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August 21, 2024

VIA: ELECTRONIC FILING

Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Application of Peoples Gas System, Inc. for Authority to Issue and Sell Securities pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code.

Dear Mr. Teitzman:

Attached for filing in the above-styled matter is the Peoples Gas System, Inc's Application for Authority to Issue and Sell Securities for the year ending December 31, 2025.

Thank you for your assistance in connection with this matter.

Sincerely,

Virginia Ponder

VLP/ne
Attachment

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of		
Peoples Gas System, Inc. for	)	DOCKET NO. ______________
authority to issue and sell	)	
securities pursuant to Section 366.04,	)	Filed: August 21, 2024
Florida Statutes and Chapter 25-8,	)	
Florida Administrative Code	)	
____	)	

APPLICATION OF
PEOPLES GAS SYSTEM, INC.
FOR AUTHORITY TO ISSUE AND SELL SECURITIES

Pursuant to Section 366.04, Florida Statues and Rule 25-8.001, et seq., Florida Administrative Code, Peoples Gas System, Inc. ("PGS") files this Application for authority to issue and/or sell securities for the company's fiscal period of 12 months ending December 31, 2025, and says:

1. The exact name of the company and the address of its principal business office are as follows: Peoples Gas System Inc., 702 North Franklin Street, Tampa, Florida, 33602.
2. Peoples Gas System, Inc., a Florida corporation, was organized in 2023.
3. PGS's local gas distribution activities are subject to regulation by the Florida Public Service Commission ("Commission") under Chapter 366, Florida Statutes.
4. The names and addresses of persons authorized to receive notices and communications with respect to this Application are as follows:

J. Jeffry Wahlen
jwahlen@ausley.com
Malcolm N. Means
mmeans@ausley.com
Virginia L. Ponder
vponder@ausley.com
Ausley & McMullen
P. O. Box 391
Tallahassee, FL 32302
(850) 224-9115

Paula K. Brown
regdept@tecoenergy.com
Manager, Regulatory Coordination
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601
(813) 228-1444

5. The balance sheet submitted with this Application shows the following information for each class and series of capital stock and funded debt as of December 31, 2023. PGS issued its inaugural debt in December 2023 and used part of the proceeds to repay the intercompany loan from Tampa Electric Company.

(a) Brief description	(b) Amount authorized (face value and number of shares)	(c) Amount outstanding (exclusive of any amount held in the treasury)	(d) Amount held as reacquired securities	(e) Pledged by applicant	(f) Amount owned by affiliated corporations	(g) Amount held in any fund
Common Stock	100 shares, $1.00 par value	None	None	None	None	None
Funded Debt:						
Unsecured Notes:						
5.42% Series, due 2028	350,000,000	350,000,000	None	None	None	None
5.63% Series, due 2033	350,000,000	350,000,000	None	None	None	None
5.94% Series, due 2053	225,000,000	225,000,000	None	None	None	None
Total Funded Debt	$925,000,000	$925,000,000				

6. <u>Statement of Proposed Transactions</u>

(a) 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 participate in interest rate swaps or other derivative instruments related to debt securities. Any exercise of the requested authority will be for the benefit of PGS. 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 PGS'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 year to one hundred 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 PGS, 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.

(b) 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 **$300 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**.

(c) 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 **$300 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.

(d) The interest rate that PGS 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. The estimated interest rates for the debt securities are **5.20% for long-term debt** and **4.63% for short-term debt**. Actual dividend rates for the equity securities and interest rates will be determined at the time of the issuance and/or sale of the applicable securities.

7. Purpose of Issuance

Proceeds from any sale of securities will be added to PGS'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 PGS.

(a) Construction

Although the 2025 business plan is still preliminary, PGS currently estimates that construction expenditures during the 12 months ending December 31, 2025, will be $355 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 PGS 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, of the type described in paragraph 6, 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 equity securities.

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 equity securities within a limitation that provides the company with sufficient flexibility to respond to refunding or refinancing opportunities.

8. PGS 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 PGS as a public utility, is compatible with the public interest, and is reasonable, necessary, and appropriate. In support thereof, PGS states that the proposed issuance and sale of securities and the proposed application of funds derived therefrom, as described in paragraphs 6 and 7 above, are consistent with similar actions PGS in the past has found to be lawful, reasonable, necessary, and appropriate for the conduct of its business. PGS

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.

9. The names and addresses of counsel who will pass upon the legality of the proposed issuances are: David M. Nicholson, General Counsel, PGS, Tampa, Florida; Michelle V. Szekeres, Associate General Counsel, PGS, Tampa, Florida; Holland & Knight LLP, Tampa, Florida; Locke Lorde LLP, Boston, Massachusetts, and/or such other counsel as PGS may deem necessary in connection with any of the proposed issuances.

10. 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.

11. There is no measure of control or ownership exercised by or over PGS as to any other public utility except as noted below.

    On April 14, 1981, the shareholders of Tampa Electric Company ("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. In 1997, TECO Energy, Inc. purchased Peoples Gas System and that corporation was merged into the TECO Energy family as an operating division of 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 at that time was a subsidiary of TECO Energy, Inc. On April 1, 2024, TECO Energy, Inc. transferred the stock of TECO Gas Operations, Inc. to TECO Holdings, Inc., which is a wholly owned subsidiary of Emera US Holdings Inc.

12. Required Exhibits.

The following exhibits required by Rule 25-8.003, Florida Administrative Code, are either attached hereto or incorporated by reference herein and made a part hereof:

(a) Exhibit A: Items 1 through 5 are being satisfied through the 2023 Annual Report of Natural Gas Utilities.

(b) Exhibit B: Projected Financial Information (Sources and Uses of Funds Statements and Construction Budgets).

WHEREFORE, Peoples Gas System, Inc. respectfully requests that the Commission enter its Order approving its application for authority to issue and sell securities during the 12-month period ending December 31, 2025, in the amounts specified in paragraph 6 and 7, above.

DATED this 21 day of August 2024.

Respectively submitted,

Jonathan DeVries
Vice President, Finance
Peoples Gas System, Inc.

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ATTORNEYS FOR
PEOPLES GAS SYSTEM, INC.

**APPLICATION OF PEOPLES GAS SYSTEM, INC.
FOR AUTHORITY TO ISSUE AND SELL SECURITIES**

INDEX TO EXHIBITS

Exhibit A

Building a better working world

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Report of Independent Auditors

To the Board of Directors of Peoples Gas System

Opinion

We have audited the financial statements of Peoples Gas System (the Company), which comprise the comparative balance sheets as of December 31, 2023 and 2022, and the related statements of income and retained earnings for the years then ended and the related notes to the financial statements, included on pages 6 to 11 in the accompanying Annual Report of Natural Gas Utilities (collectively referred to as the "financial statements") filed with the Florida Public Service Commission as required by Rule 25-7.135(2).

