Decreases in Other Current and Accrued Assets	(6,162,233)
19	Net (Increase) Decreases in Deferred Debits	6,720,573
20	Net (Decrease) Increase in Deferred Credits and Other Noncurrent Liabilities	995,004
21	Net Cash Provided by (Used in) Operating Activities (Total of lines 2 through 20)	55,907,057
22		
23	Cash Flows from Investment Activities:	
24	Construction and Acquisition of Plant(including land):	
25	Gross Additions to Utility Plant	(55,945,935)
26	Gross Additions to Common Utility Plant	
27	Gross Additions to Nonutility Plant	
28	(Less) Allowance for Other Funds Used During Construction	
29	Other:	
30		
31		
32		
33	Cash Outflows for Plant (Total of lines 24 through 32)	(55,945,935)
34		
35	Acquisition of Other Noncurrent Assets (d)	
36	Proceeds from Disposal of Noncurrent Assets (d)	
37	Investment in and Advances to Assoc. and Subsidiary Companies	
38	Contributions and Advances from Assoc. and Subsidiary Companies	
39	Disposition of Investments in (and Advances to)	
40	Associated and Subsidiary Companies	
41	Purchases of Investment Securities (a)	
42	Proceeds from Sales of Investment Securities (a)	

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 1998
STATEMENT OF CASH FLOWS (Continued)		
4. Investing Activities		5. Codes used:
<p>Include at other (line 31) net cash outflows to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on page 19.</p> <p>Do not include on this statement the dollar amount of leases capitalized per USofA General instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on page 19.</p>		<p>(a) Net proceeds or payments</p> <p>(b) Bonds, debentures and other long-term debt.</p> <p>(c) Include commercial paper</p> <p>(d) Identify separately such items as investments, fixed assets, intangibles, etc.</p>
		6. Enter on page 19 clarifications and explanations.
Line No.	DESCRIPTION (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in	
52	Allowances Held for Speculation	
53	Net Increase (Decrease) in Payables and Accrued Expenses	
54	Other:	
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	(Total of lines 33 through 55)	(55,945,935)
58		
59	Cash Flows From Financing Activities:	
60	Proceeds from Issuance of:	
61	Long-Term Debt (b)	12,000,000
62	Preferred Stock	
63	Common Stock	
64	Equity Contribution from Parent	10,000,000
65	Other	
66	Net Increase in Short-term Debt (c)	
67	Other:	
68		
69		
70	Cash provided by Outside Sources (Total of lines 61 through 69)	22,000,000
71		
72	Payments of Retirement of:	
73	Long-Term Debt (b)	(3,100,000)
74	Preferred Stock	
75	Common Stock	
76	Other:	
77		
78	Net Decrease in Short-Term Debt (c)	(8,900,000)
79		
80	Dividends on Preferred Stock	
81	Dividends on Common Stock	(12,336,692)
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 through 81)	(2,336,692)
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 21, 57, and 83)	(2,375,570)
87		
88	Cash and Cash Equivalents at Beginning of Year	1,641,293
89		
90	Cash and Cash Equivalents at End of Year	(734,277)

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 1998
NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS	
<p>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.</p> <p>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.</p> <p>3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and</p>	<p>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.</p> <p>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.</p> <p>5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.</p> <p>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 12-18, such notes may be attached hereto.</p>
<p>The 1998 financial statements filed with the Securities and Exchange Commission in Tampa Electric Company's Annual Report on Form 10-K included the financial results of the electric division of Tampa Electric Company and Peoples Gas System. Attached are the Notes to the Financial Statements relevant to Peoples Gas System.</p>	

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

Basis of Accounting

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

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

The use of estimates is inherent in the preparation of financial statements in accordance with generally accepted accounting principles.

Basis of Reporting

The financial statements are presented in accordance with the reporting requirements of the Federal Energy Regulatory Commission. Accordingly, the statements of retained earnings and cash flow for the prior year have been omitted and the current portion of long-term debt has not been classified as such. The current portion of long-term debt was \$3,500,000 and \$3,100,000 at December 31, 1998 and 1997, respectively.

Revenues and Fuel Costs

Revenues include amounts resulting from cost recovery clauses which provide for monthly billing charges to reflect increases or decreases in fuel, purchased capacity, conservation and environmental costs for Tampa Electric and purchased gas, interstate pipeline capacity and conservation costs for Peoples Gas System. These adjustment factors are based on costs projected for a specific recovery period. Any over-recovery or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as deferred credits and under-recoveries of costs are recorded as deferred debits.

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

Depreciation

The company provides for depreciation primarily by the straight-line method at annual rates that amortize the original cost, less net salvage, of depreciable property over its estimated service life. The provision for utility plant in service, expressed as a percentage of the original cost of depreciable property, was 4.1% for 1998 and 4.0% for 1997.

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

Asset Impairment

The company periodically assesses whether there has been a permanent impairment of its long-lived assets and certain intangibles held and used by it, in accordance with FAS 121, Accounting for the Impairment of Long-lived Assets and Long-Lived Assets to be Disposed of. No write-down of assets due to impairment was required in 1998 or 1997.

Reporting Comprehensive Income

In 1997, the Financial Accounting Standards Board issued FAS 130, Reporting Comprehensive Income, effective for fiscal years beginning after Dec. 15, 1997. The new standard requires that comprehensive income, which includes net income as well as certain changes in assets and liabilities recorded in common equity, be reported in the financial statements. There were no components of comprehensive income other than net income for the years ended Dec. 31, 1998 or 1997.

Deferred Income Taxes

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

Investment Tax Credits

Investment tax credits have been recorded as deferred credits and are being amortized to income tax expense over the service lives of the related property.

Hedges - Gas Prices

Peoples Gas System enters into natural gas options contracts, from time to time, to limit its exposure to gas price increases.

Peoples Gas System does not use derivatives or other financial products for speculative purposes.

Accounting for Derivative Instruments and Hedging

In 1998, the Financial Accounting Standards Board issued FAS 133, Accounting for Derivative Instruments and Hedging, effective for fiscal years beginning after June 15, 1999. The new standard requires that an entity recognize derivatives as either assets or liabilities in the financial statements, to measure those instruments at fair value and to reflect the changes in fair value of those instruments as either components of comprehensive income or net income, depending on the types of those instruments. Tampa Electric Company does not use derivatives or other financial products for speculative purposes. The company has not yet determined to what extent the standard will impact its financial statements.

Mergers

In June 1997, TECO Energy, Inc. completed its merger with Lykes Energy, Inc. Concurrent with this merger, the regulated gas distribution utility, Peoples Gas System, Inc., was merged into Tampa Electric Company and now operates as the Peoples Gas System division of Tampa Electric Company.

Also in June 1997, TECO Energy completed its merger with West Florida Gas Inc. (West Florida). Concurrent with this merger, West Florida's regulated gas distribution utility, West Florida Natural Gas Company, was merged into Tampa Electric Company and now operates as part of the Peoples Gas System division.

These mergers were accounted for as poolings of interests and, accordingly, the company's Balance Sheet as of Dec. 31, 1997 and its Statements of Income and Cash Flows for the period ended Dec. 31, 1997 include the results of Peoples Gas System and West Florida.

Financial statements and all financial information presented for periods prior to 1997 have been restated to include the results of the Peoples Gas System. Prior period financial statements have not been restated to reflect the operations and financial position of West Florida Natural Gas due to its size.

Reclassifications and Restatements

Certain prior year amounts were reclassified or restated to conform with current year presentation.

B. Retained Earnings

Certain of Peoples Gas System's long-term debt issues contain provisions that limit the dividend payment on the company's common stock. At Dec. 31, 1998, substantially all of the company's retained earnings were available for dividends on its common stock.

C. Retirement Plan

Peoples Gas System is a participant in the comprehensive retirement plan of TECO Energy, including a non-contributory defined benefit retirement plan which covers substantially all employees. Benefits are based on employees' years of service and average final earnings.

TECO Energy's policy is to fund the plan within the guidelines set by ERISA for the minimum annual contribution and the maximum allowable as a tax deduction by the IRS. About 70 percent of plan assets were invested in common stocks and 30 percent in fixed income investments at Dec. 31, 1998.

The Peoples Gas System retirement plan was merged with the TECO Energy retirement plan effective Jan. 1, 1998. As of Dec. 31, 1997, Peoples Gas System had a non-contributory defined benefit retirement plan which covered substantially all employees. Benefits were based on employees' years of service and average compensation during specified years of employment.

Peoples Gas System's retirement plan was funded annually by the company within the guidelines set by ERISA for the minimum annual contribution and the maximum allowable as a tax deduction by the IRS. Plan assets were invested primarily in a collective investment trust consisting of equity securities, fixed income securities and cash equivalents.

All information prior to 1998 has been restated to include the Peoples Gas System Retirement Plan.

In 1997, the Financial Accounting Standards Board issued FAS 132, Employers' Disclosures about Pensions and Other Post Retirement Benefits. FAS 132 standardizes the disclosure requirements for pension and other postretirement benefits with additional information required on changes in the benefit obligations and fair values of plan assets. TECO Energy adopted FAS 132 with the additional disclosures included here and in Footnote E, Postretirement Benefit Plan.

Components of net pension expense, reconciliation of the funded status and the accrued pension liability are presented below for TECO Energy consolidated.

Components of Net Pension Expense

(millions)	<u>1998</u>	<u>1997</u>
Service cost		
(benefits earned during the period)	\$11.2	\$ 9.6
Interest cost on projected		
benefit obligations	24.8	23.6
Less: Expected return on plan assets	(31.5)	(28.4)
Amortization of:		
Unrecognized transition asset	(1.1)	(1.2)
Prior service cost	0.9	0.9
Actuarial (gain) loss	--	(0.3)
Net pension expense	4.3	4.2
Special termination benefit charge	0.7	--
Curtailment charge	(0.8)	--
Net pension expense recognized		
in TECO Energy's Consolidated		
Statements of Income (1)	<u>\$ 4.2</u>	<u>\$ 4.2</u>

(1) Peoples Gas System's portion was \$.7 million and \$1.9 million for 1998 and 1997 respectively.

