

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for authority to issue and sell securities for 12 months ending December 31, 2024, by Peoples Gas System, Inc.

DOCKET NO. 20230100-GU
ORDER NO. PSC-2023-0365-FOF-GU
ISSUED: November 29, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

FINAL ORDER GRANTING PEOPLES GAS SYSTEM, INC.,
AUTHORITY TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

Peoples Gas System, Inc. (PGS), filed an application on September 1, 2023, pursuant to Section 366.04, Florida Statutes (F.S.), and Chapter 25-8, Florida Administrative Code (F.A.C.), seeking authority to issue, sell and/or exchange securities and/or to assume liabilities or obligations and make borrowings during the calendar year 2024, as described further therein. On January 1, 2023, a new corporate entity, Peoples Gas System, Inc. (PGS), was formed as a wholly owned subsidiary of a newly formed gas operations holding company, Tampa Electric Company (TECO) Gas Operations, Inc., which is a subsidiary of TECO Energy, Inc. As a result, this is the first independent application filed on behalf of Peoples Gas System, Inc., seeking authority to issue and sell securities as a new corporate entity.

Notice of the Applicants' application was given in the Florida Administrative Register on October 30, 2023. A final hearing took place on November 9, 2023.

We have jurisdiction over this matter pursuant to Section 366.04, F.S.

I. Proposed Transactions

Peoples Gas System, Inc. seeks the authority to issue, sell and/or exchange equity securities and issue, sell, exchange and/or assume long-term or short-term debt securities and/or to assume liabilities or obligations as guarantor, endorser or surety during the period covered by this Application. PGS also seeks authority to enter into interest rate swaps or other derivative instruments related to debt securities. Any exercise of the requested authority will be for the benefit of Peoples Gas System, Inc. In connection with this application, PGS confirms that the

capital raised pursuant to this application will be used in connection with the activities of regulated gas activities of PGS, and not the unregulated activities of the utility or its affiliates.

The equity securities may take the form of common stock, or options or rights with respect to the foregoing with such par values, terms and conditions, and conversion rights as may be permitted by Peoples Gas System, Inc.'s Articles of Incorporation, as the same may be amended to permit the issuance of any such securities. The long-term debt securities may take the form of first mortgage bonds, debentures, notes, bank borrowings, convertible securities, or options, rights, interest rate swaps, or other derivative instruments with respect to the foregoing, with maturities ranging from one to 100 years, and may be issued in both domestic and international markets.

The issuance and/or sale of equity securities and long-term debt requested may be through negotiated underwritten public offering, public offering at competitive bidding, direct public or private sale or placement, sale through agents, or distribution to security holders of Peoples Gas System, Inc., or affiliated companies.

The short-term debt may take the form of short-term tax-exempt notes, borrowings under bank credit facilities, or other bank borrowings.

The amount of all equity and long-term debt securities issued, sold, exchanged, or assumed and liabilities and obligations assumed or guaranteed as guarantor, endorser, or surety will not exceed in the aggregate \$750 million during the period covered by this Application, including any amounts issued to retire existing long-term debt securities. The maximum amount of short-term debt, as described above, outstanding at any one time will be \$500 million.

With respect to equity and long-term debt securities and liabilities and obligations to be assumed or guaranteed as grantor, endorser, or surety; the amount of \$750 million is needed based on the projected long-term debt levels and for other purposes including, but not limited to, the refinancing of outstanding short-term borrowings, the potential long-term emergency funding, the potential for unforeseen business and capital expenditures, and for other general corporate purposes. With respect to short-term debt, the amount of up to \$500 million at any time outstanding is needed to enable PGS to fully draw existing short-term credit facilities including what may be needed to avail the company of short-term emergency funding, the potential for unforeseen business and capital expenditures, and for other general corporate purposes.

The interest rate that Peoples Gas System Inc. could pay on debt securities will vary depending on the type and terms of debt instrument, including the term of the debt along with market conditions at the time of the debt offering. Based on the estimates provided in the minimum filing requirements in the Peoples Gas System, Inc. petition for a base rate increase, the estimated interest rates for the abovementioned debt securities are 5.54% for long-term debt and 4.85% for short-term debt. Actual dividend rates for the aforementioned equity securities and interest rates will be determined at the time of the issuance and/or sale of the applicable securities.

II. Purpose of Issuance

Proceeds from any sale of securities will be added to Peoples Gas System Inc.'s general funds and used for working capital requirements and for other general business purposes, including financing of PGS's capital investments or the acquisition of additional properties or businesses. The net proceeds received from the sale of securities may also be used for the repurchase or repayment of debt or equity securities of Peoples Gas System, Inc.