In our opinion, the accompanying financial statements present fairly, in all material respects, the regulatory basis financial position of the Company as of December 31, 2023 and 2022, and the results of its regulatory basis operations for the years then ended on the basis of the financial reporting provisions of the Federal Energy Regulatory Commission (FERC) as set forth in its applicable Uniform System of Accounts and published accounting releases described in the opening paragraphs preceding the notes.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Regulatory Basis of Accounting

We draw attention to the opening paragraph preceding the notes to the financial statements, which describes that the financial statements have been prepared by the Company on the basis of the financial reporting provisions of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than U.S. generally accepted accounting principles, to meet the requirements of the FERC. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these regulatory basis financial statements in accordance with the financial reporting provisions of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases as described in the opening paragraphs preceding the notes; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of the Company and the Florida Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

April 24, 2024

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent Peoples Gas System, Inc	02 Year of Report 2023
03 Previous Name and Date of Change (if name changed during year) Peoples Gas System, a Division of Tampa Electric Company as of January 1, 2023	
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 Rosemary Barbour	06 Title of Contact Person Controller
07 Address of Contact Person (Street, City, State, Zip Code) P.O Box 2562 Tampa, Florida 33601-2562	
08 Telephone of Contact Person, Including Area Code (813) 228 - 4191	09 Date of Report (Mo., Day, Yr) Dec. 31, 2023

ATTESTATION

I certify that I am the responsible accounting officer of

Peoples Gas System, Inc ;

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, 2023 to December 31, 2023, inclusive.

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

I am aware that Section 837.06, Florida Statutes, provides:

> Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

Rosemary Barbour
Signature

4/24/24
Date

Rosemary Barbour
Name

Controller
Title

DEFINITIONS

Acronyms and defined terms used in this report include the following:

Term	Meaning
AFUDC	allowance for funds used during construction
AFUDC-equity	equity component of allowance for funds used during construction
APBO	accumulated postretirement benefit obligation
ARO	asset retirement obligation
ASU	Accounting Standards Update
CMO	collateralized mortgage obligation
CNG	compressed natural gas
CPI	consumer price index
Emera	Emera Inc., a geographically diverse energy and services company headquartered in Nova Scotia, Canada and the indirect parent company of TECO Energy
ERISA	Employee Retirement Income Security Act
EROA	expected return on plan assets
EUSHI	Emera US Holdings Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
ICSID	International Centre for the Settlement of Investment Disputes
IRS	Internal Revenue Service
MBS	mortgage-backed securities
MGP	manufactured gas plant
MRV	market-related value
NAV	net asset value
NOL	net operating loss
Note	Note to consolidated financial statements
NPNS	normal purchase normal sale
OCI	other comprehensive income
OPC	Office of Public Counsel
Parent	TECO Energy (the holding company, excluding subsidiaries)
PBGC	Pension Benefit Guarantee Corporation
PBO	projected benefit obligation
PGS	Peoples Gas System, Inc., subsidiary of TECO Gas Operations, Inc.
PRP	potentially responsible party
REIT	real estate investment trust
ROE	return on common equity
RNG	renewable natural gas
Regulatory ROE	return on common equity as determined for regulatory purposes
SeaCoast	SeaCoast Gas Transmission, subsidiary of TECO Gas Operations, Inc.
SERP	Supplemental Executive Retirement Plan
STIF	short-term investment fund
Tampa Electric	Tampa Electric Company
TBA	to be announced
TEC	Tampa Electric Company
TECO Energy	TECO Energy, Inc.
TGOI	TECO Gas Operations, Inc.
U.S. GAAP	generally accepted accounting principles in the United States

The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). See Note 14 for additional information.

Peoples Gas System's (PGS) Notes to the Financial Statements have been prepared in conformity with generally accepted accounting principles. Accordingly, certain footnotes are not reflective of PGS's Financial Statements contained herein.

PEOPLES GAS SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Description of the Business

PGS (or the company) is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in the state of Florida. Gas is delivered to the PGS distribution system through three interstate pipelines. PGS operates a natural gas distribution system that serves approximately 490,000 customers. The system includes approximately 15,400 miles (unaudited) of gas mains and 8,700 miles (unaudited) of service lines. PGS has operations in Florida's major metropolitan areas.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of PGS and its subsidiary, TECO Partners Inc. Intercompany balances and transactions have been eliminated in consolidation.

These consolidated financial statements are prepared and presented in accordance with United States Generally Accepted Accounting Principles ("US GAAP"). In the opinion of management, these consolidated financial statements include all adjustments that are of a recurring nature and necessary to fairly state the financial position of the company.

PGS was a wholly owned subsidiary of TEC, which contains electric and natural gas divisions. TEC is a wholly owned subsidiary of TECO Energy. On January 1, 2023, TEC transferred the assets and liabilities of its PGS division into a separate corporation called Peoples Gas System, Inc. See "Separation of PGS from TEC" below for information regarding the separation that occurred which resulted in PGS being a wholly owned subsidiary of a newly formed gas operations holding company, TECO Gas Operations, Inc., a wholly owned subsidiary of TECO Energy.

Use of Estimates

The use of estimates is inherent in the preparation of financial statements in accordance with US GAAP. Actual results could differ from these estimates.

Cash Equivalents

Cash equivalents are highly liquid, high-quality investments purchased with an original maturity of three months or less. The carrying amount of cash equivalents approximated fair market value because of the short maturity of these instruments.

Property, Plant and Equipment

Property, plant and equipment is stated at original cost, which includes labor, material, applicable taxes, overhead and AFUDC. Concurrent with a planned major maintenance or with new construction, the cost of adding or replacing retirement units-of-property is capitalized in conformity with the regulations of FERC and FPSC. The cost of maintenance, repairs and replacement of minor items of property is expensed as incurred.

As a regulated utility, PGS must file depreciation studies periodically and receive approval from the FPSC before implementing new depreciation rates. Included in approved depreciation rates is either an implicit net salvage factor or a cost of removal factor, expressed as a percentage. The net salvage factor is principally comprised of two components—a salvage factor and a cost of removal factor. The company uses the current cost of removal factor as part of the estimation method to approximate the amount of cost of removal in accumulated depreciation. The original cost of utility plant retired or otherwise disposed of and the cost of removal, less salvage value, is charged to accumulated depreciation and the accumulated cost of removal reserve reported as a regulatory liability, respectively. For other property dispositions, the cost and accumulated depreciation are removed from the balance sheet and a gain or loss is recognized.