Reconciliation of the Funded Status of the Retirement Plan and the Accrued Pension Prepayment/(Liability)
(millions)

	<u>Dec. 31,</u> <u>1998</u>	<u>Dec. 31,</u> <u>1997</u>
Projected benefit obligation, beginning of year	\$344.7	\$262.2
Change in benefit obligation due to:		
Service cost	11.2	9.6
Interest cost	24.8	23.6
Actuarial (gain) loss	22.4	22.1
Acquisitions	--	47.6
Curtailments	(1.1)	--
Special termination benefits	0.7	--
Gross benefits paid	<u>(19.0)</u>	<u>(20.4)</u>
Projected benefit obligation, end of year	<u>383.7</u>	<u>344.7</u>
Fair value of plan assets, beginning of year	414.8	320.5
Change in plan assets due to:		
Actual return on plan assets	72.2	65.8
Employer contributions	0.7	--
Acquisitions	--	48.9
Gross benefits paid	<u>(19.0)</u>	<u>(20.4)</u>
Fair value of plan assets, end of year	<u>468.7</u>	<u>414.8</u>
Funded status, end of year	85.0	70.1
Unrecognized net actuarial gain	(102.9)	(83.7)
Unrecognized prior service cost	10.7	11.0
Unrecognized net transition asset	<u>(7.0)</u>	<u>(8.1)</u>
Accrued pension liability (2)	<u>\$ (14.2)</u>	<u>\$ (10.7)</u>

(2) Peoples Gas System's portion was \$4.1 million and \$4.0 million at Dec. 31, 1998 and 1997, respectively.

Assumptions Used in Determining Actuarial Valuations

	<u>1998</u>	<u>1997</u>
Discount rate to determine projected benefit obligation	6.75%	7.25%
Rates of increase in compensation levels	3.3-5.3%	3.3-5.3%
Plan asset growth rate through time	9%	9%

D. Postretirement Benefit Plan

Peoples Gas System currently provides certain postretirement health care benefits for substantially all employees retiring after age 55 meeting certain service requirements. The company contribution toward health care coverage for most employees retiring after Jan. 1, 1990 is limited to a defined dollar benefit based on years of service. Postretirement benefit levels are substantially unrelated to salary. Peoples Gas System reserves the right to terminate or modify the plan in whole or in part at any time.

**Components of Postretirement Benefit Cost
(millions)**

	<u>1998</u>	<u>1997</u>
Service cost (benefits earned during the period)	\$0.2	\$0.2
Interest cost on projected benefit obligations	0.3	0.3
Amortization of transition obligation (straight line over 20 years)	0.2	0.2
Amortization of actuarial loss/(gain)	<u>(0.1)</u>	<u>(0.1)</u>
Net periodic Postretirement benefit expense	<u>\$0.6</u>	<u>\$0.6</u>

Reconciliation of the Funded Status of the Postretirement Benefit Plan and the Accrued Liability (millions)

	<u>Dec. 31, 1998</u>	<u>Dec. 31, 1997</u>
Accumulated postretirement benefit obligation, beginning of year	\$ 4.2	\$3.4
Change in benefit obligation due to:		
Service cost	0.2	0.2
Interest cost	0.3	0.3
Plan participants' contributions	0.1	0.1
Actuarial (gain) loss	(0.5)	0.7
Gross benefits paid	<u>(0.2)</u>	<u>(0.4)</u>
Accumulated postretirement benefit obligation, end of year	<u>\$ 4.1</u>	<u>\$ 4.3</u>
Funded status, end of year	\$(4.1)	\$(4.3)
Unrecognized net loss from past experience	(1.5)	(1.1)
Unrecognized transition obligation	<u>3.6</u>	<u>3.9</u>
Liability for accrued postretirement benefit	<u>\$(2.0)</u>	<u>\$(1.5)</u>

Assumptions Used in Determining Actuarial Valuations

	<u>1998</u>	<u>1997</u>
Discount rate to determine projected benefit obligation	6.75%	7.25%

The assumed health care cost trend rate for medical costs prior to age 65 was 8.75% in 1998 and decreases to 5.75% in 2002 and thereafter. The assumed health care cost trend rate for medical costs after age 65 was 6.75% in 1998 and decreases to 5.75% in 2002 and thereafter.

A 1-percent increase in the medical trend rates would produce a 9-percent (\$45 thousand) increase in the aggregate service and interest cost for 1998 and an 8-percent (\$336 thousand) increase in the accumulated postretirement benefit obligation as of Dec. 31, 1998.

A 1-percent decrease in the medical trend rates would produce a 7-percent (\$35 thousand) decrease in the aggregate service and interest cost for 1998 and a 7-percent (\$294 thousand) decrease in the accumulated postretirement benefit obligation as of Dec. 31, 1998.

E. Income Tax Expense

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

(millions)	<u>Federal</u>	<u>State</u>	<u>Total</u>
1998			
Currently payable	\$ 9.5	\$ 1.6	\$ 11.1
Deferred	(1.0)	(0.2)	(1.2)
Amortization of investment tax credits	<u>0.0</u>	<u>-</u>	<u>0.0</u>
Total income tax expense	<u>\$ 8.5</u>	<u>\$ 1.4</u>	<u>9.9</u>
Included in other income, net			<u>(0.1)</u>
Included in operating expenses			<u>\$ 10.0</u>
1997			
Currently payable	\$ 8.7	\$ 0.7	\$ 9.4
Deferred	(1.6)	0.5	(1.1)
Amortization of investment tax credits	<u>(0.1)</u>	<u>--</u>	<u>(0.1)</u>
Total income tax expense	<u>\$ 7.0</u>	<u>\$ 1.2</u>	<u>8.2</u>
Included in other income, net			<u>(0.7)</u>
Included in operating expenses			<u>\$ 8.9</u>

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

(millions)	<u>Dec. 31, 1998</u>	<u>Dec. 31, 1997</u>
Deferred tax assets(1)		
Property related	\$ -	\$ -
Energy Conservation Allowance	4.5	4.5
Leases	-	-
Insurance reserves	-	-
Early capacity payments	-	-
Other	<u>-</u>	<u>-</u>
Total deferred income tax assets	<u>4.5</u>	<u>4.5</u>
Deferred income tax liabilities(1)		
Property related	(31.5)	(30.0)
Other	<u>5.8</u>	<u>1.9</u>
Total deferred income tax liabilities	<u>(25.7)</u>	<u>(28.1)</u>
Accumulated deferred income taxes	<u>\$ (21.2)</u>	<u>\$ (23.6)</u>

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

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

(millions)	<u>1998</u>	<u>1997</u>
Net income	\$15.5	\$13.2
Total income tax provision	<u>9.9</u>	<u>8.2</u>
Income before income taxes	<u>\$25.4</u>	<u>\$21.4</u>
Income taxes on above at federal statutory rate of 35%	\$ 8.9	\$ 7.5
Increase (decrease) due to State income tax, net of federal income tax	0.9	0.8
Amortization of investment tax credits	--	--
Equity portion of AFUDC	--	--
Other	<u>0.1</u>	<u>(0.1)</u>
Total income tax provision	<u>\$ 9.9</u>	<u>\$ 8.2</u>
Provision for income taxes as a percent of income before income taxes	<u>39.0%</u>	<u>38.3%</u>

H. Short-term Debt

Notes payable consisted primarily of commercial paper with weighted average interest rates of 5.18% and 5.72% at Dec. 31, 1998 and 1997, respectively. The carrying amount of notes payable approximated fair market value because of the short maturity of these instruments. Unused lines of credit at Dec. 31, 1998 were \$230 million. Certain lines of credit require commitment fees of .05% on the unused balances.

I. Related Party Transactions (millions)

Net transactions with affiliates are as follows:

	<u>1998</u>	<u>1997</u>
Administrative and general, net	\$ 3.7	\$ 2.1

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

	<u>1998</u>	<u>1997</u>
Accounts receivable	\$ 0.7	\$ 5.2
Accounts payable	\$ 0.0	\$ 0.0

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

J. Commitments and Contingencies

Peoples Gas System's capital expenditures are estimated to be \$75 million for 1999 and \$208 million for 2000 through 2003 for infrastructure expansion to grow the customer base and normal asset replacement. At the end of 1998, Peoples Gas System had outstanding commitments of \$8 million related to its Southwest Florida expansion.

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 1998	
SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION			
Line No.	Item (a)	Total (b)	Electric (c)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	500,628,804	
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified		
7	103 Experimental Plant Unclassified		
8	104 Leased to Others		
9	105 Held for Future Use	228,955	
10	114 Acquisition Adjustments	5,248,671	
11	TOTAL Utility Plant (Enter Total of lines 3 through 10)	506,106,430	
12	107 Construction Work in Progress	12,630,418	
13	Accum. Prov. for Depr., Amort., & Depl.	(194,307,574)	
14	Net Utility Plant (Enter total of lines 11 plus 12 less line 13)	324,429,274	
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	(191,070,267)	
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights		
19	111 Amort. of Underground Storage Land and Land Rights		
20	119 Amort. of Other Utility Plant	(1,374,305)	
21	TOTAL in Service (Enter Total of lines 17 through 20)	(192,444,572)	
22	Leased to Others		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	TOTAL Leased to Others (Enter 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 Amort. of Plant Acquisition Adjustment	(1,863,002)	
32	TOTAL Acc. Provisions (Should agree with line 14 above) (Enter Total of lines 21, 25, 29, 30, and 31)	(194,307,574)	

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

Gas (d)	Water (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
500,628,804					3
					4
					5
					6
					7
					8
228,955					9
5,248,671					10
506,106,430					11
12,630,418					12
(194,307,574)					13
					14
324,429,274					15
					16
					17
(191,070,267)					18
					19
					20
(1,374,305)					21
(192,444,572)					22
					23
					24
					25
					26
					27
					28
					29
					30
					31
(1,863,002)					32
					33
(194,307,574)					33

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

Company: Peoples Gas System
For the Year Ended December 31, 1998

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
374-00	Land-Distribution		1,222,485	230,941	(68,013)				1,655,806
374-00	Land-Distribution WFG		270,279	114					
Amortizable General Plant Assets:									
301-00	Organization WFG		11,636						11,636
301-00	Organization		984						984
302-00	Franchises and Consents		391,326						391,326
302-00	Franchises and Consents WFG		36,140						36,140
303-00	Miscellaneous Intangible Plant WFG		815,325						815,325
374-02	Land Rights		949,956						949,956
386-08	NGV Projects		206,140				109,864		316,004
390-02	Improvements to Leased Property		322,816				(16,847)		305,969

Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.