A. Construction

Although the 2024 business plan is still preliminary, PGS currently estimates that construction expenditures during the 12 months ending December 31, 2024, will be \$362 million for maintenance and expansion. There are no capital requirements for major generating plants and transmission lines requiring certification of need.

B. Reimbursement of the Treasury

Among the general business purposes for which any net proceeds may be used is the reimbursement of the treasury for expenditures by Peoples Gas System Inc. against which securities will not have been issued in advance.

C. Refunding Obligations

One of the purposes of issuing the securities referred to herein will be to repay previously issued short-term debt, which matures from time to time on a regular basis. Subject to market conditions, the company may refund such short-term debt with new short-term debt, long-term debt or preferred or preference stock.

In addition, the company continues to monitor and evaluate market conditions in anticipation of refunding or refinancing long-term obligations where it is legally and economically feasible to do so. Recognizing that changes in market conditions could make such refunding transactions feasible, the company is requesting authority to issue long-term debt and/or preferred or preference stock within a limitation that provides the company with sufficient flexibility to respond to refunding or refinancing opportunities.

Peoples Gas System, Inc. submits that the proposed issuance and sale of securities is for lawful objectives within the corporate purposes of PGS is necessary for the proper performance of Peoples Gas System, Inc. as a public utility, is compatible with the public interest and is reasonable, necessary, and appropriate. In support thereof, Peoples Gas System, Inc. states that the proposed issuance and sale of securities and the proposed application of funds derived therefrom are consistent with similar actions PGS in the past has found to be lawful, reasonable, necessary, and appropriate for the conduct of its business. Peoples Gas System, Inc. further states that this application for authority to issue and sell securities is consistent in its objectives with those of applications PGS has filed, and this Commission has found to be lawful, reasonable, necessary, and appropriate, on numerous occasions in the past.

A Registration Statement with respect to each public offering of securities hereunder that is subject to and not exempt from the registration requirements of the Securities Act of 1933, as amended, will be filed with the Securities and Exchange Commission, 100 F St. N.E., Washington, D.C. 20549.

There is no measure of control or ownership exercised by or over Peoples Gas System, Inc. as to any other public utility except as noted below.

On April 14, 1981, the shareholders of Tampa Electric approved a restructuring plan under which Tampa Electric and its subsidiaries became separate wholly owned subsidiaries of the holding company TECO Energy, Inc. PGS became an operating division of Tampa Electric in 1997 when TECO Energy, Inc. purchased Peoples Gas System, Inc. and merged that corporation into Tampa Electric. On July 1, 2016, TECO Energy, Inc. became a wholly owned subsidiary of Emera US Holdings Inc., a wholly owned subsidiary of Emera Inc. On May 24, 2021, the new corporate entity, Peoples Gas System, Inc., was formed and on January 1, 2023 became a wholly owned subsidiary of a newly formed gas operations holding company, TECO Gas Operations, Inc., which is a subsidiary of TECO Energy, Inc.

III. Conclusion

Having reviewed PGS's application, we find that the transactions described in this application will not impair the ability of PGS to perform the services of a public utility. These transactions are for such lawful purposes within PGS's corporate powers and, as such, the application is granted.

Our approval of the proposed issuance and/or sale of securities does not indicate specific approval of any rates, terms, or conditions associated with the issuance. Such matters are properly reserved for our review within the context of a rate proceeding. Our approval of the issuance of securities constitutes approval only as to the legality of the issue. In approving the subject financing, we retain the right to disallow any of the costs incurred for ratemaking purposes.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Peoples Gas System, Inc., to issue and sell securities pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., is approved as set forth herein. It is further

ORDERED that Peoples Gas System, Inc. is hereby authorized to issue and sell and/or exchange any combination of long-term debt and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed \$750 million during calendar year 2024, for the purposed and in the manner described in the Applicants' application. It is further

ORDERED that Peoples Gas System, Inc. is hereby authorized to issue and sell short-term securities in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at any one time will not exceed \$500 million during the calendar year 2024.

ORDERED that Peoples Gas System, Inc., will file a consummation report in compliance with Rule 25-8.009, F.A.C., within 90 days after the end of any fiscal year which People Gas System, Inc., issues securities authorized by this Order. It is further

ORDERED that this docket shall remain open until May 2, 2025, to monitor the issuance and/or sale of securities until the Applicants submit and Commission staff reviews the Consummation Report, at which time the docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 29th day of November, 2023.

/s/ Adam J. Teitzman

ADAM J. TEITZMAN

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413-6770

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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By ORDER of the Florida Public Service Commission this 29th day of November, 2023.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
(850) 413-6770
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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.