Property, plant and equipment consisted of the following assets:

(millions)	*Estimated Useful Lives*	*December 31, 2023*	*December 31, 2022*
Gas transmission and distribution	15-75 years	$ 2,912	$ 2,567
General plant and other	3-40 years	186	122
Total cost		3,098	2,689
Less accumulated depreciation		(712)	(687)
Construction work in progress		145	249
Total property, plant and equipment, net		$ 2,531	$ 2,251

Depreciation

The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 1.67% and 1.81% for 2023 and 2022, respectively. Construction work in progress is not depreciated until the asset is placed in service.

PGS computes depreciation and amortization using the following methods:

- the group remaining life method, approved by the FPSC, is applied to the average investment, adjusted for anticipated costs of removal less salvage, in functional classes of depreciable property;
- the amortizable life method, approved by the FPSC, is applied to the net book value to date over the remaining life of those assets not classified as depreciable property above.

Total depreciation expense for the years ended December 31, 2023 and 2022 was $42 million and $42 million, respectively.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant which represents the cost of borrowed funds and a reasonable return on other funds used for construction. The rates used to calculate AFUDC are revised periodically to reflect significant changes in cost of capital. PGS's rate used to calculate its AFUDC in 2023 and 2022 was 6.00% and 6.00%, respectively. Total AFUDC for the years ended December 31, 2023 and 2022 was $4 million and $4 million, respectively.

Inventory

PGS values materials and supplies using a weighted-average cost method. These material and supplies inventories are carried at the lower of weighted-average cost or net realizable value.

Regulatory Assets and Liabilities

PGS is subject to accounting guidance for the effects of certain types of regulation (see **Note 3**).

Deferred Income Taxes

PGS uses the asset and liability method in the measurement of deferred income taxes. Under the asset and liability method, the temporary differences between the financial statement and tax bases of assets and liabilities are reported as deferred taxes measured at enacted tax rates. PGS 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 regulatory tax liability reflecting the amount payable to customers through future rates. See **Note 4** for additional details.

Investment Tax Credits

ITCs earned on regulated assets are deferred and amortized as required by regulatory practices. ITCs earned on non-regulated assets are recorded as a reduction of income tax expense in the period the assets are placed in service.

Employee Postretirement Benefits

PGS is a participant in the retirement plans of TECO Energy. TECO Energy sponsors a defined benefit retirement plan and other postretirement benefits. The measurement of the plans is based on several statistical and other factors, including those that attempt to anticipate future events (see **Note 5**).

Revenue Recognition

Regulated Gas Revenue

Gas revenues, including energy charges, demand charges, basic facilities charges and applicable clauses and riders, are recognized when obligations under the terms of a contract are satisfied. This occurs primarily when gas is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the gas. Gas revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the distribution and sale of gas are recognized at rates approved by the regulator and recorded based on metered usage, which occur on a periodic, systematic basis, generally monthly. At the end of each reporting period, the gas delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. The company's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of therms delivered to customers at the established rate expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of usage, weather, and inter-period changes to customer classes.

Other

See Accounting for Franchise Fees and Gross Receipts below for the accounting for gross receipts taxes. Sales and other taxes PGS collects concurrent with revenue-producing activities are excluded from revenue.

Revenues and Cost Recovery

Revenues include amounts resulting from cost recovery clauses which provide for monthly billing charges to reflect increases or decreases in purchased gas, interstate pipeline capacity, replacement of cast iron/bare steel pipe and conservation costs for PGS. These adjustment factors are based on costs incurred and projected for a specific recovery period. Any over- or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as regulatory liabilities, and under-recoveries of costs are recorded as regulatory assets.

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

Receivables and Allowance for Credit Losses

Receivables on the Consolidated Balance Sheets include receivables from contracts with customers, which consist of services to residential, commercial, industrial and other customers, totaling $59 million and $61 million as of December 31, 2023 and 2022, respectively.

An allowance for credit losses is established based on PGS's collection experience and reasonable and supportable forecasts that affect the collectability of the reported amount. Circumstances that impact PGS's estimates of credit losses include but are not limited to customer credit issues, fuel prices, customer deposits and general economic conditions. Accounts are reserved to the allowance or written off once they are deemed to be uncollectible.

PGS accrues base revenues primarily for services rendered but unbilled to provide for matching of revenues and expenses. As of December 31, 2023 and 2022, unbilled revenues of $16 million and $16 million, respectively, are included in the "Receivables" line item on the company's Consolidated Balance Sheets.

Accounting for Franchise Fees and Gross Receipts Taxes

PGS is allowed to recover certain costs incurred on a dollar-for-dollar basis from customers through rates approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. Franchise fees and gross receipt taxes payable by PGS are included as an expense on the Consolidated Statements of Income in "Taxes, other than income". These amounts totaled $31 million and $31 million for the years ended December 31, 2023 and 2022, respectively.

Deferred Charges and Other Assets

Deferred charges and other assets consist primarily of pension assets net of accrued pension liabilities (see **Note 5**) and excess insurance recovery.

Deferred Credits and Other Liabilities

Deferred credits and other liabilities primarily include accrued other postretirement benefits (see **Note 5**), MGP environmental remediation liability (see **Note 8**), lease liabilities (see **Note 11**), a reserve for auto, general and workers' compensation liability claims, and customer deposits for construction activity.

TECO Energy and its subsidiaries, including PGS, have a self-insurance program supplemented by excess insurance coverage for the cost of claims whose ultimate value exceeds the company's retention amounts. The company estimates its liabilities for auto, general and workers' compensation using discount rates mandated by statute or otherwise deemed appropriate for the circumstances. Discount rates used in estimating these other self-insurance liabilities at December 31, 2023 and 2022 ranged from 4.00% to 5.99% and 4.00% to 5.78%, respectively.

Derivatives and Hedging Activities

PGS's physical contracts qualify for the NPNS exception to derivative accounting rules, provided they meet certain criteria. Generally, NPNS applies if PGS deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if PGS intends to receive physical delivery and if the transaction is reasonable in relation to PGS's business needs. As of December 31, 2023 and 2022, all of PGS's physical contracts qualified for the NPNS exception, which was elected.

The company classifies cash inflows and outflows related to derivative and hedging instruments in the appropriate cash flow sections associated with the item being hedged. For natural gas, the cash inflows and outflows are included in the operating section of the Consolidated Statement of Cash Flows. For interest rate swaps that settle coincident with the debt issuance, the cash inflows and outflows are treated as premiums or discounts and included in the financing section of the Consolidated Statements of Cash Flows. No such activity occurred during the years ended December 31, 2023 and 2022.