375-00	Structures and Improvements	2.7%	15,840,703	88,358	(256,057)			65,994	15,738,998
376-00	Mains - Other than Plastic	4.1%	135,606,087	14,509,034	(268,912)	(280,633)		(1,306)	149,564,270
376-02	Mains - Plastic	2.6%	78,253,968	10,084,860	(88,266)	52,085		(557)	88,302,090
378-00	Measuring and Regulating Stations - General	3.3%	2,018,516	250,819	(5,104)				2,264,231
379-00	Measuring and Regulating Stations - City Gate	3.1%	3,931,415	76,260	(26,897)				3,980,778
380-00	Service Lines - Other than Plastic	6.7%	30,774,408	1,345,211	(173,029)		1,115		31,947,705
380-02	Service Lines - Plastic	3.7%	62,383,962	5,208,395	(185,299)	109,018		269	67,516,345
381-00	Meters	3.4%	16,695,271	1,025,563	(233,145)	14,671			17,502,360
382-00	Meter Installations	8.0%	15,359,056	1,236,910	(214,458)	62,624			16,444,132
383-00	Regulators	3.5%	5,601,671	436,616	(216,655)		30,143		5,851,775
384-00	Regulator Installations	7.4%	4,866,310	434,879	(33,156)		21,061		5,289,094
385-00	Industrial Meas. & Reg. Sta. Eqpt.	3.0%	6,684,926	376,429	(63,155)				7,061,355
387-00	Other Distribution Equipment	7.9%	1,015,154	63,089	(58,598)				1,015,088
391-00	Office Furniture and Equipment	6.7%	1,519,294	1,013,921	(58,598)	(7,028)		4,046	2,471,635
391-01	Computer Equipment	9.5%	14,769,111	4,243,977	(1,482,517)	87,704		(4,046)	17,614,229
391-02	Office Machines	4.5%	471,950	49,132	(46,696)				474,386
392-01	Automobiles & Trucks thru 1 Ton	9.5%	11,277,377	994,578	(3,581,288)	(847,791)		(29,525)	7,813,351
392-03	Airplanes	6.3%	1,356,103		(6,399)				1,356,103
392-04	Other Transportation Equipment	3.3%	261,397	20,539	(6,399)				275,537
392-05	Trucks over 1 Ton	5.3%	971,242	189,465	(202,522)			29,525	987,710
393-00	Stores Equipment	11.3%	93,068						93,068
394-00	Tools, Shop and Garage Equipment	7.9%	3,035,207	105,497	(215,521)	166,589		1,594	3,093,366
395-00	Laboratory Equipment	5.4%	227,080	109,472	(107,074)				229,478
396-00	Power Operated Equipment	6.9%	1,739,338	312,709	(222,226)				1,829,821
397-00	Communication Equipment	4.6%	2,441,300	1,213,111	(305,900)				3,348,511
398-00	Miscellaneous Equipment	5.5%	215,966		(2,471)				213,495

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

Company: Peoples Gas System
For the Year Ended December 31, 1998

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass. Adjustments	Transfers	Ending Balance*
WEST FLORIDA								
375-00	Structures and Improvements	6.7%	8,315	12,187	(17,406)		(147,670)	20,502
376-00	Mains - Other than Plastic	3.2%	7,351,713	710,928			37,876	7,997,565
376-02	Mains - Plastic	2.8%	14,349,588	3,638,885				18,026,349
378-00	Measuring and Regulating Stations - General	3.7%	228,939	20,195				249,134
378-01	Meas. and Regulating Sta. - General/Electronic	16.8%	117,248					117,248
379-00	Measuring and Regulating Stations - City Gate	3.5%	518,756	55,516				574,272
379-01	Meas. and Regulating Sta. - City Gate/Electronic	16.7%	30,126					30,126
380-00	Service Lines - Other than Plastic	3.3%	774,107	9,155				783,262
380-02	Service Lines - Plastic	3.3%	6,110,149	598,854				6,709,003
381-00	Meters	3.7%	2,142,727	90,247				2,232,974
381-01	Meters - Electronic	9.6%	3,190					3,190
382-00	Meter Installations	2.6%	1,209,986	221,335				1,431,321
383-00	Regulators	3.8%	1,082,717	42,852				1,125,569
384-00	Regulator Installations	2.9%	784,408	73,778				858,186
385-00	Industrial Meas. & Reg. Sta. Eqpt.	3.0%		28,972				28,972
390-00	Structures and Improvements	2.7%	983,765	65,994			(65,994)	983,765
391-00	Office Furniture and Equipment	5.2%	255,781	1,222				257,003
391-01	Computer Equipment	14.8%	90,897	87,441				178,338
391-02	Office Machines	13.5%	27,626					27,626
391-03	Computer Equipment - New	16.6%	653,431					653,431
392-01	Automobiles & Trucks thru 1 Ton	17.0%	198,162	63,601			(26,281)	235,482
392-04	Other Transportation Equipment	6.8%	13,915					13,915
392-05	Trucks over 1 Ton	8.3%	506,577	945				507,522
394-00	Tools, Shop and Garage Equipment	7.5%	207,203	10,447				217,650
394-01	Tools, Shop -CNG Equipment	6.7%	164,355					164,355
395-00	Laboratory Equipment	3.8%	17,902					17,902
396-00	Power Operated Equipment	6.4%	158,830	29,780	(19,455)			169,155
397-00	Communication Equipment	14.2%	201,873				151,058	201,873
398-00	Miscellaneous Equipment	5.5%						151,058
NON-UTILITY								
386	Other Prop on Customer's Premises							0
	Mfd Prod Gas Plant							0

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

Company: Peoples Gas System
For the Year Ended December 31, 1998

Page 3 of 3

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									

Capital Recovery Schedules:

Total Account 101*			459,829,253	49,382,213	(8,100,219)	0	(482,442)	0	500,628,805
Amortizable Assets:									
114	Acquisition Adjustment		2,301,792						5,248,671
114	Acquisition Adjustment WFG		2,946,879						
118	Other Utility Plant		228,955						228,955
105	Property Held for Future Use		5,929,610	49,747,843	(43,300,076)				12,377,377
107	Construction Work In Progress		92,139	6,197,877	(6,036,975)				253,041
107	Construction Work In Progress WFG		471,328,627						518,736,848
	Total Utility Plant								

Note: * The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 20.

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

Company: Peoples Gas System
For the Year Ended December 31, 1998

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
Amortizable General Plant Assets:										
301-20	Organization	(3,116)								(3,116)
302-20	Franchises and Consents	(247,399)								(283,391)
302-20	Franchises and Consents WFG	(35,992)								(159,619)
303-20	Miscellaneous Intangible Plant WFG	(127,006)	(32,613)							(487,075)
374-22	Land Rights	(465,355)	(21,720)							(274,249)
390-22	Improvements to Leased Property	(257,536)	(33,561)		16,848					(1,207,450)
SUB-TOTAL		(1,136,404)	(87,894)	0	16,848	0	0	0	0	(1,207,450)
Items necessary to reconcile the total amortization accrual amount to Acct. 404.03, Amortization Expense, shown on page 12.										
386-28	NGV Projects	(137,427)	(29,449)							(166,875)
The contra account for this amortization is 907 under the Natural Gas Vehicle Program.										
TOTAL		(1,273,810)	(117,343)	0	16,848	0	0	0	0	(1,374,305)
* The total ending balance must agree to Line 20, Page 20.										
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
374-00	Land	0	0		68,013	(68,013)				0
375-50	Structures and Improvements	(2,719,700)	(427,674)		256,057	(15,662)	4,200			(2,902,780)
376-50	Mains - Other than Plastic	(64,338,942)	(5,705,635)		270,105	(1,082)	268,670	(4,986)	98	(69,511,772)
376-52	Mains - Plastic	(17,425,332)	(2,141,133)		88,266	(1,894)	13,856	(76,233)		(19,542,470)
378-50	Measuring and Regulating Sta. - General	(637,485)	(69,076)		5,104					(701,457)
379-50	Measuring and Regulating Sta. - City Gate	(1,132,426)	(121,931)		26,897					(1,227,460)
380-50	Service Lines - Other than Plastic	(22,744,696)	(2,092,910)		173,029		599,920	(568)		(24,065,224)
380-52	Service Lines - Plastic	(19,714,601)	(2,374,471)		185,300		163,537	(94,889)		(21,835,124)
381-50	Meters	(8,408,851)	(575,634)		233,145	(8,712)	(440)	(21,576)		(8,782,069)
382-50	Meter Installations	(4,161,891)	(1,259,917)		214,458		39,127	(37,345)		(5,205,569)
383-50	Regulators	(1,942,164)	(202,213)		216,655			(16,594)		(1,944,316)
384-50	Regulator Installations	(1,241,772)	(370,741)		33,156		4,674	(10,044)		(1,584,727)
385-50	Industrial Meas. & Reg. Sta. Eqpt.	(1,874,165)	(204,677)		0					(2,078,842)
387-50	Other Distribution Equipment	(401,420)	(80,032)		63,155					(418,298)
391-50	Office Furniture and Equipment	170,086	(159,988)		58,598	(4,500)		10,494		74,690
391-51	Computer Equipment	(9,271,481)	(1,440,929)		1,482,517			(87,697)	(1,268)	(9,318,858)
391-52	Office Machines	(222,405)	(20,859)		46,696					(196,568)
392-51	Automobiles & Trucks thru 1 Ton	(4,424,353)	(894,457)		3,581,288		1,962	381,213		(1,772,780)
392-53	Airplanes	(1,031,109)	0		0	(418,433)				(1,031,109)
392-54	Other Transportation Equipment	(112,327)	(9,076)		6,399	(3,500)				(118,504)
392-55	Trucks over 1 Ton	(668,168)	(50,765)		202,522	(14,846)				(531,258)
393-50	Stores Equipment	(71,304)	(10,517)		0					(81,820)
394-50	Tools, Shop and Garage Equipment	(1,321,754)	(252,109)		215,521	(2,505)	904	(47,025)	(98)	(1,407,065)
395-50	Laboratory Equipment	(41,195)	(12,495)		107,074					53,384
396-50	Power Operated Equipment	(1,037,072)	(120,032)		222,226	(17,300)				(952,178)
397-50	Communication Equipment	(1,847,028)	(113,592)		305,900		827		1,268	(1,652,625)
398-50	Miscellaneous Equipment	(72,110)	(11,861)		2,471					(81,500)
SUB-TOTAL		(166,693,665)	(18,722,725)	0	8,064,551	(556,448)	1,097,238	(5,250)	0	(176,816,299)

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System
For the Year Ended December 31, 1998