Separation of PGS from TEC

PGS became an operating division of TEC in 1997 when TECO Energy purchased PGS and merged that corporation into TEC. Since then, PGS has operated as a stand-alone regulated utility, including having its own tariff and its own books and records.

On January 1, 2023, TEC transferred the assets and liabilities of its PGS division into a separate corporation called Peoples Gas System, Inc. (PGS) pursuant to a Contribution Agreement. This new corporation is a wholly owned subsidiary of a newly formed gas operations holding company, TECO Gas Operations, Inc., a wholly owned subsidiary of TECO Energy. On January 1, 2023, the assets, liabilities, and equity that had been recorded in the books of PGS were transferred from TEC to the newly formed PGS at book value in a tax-free transaction. PGS issued 100 shares of common stock to TEC related to the transfer of PGS, which were subsequently distributed to TECO Energy, Inc. and then contributed to TECO Gas Operations, Inc. The PGS Consolidated Statement of Cash Flows for the year ended December 31, 2023 does not include the non-cash impact of separating the PGS assets, liabilities and equity from TEC on January 1, 2023.

Prior to the separation, as a division of TEC, PGS had received an allocation of outstanding unsecured notes and outstanding short-term borrowings issued by TEC. The obligations related to these combined borrowings were reflected in an affiliate loan agreement between TEC and PGS. The initial obligation of PGS under the loan agreement at January 1, 2023 was a term loan in the principal amount of $670 million and a revolving loan in the principal amount of $66 million, net of discounts and issuance costs of $6 million. The maturity date for both was December 29, 2023. On December 20, 2023, PGS repaid TEC the outstanding principal amount of the term loan and revolving loan of $670 million and $286 million, respectively, plus outstanding interest. The repayment terminates the affiliate loan agreement. PGS accessed the third-party lending market during 2023 to obtain capital (see **Note 6** and **Note 7**).

2. New Accounting Pronouncements

PGS considers the applicability and impact of all ASUs issued by the FASB. The company was not required to and did not adopt any new ASUs in 2023. The following updates have been issued by FASB, but have not yet been adopted by the company. Any ASUs not included below were assessed and determined to be either not applicable to the company or have insignificant impact on the consolidated financial statements.

Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The standard enhances the transparency, decision usefulness and effectiveness of income tax disclosures by requiring consistent categories and greater disaggregation of information in the reconciliation of income taxes computed using the enacted statutory income tax rate to the actual income tax provision and effective income tax rate, as well as the disaggregation of income taxes paid (refunded) by jurisdiction. The standard also requires disclosure of income (loss) before provision for income taxes and income tax expense (benefit) in accordance with U.S. Securities and Exchange Commission (SEC) Regulation S-X 210.4-08(h), Rules of General Application – General Notes to Financial Statements: Income Tax Expense, and the removal of disclosures no longer considered cost beneficial or relevant. The guidance will be effective for annual reporting periods beginning after December 15, 2025. Early adoption is permitted. The standard will be applied on a prospective basis, with retrospective application permitted. PGS is currently evaluating the impact of adoption of the standard on its consolidated financial statements.

3. Regulatory

PGS is regulated by the FPSC. The FPSC sets rates based on a cost of service methodology which allows utilities to collect total revenues (revenue requirements) equal to their prudently incurred cost of providing service or products, plus a reasonable return on equity invested or assets.

As a result, PGS qualifies for the application of accounting guidance for certain types of regulation. This guidance recognizes that the actions of a regulator can provide reasonable assurance of the existence of an asset or liability. Regulatory assets and liabilities arise as a result of a difference between US GAAP and the accounting principles imposed by the regulatory authorities. Regulatory assets generally represent incurred costs that have been deferred, as their future recovery in customer rates is probable. Regulatory liabilities generally represent obligations to make refunds to customers from previous collections for costs that are not likely to be incurred. In addition to regulatory assets and regulatory liabilities, rate regulation impacts other financial statement balances and activity, including, but not limited to, property, plant, and equipment, revenues, and expenses.

PGS Base Rates

PGS's 2023 and 2022 results reflected a rate case settlement agreement filed by PGS and OPC and approved by the FPSC on November 19, 2020. This settlement agreement includes an allowed regulatory ROE range of 8.90% to 11.00% with a 9.90% midpoint, including the ability to reverse a total of $34 million of accumulated depreciation through 2023. PGS reversed accumulated depreciation of $14 million in 2022 and $20 million in 2023. In addition, the agreement set new depreciation rates effective January 1, 2021, that are consistent with PGS's current overall average depreciation rate.

On April 4, 2023, PGS filed a petition with the FPSC for a base rate increase. A hearing for this matter was held in September 2023. On December 27, 2023, the FPSC issued the final order which granted an approximately $118 million increase to PGS's base revenues. This includes approximately $11 million transferred from the cast iron and bare steel replacement rider, resulting in a net incremental increase of $107 million to base revenues. This reflects a 10.15% midpoint ROE, with a range of 9.15% to 11.15% ROE, and an approved equity capital structure of 54.7%. These new rates will be effective as of the first billing cycle of January 2024. Additionally, the final order set new depreciation rates effective January 1, 2024. These new rates are consistent with PGS's current overall average depreciation rate. The final order also approved a one-time long-term debt true-up mechanism adjustment to base rates to reflect PGS's actual cost rate for its inaugural long-term debt issuance. This increase was requested through a limited proceeding which was filed in February 2024.

Regulatory Assets and Liabilities

Details of the regulatory assets and liabilities are presented in the following table:

(millions)	*December 31, 2023*	*December 31, 2022*
Regulatory assets:		
Regulatory tax asset [1]	$ 4	$ 3
Cost-recovery clauses [2]	16	7
Environmental remediation [3]	20	20
Postretirement benefits [4]	33	30
Storm reserve [5]	1	1
Other	7	1
Total regulatory assets	81	62
Less: Current portion	23	9
Long-term regulatory assets	$ 58	$ 53
Regulatory liabilities:		
Regulatory tax liability [6]	$ 88	$ 89
Cost-recovery clauses - deferred balances [2]	3	2
Accumulated reserve—cost of removal [7]	195	196
Other	2	1
Total regulatory liabilities	288	288
Less: Current portion	14	11
Long-term regulatory liabilities	$ 274	$ 277

(1) The regulatory tax asset is primarily associated with the depreciation and recovery of AFUDC-equity. This asset does not earn a return but rather is included in the capital structure, which is used in the calculation of the weighted cost of capital used to determine revenue requirements. It will be recovered over the expected life of the related assets.

(2) These assets and liabilities are related to FPSC clauses and riders, primarily related to the fuel clause and the increase in natural gas prices experienced in 2022. They are recovered or refunded through cost-recovery mechanisms approved by the FPSC on a dollar-for-dollar basis in a subsequent period.

(3) This asset is related to costs associated with environmental remediation primarily at MGP sites. The balance is included in rate base, partially offsetting the related liability, and earns a rate of return as permitted by the FPSC. The timing of recovery is based on a settlement agreement approved by the FPSC.

(4) This asset is related to the deferred costs of postretirement benefits and it is amortized over the remaining service life of plan participants. Deferred costs of postretirement benefits that are included in expense are recognized as cost of service for rate-making purposes as permitted by the FPSC.

(5) The regulatory asset is included in rate base and earns a rate of return as permitted by the FPSC.

(6) The regulatory tax liability is primarily related to the revaluation of PGS's deferred income tax balances recorded on December 31, 2017 at the lower corporate income tax rate due to U.S. tax reform. The liability related to the revaluation of the deferred income tax balances is amortized and returned to customers through rate reductions or other revenue offsets based on IRS regulations and the settlement agreement for tax reform benefits approved by the FPSC.

(7) This item represents the non-ARO cost of removal in the accumulated reserve for depreciation. AROs are costs for legally required removal of property, plant and equipment. Non-ARO cost of removal represents estimated funds received from customers through depreciation rates to cover future non-legally required cost of removal of property, plant and equipment, net of salvage value upon retirement, which reduces rate base for ratemaking purposes. This liability is reduced as costs of removal are incurred.

4. Income Taxes

Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act was signed into legislation and includes numerous tax incentives for clean energy, such as the extension and modification of existing investment tax credits, including the expansion of ITC for qualified biogas facilities beginning 2023 for projects placed in service through 2024, and introduces new technology-neutral clean energy related credits beginning in 2025. PGS recognized a $3 million reduction in tax expense for its ITC related to its qualified biogas facilities placed in service during 2023.

Income Tax Expense

PGS is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. PGS's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with EUSHI's tax sharing agreement. To the extent that PGS's cash tax positions are settled differently than the amount reported as realized under the tax sharing agreement, the difference is accounted for as either a capital contribution or a distribution.

Income tax expense consists of the following:

Income Tax Expense (Benefit)
(millions)

For the year ended December 31,	*2023*	*2022*
Continuing Operations		
Current income taxes		
Federal	$ 0	$ 4
State	0	1
Deferred income taxes		
Federal	18	17
State	5	5
Investment tax credits	(3)	0
Total income tax expense	$ 20	$ 27

For the two years presented, the overall effective tax rate on continuing operations differs from the U.S. federal statutory rate as presented below:

Effective Income Tax Rate
(millions)

For the year ended December 31,	*2023*	*2022*
Income before provision for income taxes	$ 98	$ 109
Federal statutory income tax rate	21.0%	21.0%
Income taxes, at statutory income tax rate	21	23
Increase (decrease) due to:		
State income tax, net of federal income tax	4	4
Investment tax credits	(3)	0
AFUDC-equity	(1)	(1)
Other	(1)	1
Total income tax expense from continuing operations	$ 20	$ 27
Income tax expense as a percent of income from continuing operations, before income taxes	20.4%	24.8%

The major components of the company's deferred tax assets and liabilities recognized are as follows:

Deferred Income Taxes

(millions) *As of December 31,*	*2023*	*2022*
Deferred tax liabilities [1]		
Property related	$ 226	$ 201
Pension and postretirement benefits	14	13
Insurance related	4	10
Other	3	0
Total deferred tax liabilities	247	224
Deferred tax assets [1]		
Loss and credit carryforwards [2]	7	4
Medical benefits	4	4
Pension and postretirement benefits	7	6
Capitalized energy conservation assistance costs	27	23
Insurance related	4	11
Total deferred tax assets	49	48
Total deferred tax liability, net	$ 198	$ 176

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

(2) Deferred tax assets for net operating loss and tax credit carryforwards have been reduced by unrecognized tax benefits of $0.9 million and $0.4 million at December 31, 2023 and 2022, respectively.

The expiration of PGS's tax credits and NOL carryforwards are as follows:

(millions)	*December 31, 2023*	*Expiration Year*
General business credits	$ 7	2027-2043
Federal NOL carryforwards	10	2036-2037
State NOL carryforwards	1	2036-2037
Total tax credits and NOL carryforwards	$ 18	

As a result of TECO Energy's merger with Emera in 2016, PGS's NOLs and credits will be utilized by EUSHI, in accordance with the benefits-for-loss allocation which provide that tax attributes are utilized by the consolidated tax return group of EUSHI.

PGS establishes valuation allowances on its deferred tax assets, including losses and tax credits, when the amount of expected future taxable income is not likely to support the use of the deduction or credit. At this time, PGS considers it more likely than not that PGS will have sufficient taxable income in the future that will allow the Company to realize these deferred tax assets. As of December 31, 2023 and 2022, a valuation allowance is not required.

Unrecognized Tax Benefits

PGS accounts for uncertain tax positions in accordance with U.S. GAAP. This guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Authoritative guidance related to accounting for uncertainty in income taxes requires an enterprise to recognize in its financial statements the best estimate of the impact of a tax position by determining if the weight of the available evidence indicates that it is more likely than not, based solely on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals and litigation processes.

As of December 31, 2023 and 2022, PGS's uncertain tax positions for federal R&D tax credits were $0.9 million and $0.4 million respectively, all of which was recorded as a reduction of deferred income tax assets for tax credit carryforwards. The unrecognized tax benefits, if recognized, would reduce PGS's effective tax rate.

PGS recognizes interest accruals related to uncertain tax positions in "Other income" or "Interest expense", as applicable, and penalties in "Operation and maintenance expense" in the Consolidated Statements of Income. In 2023 and 2022, the company did not recognize any pre-tax charges (benefits) for interest. Additionally, PGS did not have any accrued interest or amounts recorded for penalties at December 31, 2023 and 2022.

The U.S. federal statute of limitations remains open for the year 2017 and forward. Florida's statute of limitations is three years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by Florida's tax authorities include 2005 and forward as a result of TECO Energy's consolidated Florida net operating loss still being utilized.

5. Employee Postretirement Benefits

Pension Benefits

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

Amounts disclosed for pension benefits in the following tables and discussion also include the fully-funded obligations for the SERP and the unfunded obligations for the Restoration Plan. The SERP is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management. The Restoration Plan is a non-qualified, non-contributory defined benefit retirement plan that allows certain members of senior management to receive contributions as if no IRS limits were in place.

Other Postretirement Benefits

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

TECO Energy has made a change to the postretirement health plan to replace the pharmacy services provider. The change was treated as a plan amendment and the plan was remeasured as of September 30, 2023. See "Plan amendments" line item in the "Obligations and Plan Assets" table below.