Page 2 of 3

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
WEST FLORIDA										
(Continued)										
375-50	Structures and Improvements	(2,910)	(828)							(3,739)
376-50	Mains - Other than Plastic	(3,488,439)	(239,850)				1,426			(3,710,649)
376-52	Mains - Plastic	(3,768,376)	(415,857)		16,213					(4,184,233)
378-50	Measuring and Regulating Stations - General	(24,412)	(8,570)							(32,982)
378-51	Meas. and Regulating Sta. - General/Electronic	(37,740)	(19,687)							(57,427)
379-50	Meas. and Regulating Stations - City Gate	(114,564)	(18,302)							(132,866)
379-51	Meas. and Reg. Sta. - City Gate/Electronic	(3,698)	(5,031)							(8,719)
380-50	Service Lines - Other than Plastic	(492,267)	(25,686)				8,609			(509,344)
380-52	Service Lines - Plastic	(1,556,811)	(207,038)				15,098			(1,748,751)
381-50	Meters	(1,015,527)	(80,784)							(1,096,311)
381-51	Meters - Electronic	(815)	(306)							(1,121)
382-50	Meter Installations	(341,862)	(32,729)				1,389			(373,203)
383-50	Regulators	(463,446)	(41,907)				20			(505,333)
384-50	Regulator Installations	(224,172)	(23,219)				7			(247,385)
385-50	Industrial Meas. & Reg. Sta. Equipment	0	(179)							(179)
390-50	Structures and Improvements	(88,831)	(26,562)							(115,393)
391-50	Office Furniture and Equipment	(122,855)	(13,351)							(136,206)
391-51	Computer Equipment	(114,797)	(15,717)							(130,514)
391-52	Office Machines	(15,886)	(3,729)							(19,615)
391-53	Computer Equipment - New	(358,154)	(108,469)							(466,624)
392-51	Automobiles & Trucks thru 1 Ton	(41,444)	(31,008)							(72,451)
392-54	Other Transportation Equipment	(3,719)	(946)							(4,666)
392-55	Trucks over 1 Ton	(218,552)	(42,055)							(260,607)
394-50	Tools, Shop and Garage Equipment	(63,358)	(15,895)							(79,254)
394-51	Tools, Shop -CNG Equipment	(36,640)	(11,012)							(47,652)
395-50	Laboratory Equipment	(2,492)	(680)							(3,172)
396-50	Power Operated Equipment	(69,669)	(10,330)		19,455					(60,544)
397-50	Communication Equipment	(88,632)	(28,666)							(117,298)
398-50	Miscellaneous Equipment	0	(742)					(111,990)		(112,732)
SUB-TOTAL		(12,760,058)	(1,429,136)	0	35,668	0	26,547	(111,990)	0	(14,238,969)
319	NON-UTILITY Large Eqpt Mfg Gas Plant	0								0
320	Other Eqpt Mfg Gas Plant	0								0
386	Other Prop on Customer's Premises	0	0							0
		(0)								(0)

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*	
	(Continued)										
	Capital Recovery Schedules:	This schedule should identify each approved capital recovery schedule.									
	Subtotal	(179,453,723)	(20,151,861)	0	8,100,219	(556,448)	1,123,785	(117,240)	0	(191,055,268)	

List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403. Depreciation Expense, shown on page 12.

	RETIREMENT WORK IN PROGRESS(108)	(15,000)								(15,000)
	Subtotal	(15,000)	0	0	0	0	0	0	0	(15,000)
	Grand Total	(179,468,723)	(20,151,861)	0	8,100,219	(556,448)	1,123,785	(117,240)	0	(191,070,268)

Note: * The grand total of beginning and ending balances must agree to Line 17, Page 20.

115	Acquisition Adjustment	(1,706,630)	(156,372)							(1,863,002)
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Note: * The total ending balance must agree to Line 31, Page 20.

	TOTAL	(182,449,163)	(20,425,576)	0	8,117,067	(556,448)	1,123,785	(117,240)	0	(194,307,574)
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Note: * The total ending balance must agree to Line 13 and Line 32, Page 20.

The contra account for this adjustment(accrual) is 425.

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 1998

CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).

3. Minor projects (less than \$500,000) may be grouped.

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).

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Service Lines	0	0
2	Revenue Mains	5,302,676	5,619,479
3	Main Replacements	228,235	315,107
4	Distribution System Improvements	124,858	27,006
5	Governmental Improvements	1,499,129	1,042,900
6	Cathodic Protection	0	0
7	Transportation Vehicles	55,243	0
9	Communication Equipment	115,721	6,779
10	Office Furniture & Equipment	2,002,029	559,375
11	Tools, Shop & Garage Equipment	12,429	15,998
12	Power-Operated Equipment	151	809
13	Testing, Measuring & Detecting Equipment	5,005	17,000
14	Franchise Acquisitions	122,560	77,440
15	Improvements to Property	173,237	10,997
16	Improvements to Leased Property	0	0
17	Meters	0	0
18	Regulators	0	0
19	Industrial Installations	0	0
20	Measuring & Regulating Station Equipment	361,284	553,519
21	Major Projects	360,880	129,188
22	Meter & Regulator Installations - Residential	0	0
23	Meter & Regulator Installations - Commercial	0	0
24	Reimbursable Construction-Net	361,737	4,537,509
34	Non Revenue Producing Miscellaneous	325,303	874
35	Revenue Producing Miscellaneous	1,579,941	1,972,157
36			
37			
38			
39			
40			
41	TOTAL	\$12,630,418	\$14,886,137

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 1998	
CONSTRUCTION OVERHEADS-GAS			
<p>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.</p> <p>2. On page 30 furnish information concerning construction overheads.</p> <p>3. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain on page 30 the accounting procedures employed</p>		<p>and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.</p> <p>4. 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.</p>	
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 Department Costs and Supervision	118,646	53,717,112
2	(These costs are allocated to C.W.I.P. as outlined in Instruction 4 above.)		
3			
4			
5			
6	Corporate G & A	2,155,124	53,717,112
7			
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37			
38	TOTAL	\$2,273,770	\$53,717,112

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 1998
GENERAL DESCRIPTION OF CONSTRUCTION OVERHEAD PROCEDURE	
<p>1. For each construction overhead explain: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.</p>	
<p>See Page 29</p> <p style="padding-left: 40px;">Certain other general and administrative costs, such as Engineering Department Labor, are charges to Construction Jobs when appropriate.</p>	

Name of Respondent		For the Year Ended				
Peoples Gas System		Dec. 31, 1998				
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	144,872				
2	Prepaid Rents	3,605				
3	Prepaid Taxes (page 41)					
4	Prepaid Interest	106,262				
5	Gas Prepayments					
6	Miscellaneous Prepayments: Permits	3,000				
7	TOTAL	257,739				
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	TOTAL					
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)	
10	None					
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21	TOTAL					

OTHER REGULATORY ASSETS (Account 182.3)

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).

2. For regulatory assets being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	None					
2						
3						
4						
5						
6						
7						
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39						
40						
41						
42						
43	TOTAL					

Peoples Gas System, Inc.

Dec. 31, 1998

MISCELLANEOUS DEFERRED DEBITS (Account 186)

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

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance at Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amount (e)	
1	Environmental Investigations	\$769,029	895,280	407	640,000	
2				425	1,315,494	(291,185)
3						
4	Other Work In Progress	\$4,153,176		Various	98,875	4,054,301
5						
6						
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42						
43						
44						
45						
46						
47	Misc. Work in Progress	-				-
48	Deferred Regulatory Comm. Expenses					
49	(See Pages 58 - 59)	-		928	-	-
50	TOTAL	\$4,922,205				\$3,763,116

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 1998

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
 2. At Other (Specify), include deferrals relating to other income and deductions.
 3. If more space is needed, use separate pages as required.
 4. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under Other.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR			ADJUSTMENTS			Balance at End of Year (k)		
			Amounts Debited to Acct. 410.1 (c)	Amounts Credited to Acct. 411.1 (d)	Amounts Debited to Acct. 410.2 (e)	Amounts Credited to Acct. 411.2 (f)	Amount (g)	Amount (h)		Amount (i)	Amount (j)
1	ELECTRIC										
2											
3											
4											
5	TOTAL Electric (Lines 2 - 4)										
6	GAS										
7											
8		4,531,471									4,531,471
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19	Other										
20	TOTAL Gas (Lines 7 - 19)	4,531,471									
21	Other (Specify)										
22	TOTAL (Account 190) (Enter Total of lines 5, 20 & 21)	4,531,471									4,531,471

NOTES:

Peoples Gas System

Dec. 31, 1998

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

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

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, assumed, 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, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.

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. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.

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.

5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as particulars (details) of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

Securities Retired

Long Term Note 10.35%	\$600,000
Long Term Note 10.33%	600,000
Long Term Note 10.30%	200,000
Long Term Note 09.33%	200,000
Long Term Note 08.00%	1,500,000
	<u>\$3,100,000</u>

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 1998

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

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e. year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
3. 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.
4. For receiver's certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.
5. In a supplemental statement, give explanatory particulars (details) for Accounts 223 and 224 of net changes

during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.

6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.

7. 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.

8. 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.

9. Give particulars (details) concerning any long-term debt authorized by a regulatory Commission but not yet issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange (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	Other Long Term Debt - Acct. 224						
3	Long Term Note 10.35%	06-26-87	07-02-07	10,000,000	10.35	735,897	6,800,000
4	Long Term Note 10.33%	06-29-88	07-02-08	10,000,000	10.33	920,628	8,600,000
5	Long Term Note 10.30%	06-28-89	07-02-09	10,000,000	10.30	959,063	9,200,000
6	Long Term Note 9.93%	12-20-90	07-02-10	10,000,000	9.93	944,494	9,400,000
7	Long Term Note 8.00%	12-03-92	07-02-12	35,000,000	8.00	2,623,395	32,000,000
8	Note issued by Tampa Electric	10-30-98	07-15-01	12,000,000	5.94	122,760	12,000,000
9							
10							
11							
12							
13							
14							
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16							
17							
18							
19							
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21							
22							
23							
24							
25							
26							
27	TOTAL			\$87,000,000		\$6,306,237	\$78,000,000

Name of Respondent						For the Year Ended		
Peoples Gas System						Dec. 31, 1998		
UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)								
<p>1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.</p> <p>2. Show premium amounts by enclosing the figures in parentheses.</p> <p>3. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p>				<p>5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.</p> <p>6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.</p> <p>7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.</p>				
Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at Beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	Unamortized Debt Expense - Account 181							
2	Thirteenth Series	4,250,000	56,710	01-74	12-98	7,993	(7,993)	-
3	Series H	750,000	10,407	01-74	03-98	1,427	(1,427)	-
4	Long Term Note 11.00%	35,000,000	437,243	08-79	07-99	33,060	(22,040)	11,020
5	Long Term Note 10.35%	10,000,000	23,412	09-87	07-07	11,273	(1,187)	10,086
6	Long Term Note 10.33%	10,000,000	11,350	08-88	07-08	6,002	(571)	5,431
7	Long Term Note 10.30%	10,000,000	13,131	08-89	07-09	7,587	(660)	6,927
8	Long Term Note 9.93%	10,000,000	10,000	03-91	07-10	6,467	(517)	5,950
9	Long Term Note 8.00%	35,000,000	943,328	01-93	07-12	726,906	(50,131)	676,775
10	West Florida Natural Gas	15,600,000	788,542	06-97	04-08	745,850	(179,016)	566,834
11	Note issued by Tampa Electric	12,000,000	78,318.00	10-98	07-01	-	66,353	66,353
12								
13								
14						1,546,565	(197,189)	1,349,376
15								
16								
17	Unamortized Debt Premium - Account 225							
18	Note issued by Tampa Electric	12,000,000	(297,600)	10-98	07-01	-	(252,133)	(252,133)
19								
20								
21								
22								
23								
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25								
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UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

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

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

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

General Instruction 17 of the Uniform Systems of Accounts.

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

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

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	None					
2						
3						
4						
5						
6						
7						
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**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME
FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 14)	15,502,485
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	See attached schedule for details	300,000
6		
7	Deductions Recorded on Books Not Deducted for Return	
8	Income taxes - see attached schedule for details	8,373,807
9	Other items - see attached schedule for details	11,555,203
10		
11		
12		
13	Income Recorded on Books Not Included in Return	
14	See attached schedule for details	43,387
15		
16		
17		
18		
19		
20		
21	Deductions on Return Not Charged Against Book Income	
22	See attached schedule for details	8,719,907
23		
24		
25		
26		
27		
28		
29		
30	Federal Tax Net Income	26,968,201
31	Show Computation of Tax:	
32	Income before state taxes	28,553,214
33	Less - state income and emergency excise taxes, less credits	1,585,013
34		26,968,201
35	Federal income tax:	
36	Income tax at 35%	9,438,870
37		
38	Prior year true-up provision to actual per return	94,126
39	Rounding	1
40		
41		9,532,997
42	Allocation to other income	(70,038)
43		
44	See attached shedule regarding consolidation policy.	

PEOPLES GAS SYSTEM
RECONCILIATION OF REPORTED NET INCOME WITH
TAXABLE INCOME FOR FEDERAL INCOME TAXES
CYE December 31, 1998

Line No.	Particulars	Amount
5	Taxable income not reported on books: Contributions in aid of construction	300,000
		<u>300,000</u>
8	Deductions recorded on books not deducted for return - income taxes: Federal income taxes State income taxes (are deducted) Deferred income taxes	9,532,997 (1,159,190)
		<u>8,373,807</u>
9	Deductions recorded on books not deducted for return - other items: Interest during construction period capitalized Deferred compensation - net Amortization - acquisition adjustment Post retirement benefit accrual Deferred purchase gas adjustment Pension cost accrual Accrued vacation Accrued bonus Environmental disposal costs Miscellaneous	400,000 223,270 282,000 283,501 6,004,341 1,417,501 1,174,756 116,170 1,553,664 100,000
		<u>11,555,203</u>
14	Income reported on books not included in return: Amortization of investment tax credits	43,387
		<u>43,387</u>
21	Deductions on return not charged against book income: Depreciation and amortization of utility plant - excess over books Retirement cost overheads and removal costs Loss on abnormal and other retirements Section 179A deduction Unbilled competitive price adjustment Accrued transition costs	4,017,000 909,000 700,000 30,000 869,775 2,194,132
		<u>8,719,907</u>

Note on Consolidation Policy:

Peoples Gas System Operates as a division of Tampa Electric Company (59-0475140). As such, its 1998 taxable income will be included in the consolidated income tax return of TECO Energy, Inc. , parent company of Tampa Electric Company. Income tax is allocated to Peoples Gas based on the computation as if a separate return is filed. There is no intercompany elimination which affects taxable income.

Name of Respondent

Peoples Gas System

For the Year Ended

Dec. 31, 1998

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

Name of Taxing Authority	Federal Income	State Income	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Other	Total
1 TAXES ACCRUED/(PREPAID) BEG. OF YEAR	(\$1,898,513)	(\$378,895)	\$0	\$0	\$0	(\$63,755)	\$676,587	\$416,257	(\$3,654)	\$0	(\$1,241,972)
2 Taxes Charged During Year											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12 TOTAL TAXES CHARGED DURING YEAR (Lines 3-11)	9,532,997	1,585,013	4,822,004	0	0	3,218,979	4,974,589	916,189	2,550	8,106,045	33,158,365
13 Taxes Paid During Year											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23 TOTAL TAXES PAID DURING YEAR (Lines 14-22)	6,330,990	255,181	4,822,004	0	0	3,148,355	5,239,716	948,786	1,636	8,106,045	28,852,713
24 Adjustments (list)											
25											
26											
27 TOTAL ADJUSTMENTS (Lines 24-26)	0	0	0	0	0	0	0	0	0	0	0
28 TAXES ACCRUED/(PREPAID) END OF YEAR (Lines 1+12-23+/-27)	1,313,494	950,937	0	0	0	6,869	411,460	383,660	(2,740)	0	3,063,680

DISTRIBUTION OF TAXES CHARGED

	Federal Income	State Income	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Other	Total
29											
30 Electric (Account 408.1, 409.1)											
31 Gas (Account 408.1, 409.1)	9,603,035	1,597,070	4,822,012			2,139,535	4,974,599	850,903		8,106,045	32,093,098
32 Other Utility Departments (408.1, 409.1)											
33 Other Income and Deductions (408.2, 409.2)	(70,038)	(12,057)									(82,095)
34 Extraordinary Items (Account 409.3)											
35 Other Utility Operating Income (408.1, 409.1)											
36 Adjust. to Retained Earnings (Account 439)											
37 CWIP (Account 107)											
38 Other (list) Affiliated Companies (Acct. 146, 234)											
39 Clearing Accounts (Acct. 163, 184)											
40 Customer Accts. Receivable (Acct. 142)			(8)								
41 Other Revenue/Expense (495, 804, 880)											
42 TOTAL (Should equal Lines 12+/-Line 27, if applicable)	9,532,997	1,585,013	4,822,004	0	0	3,218,979	4,974,589	916,189	2,550	8,106,045	33,158,365

Name of Respondent

For the Year Ended

Peoples Gas System

Dec. 31, 1998

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 (g). Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year		Allocations to Current Year's Income		Adjustments (g)	Balance at End Year (h)	Average Period of Allocation to Income (i)
			Acct. No. (c)	Amount (d)	Acct. No. (e)	Amount (f)			
1	Gas Utility								
2	3%	445,581			411	43,387		402,194	
3	4%								
4	7%								
5	10%								
6									
7									
8	TOTAL	445,581				43,387		402,194	
9	Other List separately and show 3%, 4%, 7% 10% and TOTAL								

Notes

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Name of Respondent

Peoples Gas System

For the Year Ended

Dec. 31, 1998

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

Line No.	Description	Balance at Beginning of Year	Changes During Year		Adjustments		Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	
1	ACCOUNT 281 - ACCELERATED AMORTIZATION PROPERTY						
3	Electric						
4	Gas						
5	Other						
6							
7	TOTAL ACCOUNT 281 (Lines 3 thru 6)	None					None
8							
9	ACCOUNT 282 - OTHER PROPERTY						
10	Electric						
11	Gas	28,154,404	(1,159,190)			0	(1,272,557)
12	Other						
13							
14	TOTAL ACCOUNT 282 (Lines 10 thru 13)	28,154,404	(1,159,190)			0	(1,272,557)
15							
16	ACCOUNT 283 - OTHER						
17	Electric						
18	Gas						
19	Other						
20							
21	TOTAL ACCOUNT 283 - OTHER (Lines 17 thru 20)	None					None
22							
23	ELECTRIC						
24	Federal Income Tax						
25	State Income Tax						
26							
27	TOTAL ELECTRIC (Lines 24 thru 26)						
28							
29	GAS						
30	Federal Income Tax	24,374,357	(993,806)			Note (A)	(1,091,116)
31	State Income Tax	3,780,047	(165,384)			Note (A)	(181,441)
32							
33	TOTAL GAS (Lines 30 thru 32)	28,154,404	(1,159,190)			0	(1,272,557)
34							
35	OTHER						
36	Federal Income Tax						
37	State Income Tax						
38							
39	TOTAL OTHER (Lines 36 thru 38)						
40							
41	TOTAL (Total of lines 7, 14, 21 and Lines 27, 33, 39)	28,154,404	(1,159,190)			0	(1,272,557)
42							

NOTES:

(A) Deferred federal and state income tax adjustments to reflect an intercompany transfer of 1997 timing differences and related deferred taxes between Peoples Gas and its parent company.

OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
 2. For regulatory liabilities being amortized, show period of amortization in column (a).
 3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1	SFAS No. 109 Implementation (1994)	\$260,518				\$260,518
2	West Florida Gas Tax Liability	\$409,186				\$409,186
3						\$0
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
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40						
41	TOTAL	669,704		0	0	669,704

Name of Respondent

For the Year Ended

Peoples Gas System, Inc

Dec. 31, 1998

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account in tototal.
 2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
 3. 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.
 4. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
 5. Report gas service revenues and therms sold by rate schedule.