Obligations and Funded Status

PGS recognizes in its statement of financial position the over-funded or under-funded status of its allocated portion of TECO Energy's postretirement benefit plans. This status is measured as the difference between the fair value of plan assets and the PBO in the case of its defined benefit plan, or the APBO in the case of its other postretirement benefit plan. Changes in the funded status are reflected, net of estimated tax benefits, in the benefit liabilities and regulatory assets. The results of operations are not impacted.

The following table provides a detail of the change in TECO Energy's benefit obligations and change in plan assets for combined pension plans (pension benefits) and TECO Energy's Florida-based other postretirement benefit plans (other benefits).

TECO Energy

Obligations and Plan Assets	**Pension Benefits**		**Other Benefits [2]**	
(millions)	*2023*	*2022*	*2023*	*2022*
Change in benefit obligation				
Benefit obligation at beginning of year	$ 666	$ 850	$ 142	$ 200
Service cost	15	18	1	2
Interest cost	35	23	7	6
Plan participants' contributions	0	0	4	4
Benefits paid	(59)	(79)	(19)	(19)
Actuarial loss (gain)	27	(142)	7	(51)
Plan amendments	0	0	(10)	0
Plan settlements [3]	(6)	(4)	0	0
Benefit obligation at end of year	$ 678	$ 666	$ 132	$ 142

Change in plan assets				
Fair value of plan assets at beginning of year	$ 650	$ 924	$ 0	$ 0
Actual gain (loss) return on plan assets	78	(214)	0	0
Employer contributions	16	18	0	0
Employer direct benefit payments	7	5	15	15
Plan participants' contributions	0	0	4	4
Benefits paid	(58)	(78)	0	0
Direct benefit payments	(1)	(1)	(19)	(19)
Plan settlements [3]	(6)	(4)	0	0
Fair value of plan assets at end of year [1]	$ 686	$ 650	$ 0	$ 0

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

(2) Represent amounts for TECO Energy’s Florida-based other postretirement benefit plan.

(3) Represents TECO Energy’s SERP and Restoration settlement charges as a result of the retirement of certain executives. These charges did not impact PGS’s consolidated financial statements.

Increases in the benefit obligation for the period ended December 31, 2023 are the result of decreases in the discount rate used to calculate the benefit obligation and the updating of the salary assumption as the result of an experience study performed during the year.

At December 31, the aggregate financial position for TECO Energy’s pension plans and Florida-based other postretirement plans with projected benefit obligations and accumulated projected benefit obligations in excess of plan assets was as follows:

Funded Status	**Pension Benefits**		**Other Benefits [1]**	
(millions)	*2023*	*2022*	*2023*	*2022*
Benefit obligation (PBO/APBO)	$ 678	$ 666	$ 132	$ 142
Less: Fair value of plan assets	686	650	0	0
Funded status at end of year	$ 8	$ (16)	$ (132)	$ (142)

(1) Represent amounts for TECO Energy’s Florida-based other postretirement benefit plan.

The accumulated benefit obligation for all TECO Energy defined benefit pension plans was $642 million at December 31, 2023 and $634 million at December 31, 2022.

The amounts recognized in PGS's Consolidated Balance Sheet for pension and other postretirement benefit obligations and qualified plan assets at December 31 were as follows:

PGS

Amounts recognized in balance sheet	**Pension Benefits**		**Other Benefits**	
(millions)	*2023*	*2022*	*2023*	*2022*
Noncurrent assets	$ 0	$ 0	$ 0	$ 0
Accrued benefit costs and other current liabilities	$ 0	$ 0	$ (1)	$ (1)
Deferred credits and other liabilities	(3)	(4)	(15)	(15)
Net amount recognized at end of year	$ (3)	$ (4)	$ (16)	$ (16)

Unrecognized gains and losses and prior service credits and costs are recorded in regulatory assets for PGS. The following table provides a detail of the unrecognized gains and losses and prior service credits and costs.

PGS

Amounts recognized in regulatory assets	**Pension Benefits**		**Other Benefits**	
(millions)	*2023*	*2022*	*2023*	*2022*
Net actuarial loss	$ 31	$ 30	$ 1	$ 0
Amount recognized	$ 31	$ 30	$ 1	$ 0

Assumptions used to determine benefit obligations at December 31,	**Pension Benefits** *2023*	**Pension Benefits** *2022*	**Other Benefits** *2023*	**Other Benefits** *2022*
Discount rate	5.27%	5.55%	5.28%	5.53%
Rate of compensation increase	4.42%	3.79%	4.42%	3.79%
Healthcare cost trend rate				
Immediate rate	n/a	n/a	6.09%	6.39%
Ultimate rate	n/a	n/a	4.00%	4.00%
Year rate reaches ultimate trend rate	n/a	n/a	2047	2047

The discount rate assumption used to determine the December 31, 2023 and 2022 benefit obligations was based on a cash flow matching technique that matches yields from high-quality (AA-rated, non-callable) corporate bonds to TECO Energy's projected cash flows for the plans to develop a present value that is converted to a discount rate assumption.

Amounts Recognized in Net Periodic Benefit Cost, OCI and Regulatory Assets **TECO Energy** *(millions)*	**Pension Benefits** *2023*	**Pension Benefits** *2022*	**Other Benefits (1)** *2023*	**Other Benefits (1)** *2022*
Service cost	$ 15	$ 18	$ 1	$ 2
Interest cost	35	23	7	5
Expected return on plan assets	(54)	(51)	0	0
Amortization of:				
Actuarial loss	5	17	0	3
Prior service cost	0	0	(2)	(2)
Settlement loss(2)	2	2	0	0
Net periodic benefit cost	$ 3	$ 9	$ 6	$ 8
Net loss (gain) arising during the year (includes curtailment gain)	$ 2	$ 123	$ 7	$ (50)
Prior service cost	0	0	(11)	0
Amounts recognized as component of net periodic benefit cost:				
Amortization or curtailment recognition of prior service credit	0	0	3	2
Amortization or settlement of actuarial loss	(7)	(19)	0	(3)
Total recognized in OCI and regulatory assets	$ (5)	$ 104	$ (1)	$ (51)
Total recognized in net periodic benefit cost, OCI and regulatory assets	$ (2)	$ 113	$ 5	$ (43)

(1) Represents amounts for TECO Energy's Florida-based other postretirement benefit plan.

(2) Represents TECO Energy's SERP and Restoration settlement charges as a result of the retirement of certain executives. These charges did not impact PGS's consolidated financial statements.