Line No.	Title of Account (a)	OPERATING REVENUES	
		Amount for Year (b)	Amount for Previous Year (c)
1	GAS SERVICE REVENUES		
2	FIRM SALES SERVICE		
3	480 Residential - includes Load Enhancement customers (LE)	57,711,185	56,323,535
4	481 Commercial Street Lighting	330,835	250,791
5	481 Small General Service - includes LE	2,832,806	2,616,977
6	481 General Service - includes LE	70,453,855	69,057,535
7	481 General Service Large Volume 1 - includes LE	54,332,068	53,545,477
8	481 General Service Large Volume 2 - includes LE	4,463,877	6,357,921
9	481 Natural Gas Vehicle Sales	338,844	268,148
10	INTERRUPTIBLE SALES SERVICE		
11	481 Small Interruptible Service	4,505,731	9,674,551
12	481 Interruptible Service	1,182,082	2,741,782
13	481 Interruptible Service Large Volume	2,048,473	1,929,630
14	481 Off System Sales	4,556,536	112,801
15	FIRM TRANSPORTATION SERVICE		
16	489 Small General Service - includes LE	3,693	1,964
17	489 General Service - includes LE	368,932	312,869
18	489 General Service Large Volume 1 - includes LE	6,061,259	4,885,842
19	489 General Service Large Volume 2 - includes LE	1,980,092	1,519,048
20	INTERRUPTIBLE TRANSPORTATION SERVICE		
21	489 Small Interruptible Transportation Service	4,409,704	3,907,810
22	489 Interruptible Transportation Service	5,673,355	6,140,451
23	489 Interruptible Transportation Service Large Volume	8,948,252	10,355,324
24	482 Other Sales to Public Authorities	-	-
25	484 Flex Rate - Refund	-	-
26	TOTAL Sales to Ultimate Consumers	230,201,577	230,002,456
27	483 Sales for Resale	57,544	55,618
28	489 Off-System Transportation Sales for Resale	-	-
29	TOTAL Nat. Gas Service Revenues	230,259,121	230,058,073
30	TOTAL Gas Service Revenues	230,259,121	230,058,073
31	OTHER OPERATING REVENUES		
32	485 Intracompany Transfers	-	-
33	487 Forfeited Discounts	587,158	540,601
34	488 Misc. Service Revenues	1,988,312	2,226,898
35	488 Gross receipts tax and franchise fee collections	13,032,631	12,710,012
36	489 Rev. from Trans. of Gas of Others (not included in above rate schedules)	-	-
37	493 Rent from Gas Property	-	-
38	494 Interdepartmental Rents	-	-
39	495 Other Gas Revenues		
40	Initial Connection		
41	Reconnect for Cause		
42	Collection in lieu of disconnect		
43	Returned Check		
44	Other Gas Revenues	7,379,945	5,186,144
45	495.5 Overrecoveries Purchased Gas	(439,829)	(507,758)
46	TOTAL Other Operating Revenues	22,548,217	20,155,897
47	TOTAL Gas Operating Revenues	252,749,794	250,158,352
48	(Less) 495.10 Provision for Rate Refunds	-	660,827
49	TOTAL Gas Operating Revenues Net of Provision for Refunds	252,749,794	249,497,525
50	Sales for Resale	57,544	55,618
51	Other Sales to Public Authority	-	-
52	Interdepartmental Sales	-	-
53	TOTAL	252,807,338	249,553,143

GAS OPERATING REVENUES (ACCOUNT 400) (Continued)

6. 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.

7. See page 9, Important Changes During Year, for important new territory added and important rate increases or decreases.

THERMS OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTOMERS PER MO.		Line No.
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year	Number for Previous Year (g)	
				1
				2
52,657,993	48,944,914	214,571	210,169	3
740,217	518,705	62	54	4
2,766,422	2,390,034	5,123	5,063	5
112,872,670	104,303,604	17,530	17,252	6
93,646,488	88,147,709	1,769	1,703	7
8,932,360	11,709,439	42	41	8
794,382	591,811	21	22	9
				10
10,625,618	21,450,733	82	84	11
3,661,280	6,892,476	26	25	12
12,081,014	7,186,825	5	5	13
21,941,090	350,000	-	-	14
				15
5,349	1,105	10	9	16
1,521,498	1,287,305	96	81	17
29,101,583	22,906,325	164	138	18
15,560,679	15,650,976	25	16	19
				20
59,141,428	52,392,679	67	54	21
151,661,113	150,156,032	25	24	22
334,159,143	364,843,965	5	5	23
				24
				25
911,870,326	899,724,639	239,623	234,745	26
113,296	108,048	2	2	27
-	-	-	-	28
				29
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				31
				32
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				53
911,983,622	899,832,687			54

NOTES

Average number of Customers, prior year (line 13) increased by one customer due to error last year.

Name of Respondent Peoples Gas System		For the Year Ended Dec. 31, 1998	
RESIDENTIAL AND COMMERCIAL SPACE HEATING CUSTOMERS			
A residential space heating customer is a customer whose major fuel for heating is gas.			
Line No.	Item (a)	Residential (b)	Commercial (c)
1	Average Number of Space Heating Customers for the Year (Estimate if not known. Designate with an asterisk if estimated.)	Not Available	Not Available
2	For Space Heating Only, Estimated Average Therms (14.73 psia at 60 degrees F) Per Customer for the Year	Not Available	Not Available
3	Number of Space Heating Customers Added During the Year	Not Available	Not Available
4	Number of Unfilled Application for Space Heating at End of Year	Not Available	Not Available
INTERRUPTIBLE, OFF PEAK, AND FIRM SALES TO DISTRIBUTION SYSTEM INDUSTRIAL CUSTOMERS			
1. Report below the average number of interruptible, off peak, and firm industrial customers on local distribution systems of the respondent, and the Therms of gas sales to these customers for the year.		by law, ordinance, directive, or other requirement of government authority. State in a footnote the basis on which interruptible customers are reported.	
2. Interruptible customers are those to whom service may be interrupted under terms of the customer's gas contract, or to whom service is required to be interrupted, regardless of the contractual arrangements in emergency periods,		3. Off peak sales are seasonal and other sales which do not occur during wintertime demands.	
		4. Report pressure base of gas volumes at 14.73 psia at 60 degrees F.	
Line No.	Item (a)	Number/Amount (b)	
1	Interruptible Customers		
2	Average Number of Customers for the Year	113	
3	Therms of Gas Sales for the Year	26,367,911	
4	Off Peak Customers		
5	Average Number of Customers for the Year	n/a	
6	Therms of Gas Sales for the Year		
7	Firm Customers		
8	Average Number of Customers for the Year	n/a	
9	Therms of Gas Sales for the Year		
10	TOTAL Industrial Customers		
11	Average Number of Customers for the Year	113	
12	Therms of Gas Sales for the Year	26,367,911	

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 1998	
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. Manufactured Gas Production		
3	B. TOTAL Natural Gas Prod. and Gathering (Enter Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Enter Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Enter Total of Accts. 795 through 798)		
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	71,348,898	82,466,868
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	38,563,447	41,091,546
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases		
16	(Less) 805.1 Purchased Gas Cost Adjustments	5,592,467	(3,883,191)
17	TOTAL Purchased Gas (Enter Total of Lines 8 to 16)	115,504,812	119,675,223
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 (Enter Total of lines 20 through 24)		
26	808.1 Gas Withdrawn from Storage--Debit		
27	(Less) 808.2 Gas Delivered to Storage--Credit		
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	(97,629)	(112,154)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(97,629)	(112,154)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supp. Exp. (Total of Lines 17,18,25,26 through 29,34,35)	115,407,183	119,563,069
37	TOTAL Production Expenses (Enter Total of Lines 2,3,4,5 and 36)	115,407,183	119,563,069
38	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)		
40	B. TOTAL Other Storage Expenses (Enter Total of Accounts 840 through 843.9)		
41	C. TOTAL Liquefied Nat Gas Terminaling & Processing Expenses (Enter Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Enter Total of lines 39, 40, and 41)		
43	3. TRANSMISSION EXPENSES		
44	TOTAL Transmission Expenses (Enter Total of Accounts 850 through 867)		
45			
46			

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 1998	
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	422,641	587,322
50	871 Distribution Load Dispatching	291,743	284,193
51	872 Compressor Station Labor and Expenses		
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	3,922,340	3,710,436
54	875 Measuring and Regulating Station Expenses--General	117,938	65,044
55	876 Measuring and Regulating Station Expenses--Industrial	135,193	150,630
56	877 Measuring and Regulating Station Expenses--City Gate Check Sta.	32,806	30,679
57	878 Meter and House Regulator Expenses	2,259,841	2,637,488
58	879 Customer Installations Expenses	3,233,303	3,494,197
59	880 Other Expenses	326,362	1,017,266
60	881 Rents	58,525	83,269
61	TOTAL Operation (Enter Total of lines 49 through 60)	10,800,693	12,060,524
62	Maintenance		
63	885 Maintenance Supervision and Engineering	4,228	8,275
64	886 Maintenance of Structures and Improvements	319,194	403,648
65	887 Maintenance of Mains	1,490,012	1,609,751
66	888 Maintenance of Compressor Station Equipment		
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	110,436	131,910
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	190,770	211,522
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Sta.	170,651	217,689
70	892 Maintenance of Services	635,500	946,983
71	893 Maintenance of Meters and House Regulators	758,539	997,643
72	894 Maintenance of Other Equipment	234,493	406,077
73	TOTAL Maintenance (Enter Total of Lines 63 through 72)	3,913,823	4,933,498
74	TOTAL Distribution Expenses (Enter Total of Lines 61 and 73)	14,714,516	16,994,022
75	5. CUSTOMER ACCOUNTS EXPENSES		
76	Operation		
77	901 Supervision	-	-
78	902 Meter Reading Expenses	1,416,269	1,614,202
79	903 Customer Records and Collection Expenses	3,918,606	6,426,352
80	904 Uncollectible Accounts	635,541	578,344
81	905 Miscellaneous Customer Accounts Expenses	20,656	57
82	TOTAL Customer Accounts Expenses (Enter Total of Lines 77 through 81)	5,991,072	8,618,955
83	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
84	Operation		
85	907 Supervision		
86	908 Customer Assistance Expenses	5,463,014	4,824,243
87	909 Informational and Instructional Expenses	376,176	3,957
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Enter Total of Lines 85 through 88)	5,839,190	4,828,200
90	7. SALES EXPENSES		
91	Operation		
92	911 Supervision	-	8,854
93	912 Demonstrating and Selling Expenses	3,375,018	2,225,670
94	913 Advertising Expenses	471,465	165,306
95	916 Miscellaneous Sales Expenses	13,842	(3,614)
96	TOTAL Sales Expenses (Enter Total of lines 92 through 95)	3,860,325	2,396,216
97			

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 1998	
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account	Amount for Current Year	Amount for Previous Year
98	8. ADMINISTRATIVE AND GENERAL EXPENSES		
99	Operation		
100	920 Administrative and General Salaries	9,920,234	7,293,577
101	921 Office Supplies and Expenses	13,167,639	10,195,871
102	(Less) (922) Administrative Expenses Transferred--Cr.	(3,312,105)	(7,313,642)
103	923 Outside Services Employed	840,011	662,345
104	924 Property Insurance	410,188	360,168
105	925 Injuries and Damages	2,775,584	4,024,450
106	926 Employee Pensions and Benefits	3,690,061	5,424,557
107	927 Franchise Requirements		
108	928 Regulatory Commission Expenses	-	-
109	(Less) (929) Duplicate Charges--Cr.		
110	930.1 General Advertising Expenses		
111	930.2 Miscellaneous General Expenses	506,267	673,789
112	931 Rents	1,016,686	1,361,668
113	TOTAL Operation (Enter Total of lines 100 through 112)	29,014,568	22,682,782
114	Maintenance		
115	932 Maintenance of General Plant	237,327	223,788
116	TOTAL Administrative and General Exp. (Total of lines 113 and 115)	29,251,894	22,906,570
117	TOTAL Gas O. and M. Exp. (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	175,064,180	175,307,032
118			
119			
120			
121			
122			
123			
124			
125			
126			
127			
128			
129			
130	NUMBER OF GAS DEPARTMENT EMPLOYEES		
131			
132	1. The data on number of employees should be reported for payroll period ending nearest to October 31,		
133	or any payroll period ending 60 days before or after October 31.		
134	2. If the respondent's payroll for the reporting period includes any special construction personnel,		
135	include such employees on line 3, and show the number of such special construction employees in a footnote.		
136	3. The number of employees assignable to the gas department from joint functions of combination utilities		
137	may be determined by estimate, on the basis of employee equivalents. Show the estimated number of		
138	equivalent employees attributed to the gas department from joint functions.		
139			
140	1. Payroll Period Ended (Date)	12-31-98	
141	2. Total Regular Full-Time Employees	879	
142	3. Total Part-Time and Temporary Employees	18	
143	4. Total Employees	897	
144			
145			
146			
147			

Name of Respondent		For the Year Ended		
Peoples Gas System		Dec. 31, 1998		
GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)				
1. Provide totals for the following accounts:		The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.		
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	Purchase Gas Cost Adjustments			
		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	800 - Natural Gas Well Head Purchases			
2	801 - Natural Gas Field Line Purchases	315,634,182	\$71,348,898	22.60
3	804.1 - Gas Accounting, and Gas Control Expenses		\$949,188	
4	804.2 - Natural Gas City Gate Purchases - Commodity	2,945,358	\$478,381	16.24
5	804.3 - Natural Gas City Gate Purchases - Odorant		\$39,771	
6	804.4 - Legal Costs		\$200,353	
7	804.5 - Natural Gas City Gate Purchases - Demand/Reservation		\$36,895,754	
8	804.6 - Natural Gas City Gate Penalty Transportation System		-	
9	805.1 - Purchased Gas Cost Adjustments		\$5,592,467	
10	TOTAL (Enter Total of lines 1 through 9)	318,579,540	\$115,504,812	36.26

NOTES TO GAS PURCHASES

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 810, 811, 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		Manufactured Gas	
				Amount of Credit (d)	Amount per Therm (In cents) (e)	Therms of Gas Used (f)	Amount of Credit (g)
1	810 Gas used for Compressor Station Fuel - Cr.						
2	811 Gas used for Products Extraction - Cr.						
3	Gas Shrinkage and Other Usage in Respondent's Own Proc.						
4	Gas Shrinkage, Etc. for Respondent's Gas Processed by Others						
5	812 Gas used for Other Util. Oprs-- Cr. (Report separately for each principal uses. Group minor uses)						
6	Operations Expense	880-01	198,949	74,515	37.45		
7	Transportation Clearing Acct (CNG)	184-01	55,682	21,163	38.01		
8	Utilities Clearing Acct	184-90	21,735	8,278	38.08		
9	Sales Tax Acct	241-50	n/a	(6,326)	n/a		
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL		276,366	97,629	35.33		

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 1998
OTHER GAS SUPPLY EXPENSES (Account 813)		
Report other gas supply expenses by descriptive titles which clearly indicate the nature of such expenses. Show maintenance expenses separately. Indicate the functional classification and purpose of property to which any expenses relate.		
Line No.	Description (a)	Amount (in dollars) (b)
1	None	
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14	TOTAL	
MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)		
Line No.	Description (a)	Amount (b)
1	Industry Association Dues	\$255,827
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	- -
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent	-
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown)	
5		
6	Employee Moving Expenses	169,226
7	Other Dues	59,945
8	Miscellaneous	21,270
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19	TOTAL	\$506,267

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.

A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization & Depletion of Prod. Nat. Gas Land & Land Rights (Account 404.1) (c)	Amortization of Under-ground Storage Land & Land Rights (Account (404.2)) (d)	Amortization of Other Limited-term Gas Plant (Account 404.3) (e)	Amortization of Other Gas Plant (Account 405) (f)	Total (b to f) (g)
1	Intangible Plant				32,613		32,613
2	Production plant, manufactured gas						
3	Production and gathering plant, nat. gas						
4	Products extraction plant						
5	Underground gas storage plant						
6	Other storage plant						
7	Base load LNG term. & proces. plant						
8	Transmission Plant						
9	Distribution Plant	16,746,019			21,720		16,767,739
10	General Plant	3,405,842			33,561		3,439,403
11	Common Plant-Gas						
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37	TOTAL	20,151,861			87,894		20,239,755

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 1998
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 charged, 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) Interest on Debt to Associated Companies (Account 430) - For each associated company to which interest on debt was incurred during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.</p> <p>(d) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.</p>		
Line No.	Item (a)	Amount (b)
1	Account 425 Miscellaneous Amortization	
2	1996 Overearnings Settlement -- contra 186-83	1,315,494
3	1996 Overearnings Settlement -- contra 495-10 in 1997	(660,827)
4	Acquisition Adjustment Amortization	(182,711)
5		471,956
6		
7		
8		
9	Account 426-01 Donations	2,964
10	Account 426-03 Transition Costs	(179,745)
11	Account 426-05 Other	2,510
12		(174,272)
13		
14	Account 431 Other Interest Charges:	
15	Customer Deposits	1,596,769
16	Intercompany (Prime)	94,988
17	PGA	126,817
18	ECCR	86,415
19	Commercial Paper	1,683,292
20	Miscellaneous	60,110
21		3,648,390
22		
23		
24		
25		
26		
27		

Name of Respondent		For the Year Ended			
Peoples Gas System		Dec. 31, 1998			
REGULATORY COMMISSION EXPENSES (Account 928)					
1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.			2. In columns (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.		
Line No.	Description (Furnish name of regulatory commission or body, the docket or case number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 186 at Beginning of Year (e)
1	None				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
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25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	TOTAL	-	-	-	-

REGULATORY COMMISSION EXPENSES (Account 928) (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.

4. The totals of columns (e), (i), (k), and (l) must agree with the totals shown at the bottom of page 34

for Account 186.

5. List in column (f), (g) and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.

6. Minor items (less than \$25,000) may be grouped.

EXPENSES INCURRED DURING YEAR			AMORTIZED DURING YEAR		Deferred in Account 186 End of Year (l)	Line No.
CHARGED CURRENTLY TO			Deferred to Account 186 (i)	Contra Account (j)		
Department (f)	Account No. (g)	Amount (h)				
						1
						2
						3
						4
						5
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						38
						39
		-	-		-	40

Name of Respondent				For the Year Ended
Peoples Gas System				Dec. 31, 1998
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, Termn. & Proces.			
6	Transmission			
7	Distribution	7,312,303		
8	Customer Accounts	2,398,287		
9	Customer Service and Informational	288,462		
10	Sales	2,373,257		
11	Administrative and General	9,495,218		
12	TOTAL Operation (Enter Total of lines 5 through 11)	21,867,527		
13	Maintenance			
14	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.			
15	Transmission			
16	Distribution	1,833,707		
17	Administrative and General	3,515,791		
18	TOTAL Maintenance (Enter Total of lines 14 through 17)	5,349,498		
19	Total Operation and Maintenance	27,217,025		
20	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Termn. & Proces.			
21	Transmission (Enter Total of lines 6 and 15)			
22	Distribution (Enter Total of lines 7 and 16)	9,146,010		
23	Customer Accounts (Transcribe from line 8)	2,398,287		
24	Customer Service and Informational (Transcribe from line 9)	288,462		
25	Sales (Transcribe from line 10)	2,373,257		
26	Administrative and General (Enter Total of lines 11 and 17)	13,011,009		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	27,217,025	93,733	27,310,758
28	Other Utility Departments			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	27,217,025	93,733	27,310,758
31	Utility Plant			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	4,231,832	37,703	4,269,535
35	Other			
36	TOTAL Construction (Enter Total of lines 33 through 35)	4,231,832	37,703	4,269,535
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	500,810	5,401	506,211
40	Other			
41	TOTAL Plant Removal (Enter Total of lines 38 through 40)	500,810	5,401	506,211
42				
43	Other Accounts (Specify):			
44	Accounts Receivable - Associated Companies	8,509,806	15,094	8,524,900
45	Stores Expense	340,474	-	340,474
46	Other Work-In-Progress	92,195	-	92,195
47	Miscellaneous		-	-
48				
49				
50				
51				
52				
53	TOTAL Other Accounts	8,942,475	15,094	8,957,569
54	TOTAL SALARIES AND WAGES	40,892,142	151,931	41,044,073

Name of Respondent		For the Year Ended	
Peoples Gas System		Dec. 31, 1998	
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 payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain</p>		<p>Civic, Political and Related Activities. (a) Name and address of person or organization rendering services, (b) description of services received during year and project or case to which services relate, (c) basis of charges, (d) total charges for the year, detailing utility department and account charged.</p> <p>2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.</p> <p>3. Designate with an asterisk associated companies.</p>	
1	Description (a)		Amount (b)
2	Atlanta Testing & Engineering	186	26,364
3	Atlanta, GA		
4	Environmental & Engineering		
5			
6	Bracewell & Patterson	804	154,541
7	Houston, TX	923	13,901
8	Legal & Consulting		
9			
10	Environmental Consulting & Technology	186	108,974
11	Tampa, FL		
12	Technology Consulting		
13			
14	Macfarlane, Ausley, Ferguson & McMullen	186	14,302
15	Tampa, FL	804	19,432
16	Legal & Consulting	908	12,747
17		923	443,437
18			
19	Price Waterhouse Coopers	921	650
20	Tampa, FL	923	55,200
21	Accounting & Consulting		
22			
23	Tampa Electric Company *	804	25,448
24	Tampa, FL	923	3,404
25	Legal & Consulting		
26			
27	TECO Energy *	923	117,267
28	Tampa, FL		
29	Auditing, Legal & Consulting		
30			
31			
32			
33			
34			
35			
36			
37			

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

Company: Peoples Gas System

For the Year Ended December 31, 1998

For the current year, reconcile the gross operating revenues as reported on Page 46 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) Line No.	(b) Description	(c) Gross Operating Revenues per Page 46	(d) Interstate and Sales for Resale Adjustments	(e) Adjusted Interstate Gross Operating Revenues	(f) Intrastate Gross Operating Revenues per RAF Return	(g) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	\$245,809,678	-	\$245,809,678	\$245,809,678	-
2	Sales for Resale (483)	\$57,544	-	\$57,544	\$57,544	-
3	Total Natural Gas Service Revenues	\$245,867,222	-	\$245,867,222	\$245,867,222	-
4	Total Other Operating Revenues (485-495)	\$6,940,116	-	\$6,940,116	\$6,940,116	-
5	Total Gas Operating Revenues	\$252,807,338	-	\$252,807,338	\$252,807,338	-
6	Provision for Rate Refunds (495.10)					
7	Other (Specify) Sales for Resale					
8	Revenue from Electric Generation Customer				(\$57,544)	\$57,544
9	Unbilled Revenue Adjustment				(\$6,402,207)	\$6,402,207
10	True-up of Energy Conservation				(\$4,050,885)	\$4,050,885
11					(\$119,750)	\$119,750
12	Total Gross Operating Revenues	\$252,807,338	-	\$252,807,338	\$242,176,953	\$10,630,386

Notes:

Differences due to RAF Return adjustments for exempt revenue.