PGS's portion of the net periodic benefit costs for pension benefits was $2 million and $3 million for 2023 and 2022, respectively. PGS's portion of the net periodic benefit costs for other benefits was $1 million and $1 million for 2023 and 2022, respectively. The components of net periodic benefit cost other than the service cost component are included in the line item "Other income" in the Consolidated Statements of Income.

Assumptions used to determine net periodic benefit cost for years ended December 31,	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Discount rate[1]	4.19%-5.55%	2.77%	5.53%-6.14%	2.84%
Expected long-term return on plan assets	7.05%	6.50%	n/a	n/a
Rate of compensation increase	3.79%	3.05%	3.79%	3.04%
Healthcare cost trend rate				
Initial rate	n/a	n/a	6.39%	5.61%
Ultimate rate	n/a	n/a	4.00%	4.00%
Year rate reaches ultimate trend rate	n/a	n/a	2047	2045

(1) Discount rate range is the result of remeasurements that occurred in 2023.

The discount rate assumption used to determine the benefit cost in 2023 and 2022 was based on the same technique that was used to determine the December 31, 2023 and 2022 benefit obligation as discussed above.

The expected return on assets assumption was based on historical returns, fixed income spreads and equity premiums consistent with the portfolio and asset allocation. A change in asset allocations could have a significant impact on the expected return on assets. Additionally, expectations of long-term inflation, real growth in the economy and a provision for active management and expenses paid were incorporated in the assumption. For the year ended December 31, 2023, TECO Energy's pension plan's actual return was approximately 14.7%.

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

Pension Plan Assets

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

TECO Energy

	Target Allocation		Actual Allocation, End of Year	
Asset Category	2023	2022	2023	2022
Cash and cash equivalents	0%-10%	n/a	3%	n/a
Equity securities	48%-68%	50%-70%	57%	58%
Fixed income securities	29%-49%	30%-50%	40%	42%
Total	100%	100%	100%	100%

TECO Energy reviews the plan's asset allocation periodically and re-balances the investment mix to maximize asset returns, optimize the matching of investment yields with the plan's expected benefit obligations, and minimize pension cost and funding. TECO Energy will continue to monitor the matching of plan assets with plan liabilities over the long term.

The plan's investments are held by a trust fund administered by The Bank of New York Mellon. Investments are valued using quoted market prices on an exchange when available. Such investments are classified Level 1. In some cases where a market exchange price is available but the investments are traded in a secondary market, acceptable practical expedients are used to calculate fair value.

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

As required by the fair value accounting standards, the investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The plan's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For cash equivalents, the cost approach was used in determining fair value. For bonds and U.S. government agencies, the income approach was used. For other investments, the market approach was used. The following tables set forth by level within the fair value hierarchy the plan's investments as of December 31, 2023 and 2022.

Pension Plan Investments
TECO Energy

(millions)	At Fair Value as of December 31, 2023				
	Level 1	Level 2	Level 3	Using NAV (1)	Total
Cash	$ (1)	$ 0	$ 0	$ 0	$ (1)
Accounts receivable	3	0	0	0	3
Accounts payable	(10)	0	0	0	(10)
Short-term investment funds (STIFs)	24	0	0	0	24
Common Stock	1	0	0	0	1
Real estate investment trusts (REITs)	3	0	0	0	3
Mutual funds	38	0	0	0	38
Municipal bonds	0	2	0	0	2
Government bonds	0	108	0	0	108
Corporate bonds	0	57	0	0	57
Long Futures	5	0	0	0	5
Short Sales	0	(1)	0	0	(1)
Investments not utilizing the practical expedient	63	166	0	0	229
Common and collective trusts (1)	0	0	0	443	443
Mutual fund (1)	0	0	0	14	14
Total investments	$ 63	$ 166	$ 0	$ 457	$ 686

(1) In accordance with accounting standards, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheet of TECO Energy.

TECO Energy

(millions)	At Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Using NAV (1)	Total
Cash	$ 5	$ 0	$ 0	$ 0	$ 5
Accounts receivable	10	0	0	0	10
Accounts payable	(62)	0	0	0	(62)
Short-term investment funds (STIFs)	32	0	0	0	32
Real estate investment trusts (REITs)	2	0	0	0	2
Mutual funds	50	0	0	0	50
Municipal bonds	0	1	0	0	1
Government bonds	0	58	0	0	58
Corporate bonds	0	50	0	0	50
Mortgage backed securities (MBS)	0	5	0	0	5
Collateralized mortgage obligations (CMOs)	0	1	0	0	1
Short Sales	0	(3)	0	0	(3)
Written Options	0	2	0	0	2
Swaps	0	(1)	0	0	(1)
Investments not utilizing the practical expedient	37	113	0	0	150
Common and collective trusts (1)	0	0	0	444	444
Mutual fund (1)	0	0	0	56	56
Total investments	$ 37	$ 113	$ 0	$ 500	$ 650

(1) In accordance with accounting standards, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheet of TECO Energy.

The following list details the pricing inputs and methodologies used to value the investments in the pension plan:

- Cash collateral is valued at cash posted due to its short-term nature.
- The STIF is valued at net asset value (NAV). The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make the STIF a level 1 asset.
- The primary pricing inputs in determining the fair value of the Common stocks and REITs are closing quoted prices in active markets.
- The primary pricing inputs in determining the level 1 mutual funds are the mutual funds' NAVs. The funds are registered open-end mutual funds and the NAVs are validated with purchases and sales at NAV. Since the fair values are determined and published, they are considered readily-determinable fair values and therefore Level 1 assets.
- The primary pricing inputs in determining the fair value of Municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of Government bonds are the U.S. treasury curve, CPI, and broker quotes, if available. The primary pricing inputs in determining the fair value of Corporate bonds are the U.S. treasury curve, base spreads, YTM, and benchmark quotes. CMOs are priced using to-be-announced (TBA) prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information.
- Swaps are valued using benchmark yields, swap curves, and cash flow analyses.
- The primary pricing input in determining the fair value of the mutual fund utilizing the practical expedient is its NAV. It is an unregistered open-end mutual fund. The fund holds primarily corporate bonds, debt securities and other similar instruments issued by U.S. and non-U.S. public- or private-sector entities. The fund may purchase or sell securities on a when-issued basis. These transactions are made conditionally because a security has not yet been issued in the market, although it is authorized. A commitment is made regarding these transactions to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. Since this mutual fund is an open-end mutual fund and the prices are not published to an external source, it uses NAV as a practical expedient. The redemption frequency is daily. The redemption notice period is the same day. There were no unfunded commitments at December 31, 2023.
- The common collective trusts are private funds valued at NAV. The NAVs are calculated based on bid prices of the underlying securities. Since the prices are not published to external sources, NAV is used as a practical expedient. Certain funds invest primarily in equity securities of domestic and foreign issuers while others invest in long duration U.S. investment-grade fixed income assets and seeks to increase return through active management of interest rate and credit risks. The redemption frequency of the funds ranges from daily to weekly and the redemption notice period ranges from 1 business day to 30 business days. There were no unfunded commitments as of December 31, 2023.
- Treasury bills are valued using benchmark yields, reported trades, broker dealer quotes, and benchmark securities.
- Futures are valued using futures data, cash rate data, swap rates, and cash flow analyses.