CORPORATE STRUCTURE

Company: Peoples Gas System

For the Year Ended December 31, 1998

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

Effective

Date 06/17/97

The following list identifies the significant subsidiaries of Teco Energy, Inc. Certain subsidiaries that represent, in the aggregate, less than 10 percent of Teco Energy's consolidated operations and financial position have been omitted. Peoples Gas System does not exercise control over its parent nor its affiliates.

- Tampa Electric Company
 - Power Engineering & Construction, Inc.
- TECO Diversified, Inc.
 - TECO Transport Coporation
 - Electro-Coal Transfer Corporation
 - G C Service Company, Inc.
 - Gulfcoast Transit Company
 - Mid-South Towing Company
 - TECO Towing Company
- TECO Coal Corporation
 - Gatliff Coal Company
 - Rich Mountain Coal Company Clintwood Elkhorn Mining Company
 - Pike-Letcher Land Company
 - Premier Elkhorn Coal Company
- TECO Properties Corporation
- TECO coal led Methane, Inc.
- TECO Finance, Inc.
- TECO Oil & Gas, Inc.
- TECO Investments, Inc.
- TECO Power Services Corporation
 - Hardee Power I, Inc.
 - Hardee Power II, Inc.
 - Hardee Power Partners, Ltd.
- TPS Guatemala One, Inc.
 - Tampa Centro Americana de Electricidad, Limitada
- TPS Operations Company
- TPS International Power, Inc.
- Bosek, Gibson and Associates, Inc.
- TeCom Inc.
- Peoples Gas Company
- Peoples Cogeneration Company
 - PAS Power Co.
- Suwanee Gas Marketing, Inc.
 - Teco Gas Services, Inc.

NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES

COMPANY: Peoples Gas System
For the Year Ended December 31, 1998

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 Affiliated Company (a)	Synopsis of Contract (b)
None	

INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000

Company: Peoples Gas System

For the Year Ended December 31, 1998

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 (a)	Description of Transaction (b)	Dollar Amount (c)
Peoples Gas Company	Monthly Income Tax Adjustments	(124,161)
	Monthly Cash Receipts	(33,108,854)
	Monthly Accounts Payable	(750,411)
	Monthly Inventory Control	169,081
	Monthly Payroll	6,919,671
	Monthly Propane Purchases	(418,081)
	Monthly Plant Transaction & Adjustments	714,727
	Monthly Rent Allocation	97,811
	Monthly General & Administrative Dept. Allocation	741,997
	Monthly Miscellaneous Corrections (transfer balances at 06/30/97 to Lykes Energy, Inc.)	98,044,181
	Peoples Sales & Service	Monthly Cash Receipts
Monthly Accounts Payable		2,430,755
Monthly Inventory Control		467,058
Monthly Payroll		3,825,583
Monthly Non-Utility A/R - Net of Write-offs		(5,678,580)
Monthly Energy Conservation Allowance		(41,180)
Monthly Plant Transaction & Adjustments		725,273
Monthly Stores Clearing Allocation		140,755
Monthly Transportation Allocation		157,892
Monthly Rent Allocation		34,907
Monthly Clearing Account Allocation		30,413
Monthly General & Administrative Dept. Allocation		530,003
Monthly Miscellaneous Corrections (transfer balances at 06/30/97 to Lykes Energy, Inc.)		48,839,082
Peoples Cogeneration Company	Monthly Cash Receipts	(38,605)
	Monthly Miscellaneous Corrections (transfer balances at 06/30/97 to Lykes Energy, Inc.)	(2,056,397)
Suwannee Gas Marketing, Inc.	Monthly Income Tax Adjustments	(40,272)
	Monthly Miscellaneous Corrections (transfer balances at 06/30/97 to Lykes Energy, Inc.)	(244,477)

INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000

**Company: Peoples Gas System
For the Year Ended December 31, 1998**

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 (a)	Description of Transaction (b)	Dollar Amount (c)
TECO Gas Services, Inc.	Monthly Cash Receipts	(188,360)
	Monthly Accounts Payable	83,105
	Monthly Payroll	140,172
	Monthly Rent Allocation	40,376
	Monthly Miscellaneous Corrections (transfer balances at 06/30/97 to Lykes Energy, Inc.)	(4,622,434)
Pas Power Company	Monthly Accounts Payable	2,577,567
	Monthly Miscellaneous Corrections (transfer balances at 06/30/97 to Lykes Energy, Inc.)	1,896,356
Tampa Electric Company	Monthly Income Tax Adjustments	(5,185,610)
	Monthly Cash Receipts	(35,481,251)
	Monthly Intercompany Interest	(94,988)
	Monthly Accounts Payable	8,259,121
	Monthly Plant Transaction & Adjustments	175,954
	Monthly Rent Allocation	(75,000)
	Monthly Commercial Paper Allocation	20,115,271
TECO Power Services	Monthly Cash Receipts	(1,605,777)
	Monthly Payroll	1,660,362
Lykes Energy, Inc.	Monthly Cash Receipts	(6,561,134)
	Monthly Accounts Payable	656,654
	Monthly Miscellaneous Corrections (transfer balances at 06/30/97 to Lykes Energy, Inc.)	(141,856,812)
TECO Energy, Inc.	Monthly Income Tax Adjustments	(1,272,557)
	Monthly Cash Receipts	23,393,425
	Monthly Accounts Payable	(5,208,430)
	Monthly General & Administrative Dept. Allocation	335,000

SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Company: Peoples Gas System
For the Year Ended December 31, 1998

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 a 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)
Peoples Gas Company	Income Tax Adjustments			Various	(124,161)
	Cash				(33,108,854)
	Accounts Payable				(750,411)
	Inventory Control		s		169,081
	Payroll				6,919,671
	Non-Utility Accounts Receivable				(6,272)
	-Net of Write-offs				
	Propane Purchases		p		(418,081)
	Plant Transaction & Adjustments				714,727
	Stores Clearing Allocation		s		16,218
	Rent Allocation		s		97,811
	Clearing Account Allocation		s		15,712
	System Department Allocation		s		741,997
	Company Aircraft Allocation		s		3,273
Miscellaneous Correction				98,044,181	
Peoples Sales & Service	Income Tax Adjustments				(11,354)
	Cash				(2,709,272)
	Accounts Payable				2,430,755
	Inventory Control		s		467,058
	Payroll				3,825,583
	Non-Utility Accounts Receivable				(5,678,580)
	-Net of Write-offs				
	Energy Conservation Allowance				(41,180)
	Plant Transaction & Adjustments				725,273
	Stores Clearing Allocation		s		140,755
	Transportation Allocation		s		157,892
	Rent Allocation		s		34,907
	Clearing Account Allocation		s		30,413
	System Department Allocation		s		530,003
Miscellaneous Correction				48,839,082	
PGS - Florida	Miscellaneous Correction				500
Peoples Cogeneration Co.	Cash				(38,605)
	Accounts Payable				4,204
	Miscellaneous Correction				(2,056,397)
Suwannee Gas Gas Marketing, Inc.	Income Tax Adjustments				(40,272)
	Accounts Payable				12,021
	Miscellaneous Correction				(244,477)

SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Company: Peoples Gas System
For the Year Ended December 31, 1998

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 a 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 Gas Services, Inc.	Cash			Various	(188,360)
	Accounts Payable				83,105
	Payroll				140,172
	Plant Transaction & Adjustments				10,042
	Rent Allocation		s		40,376
	System Department Allocation		s		16,667
	Miscellaneous Correction				(4,622,434)
Tampa Bottled Gas	Accounts Payable				10,000
Pas Power Company	Income Tax Adjustments				(15,689)
	Accounts Payable				2,577,567
	Miscellaneous Correction				1,896,356
Tampa Electric Company	Income Tax Adjustments				(5,185,610)
	Cash				(35,481,251)
	Intercompany Interest				(94,988)
	Accounts Payable				8,259,121
	Plant Transaction & Adjustments				175,954
	Rent Allocation		s		(75,000)
	Company Aircraft Allocation		s		550
Commercial Paper Allocation		s		20,115,271	
TECO Power Services	Cash				(1,605,777)
	Accounts Payable				571
	Payroll				1,660,362
Lykes Energy, Inc.	Cash				(6,561,134)
	Accounts Payable				656,654
	Miscellaneous Correction				(141,856,812)
TECO Energy, Inc.	Income Tax Adjustments				(1,272,557)
	Cash				23,393,425
	Accounts Payable				(5,208,430)
	Inventory Control				505
	Payroll				917
	System Department Allocation		s		335,000

ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

Company: Peoples Gas System

For the Year Ended December 31, 1998

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: Peoples Gas Company	Meters	\$ 8,457	\$ 1,448	\$ 7,009	\$ 7,009	\$ 7,009	N
Total						\$7,009	
Sales to Affiliates: Peoples Gas Company	Meters	\$ 30,921	\$ 5,129	\$ 25,792	\$ 25,792	Sales Price 25,792	N
	Computers	9,991	3,440	6,551	6,551	6,551	N
	Vehicles	875,986	391,794	484,192	484,192	484,192	N
	Office Furn&Equi	7,028	7,028	0	0	0	
Tampa Electric	Vehicles	32,226	10,765	21,461	21,461	21,461	Y
	Office Furn&Equi	31,628	5,022	26,606	26,606	26,606	N
Total						\$564,602	

EMPLOYEE TRANSFERS

Company: Peoples Gas System

For the Year Ended December 31, 1998

List employees earning more than \$30,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From	Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
NONE				

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