Additionally, the non-qualified SERP had $4 million and $8 million of assets as of December 31, 2023 and 2022, respectively. Since the plan is non-qualified, its assets are included in the "Deferred charges and other assets" line item in the Consolidated Balance Sheets rather than being netted with the related liability. The non-qualified trust holds investments in a money market fund. The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make it a level 1 asset. The SERP was fully funded as of December 31, 2023 and 2022.

Other Postretirement Benefit Plan Assets

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

Contributions

The qualified pension plan's actuarial value of assets, including credit balance, was 107.24% of the Pension Protection Act funded target as of January 1, 2023 and is estimated at 111.50% of the Pension Protection Act funded target as of January 1, 2024.

TECO Energy's policy is to fund the qualified pension plan at or above amounts determined by its actuaries to meet ERISA guidelines for minimum annual contributions. PGS's contribution is first set equal to its service cost. If a contribution in excess of service cost for the year is made, PGS's portion is based on PGS's proportion of the TECO Energy unfunded liability. TECO Energy made contributions to this plan in 2023 and 2022, which met the minimum funding requirements for each year. PGS's portion of the contribution was $3 million and $3 million in 2023 and 2022, respectively. These amounts are reflected in the "Other" line on the Consolidated Statements of Cash Flows. PGS estimates its portion of the 2024 contribution to be $3 million. The amount TECO Energy expects to contribute is in excess of the minimum funding required under ERISA guidelines.

The other postretirement benefits are funded annually to meet benefit obligations. TECO Energy's contribution toward health care coverage for most employees who retired after the age of 55 between January 1, 1990 and June 30, 2001 is limited to a defined dollar benefit based on service. TECO Energy's contribution toward pre-65 and post-65 health care coverage for most employees retiring on or after July 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2024, PGS expects to contribute approximately $1 million. Postretirement benefit levels are substantially unrelated to salary.

Benefit Payments

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

Expected Benefit Payments
TECO Energy
(including projected service and net of employee contributions)

(millions)	Pension Benefits	Other Postretirement Benefits
2024	$ 76	$ 12
2025	67	12
2026	66	12
2027	66	12
2028	65	11
2029-2033	295	51

Defined Contribution Plan

TECO Energy has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries that enables participants to save a portion of their compensation up to the limits allowed by IRS guidelines. TECO Energy and its subsidiaries match 75% of the first 6% of the participant's payroll savings deductions. Effective January 1, 2017, the employer matching contributions increased from 70% to 75% with an additional incentive match of up to 25% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended December 31, 2023 and 2022, PGS's portion of expense totaled $3 million and $3 million, respectively, related to the matching contributions made to this plan. The expense related to the matching contribution is included in the line item "Operations and maintenance" in the Consolidated Statements of Income.

6. Short-Term Debt

The following is a summary of PGS's notes payable on the Consolidated Balance Sheets as of December 31:

	Facilities	
(millions)	*2023*	*2022*
Notes Payable to TEC(1)	$ 0	$ 736
Unamortized debt expense	0	(6)
PGS 5-year credit facility(2)	55	0
Total Notes Payable	$ 55	$ 730

(1) At December 31, 2022, PGS's allocated short-term borrowings outstanding from TEC was $100 million for Credit Facilities and $66 million for Commercial Paper. Additionally, PGS's allocated long-term borrowings outstanding from TEC was $570 million, net of $6 million unamortized debt expense.

(2) On December 1, 2023, PGS entered into a 5-year facility that matures on December 1, 2028.

On January 1, 2023, TEC transferred the assets and liabilities of its PGS division into a separate corporation called PGS pursuant to a Contribution Agreement (see **Note 1**). Included in the liabilities transferred was PGS's allocation of outstanding unsecured notes issued by TEC and outstanding short-term borrowings. The obligations related to these combined borrowings were reflected in an affiliate loan agreement between Tampa Electric and PGS. The initial obligation of PGS under the affiliate loan agreement at January 1, 2023 was a term loan in the principal amount of $670 million and a revolving loan in the principal amount of $66 million. The maturity date for both was December 29, 2023. On December 20, 2023, PGS repaid Tampa Electric the outstanding principal amount of the term loan and revolving loan of $670 million and $286 million, respectively, plus outstanding interest. The repayment terminates the affiliate loan agreement and Tampa Electric will no longer provide capital for the operations of PGS.

Credit Facilities

The following is a summary of credit facilities held by Tampa Electric Company as of December 31, 2022 and Peoples Gas System as of December 31, 2023:

(millions)	2023 Credit Facilities	2023 Borrowings Outstanding - Credit Facilities	2023 Borrowings Outstanding - Commercial Paper	2023 Letters of Credit Outstanding	2022 Credit Facilities	2022 Borrowings Outstanding - Credit Facilities[4]	2022 Borrowings Outstanding - Commercial Paper[4]	2022 Letters of Credit Outstanding
PGS:								
5-year facility [1]	$ 250	$ 55	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
TEC:								
5-year facility [2]	0	0	0	0	800	0	619	1
1-year term facility [3]	0	0	0	0	400	400	0	0
Total	$ 250	$ 55	$ 0	$ 0	$ 1,200	$ 400	$ 619	$ 1

(1) This 5-year PGS facility matures on December 1, 2028. PGS does not have an active commercial paper program.

(2) This 5-year TEC facility matures on December 17, 2026. TEC also has an active commercial paper program for up to $800 million, of which the full amount outstanding is backed by TEC's credit facility. The amount of commercial paper issued results in an equal amount of its credit facility being considered drawn and unavailable.

(3) This 1-year term facility was set to mature on December 16, 2022. On December 13, 2022, TEC extended the maturity date to December 13, 2023.

(4) At December 31, 2022, PGS's allocated portion of borrowing outstanding was $100 million for Credit Facilities and $66 million for Commercial Paper. The maturity date for the term loan and the revolving loans was December 29, 2023. Based on this maturity date, the amounts outstanding as of December 31, 2022 related to the borrowings outstanding for Credit Facilities and to borrowings outstanding for Commercial Paper are reported as notes payable on the Consolidated Balance Sheet as of December 31, 2022.

The PGS credit facility required commitment fees of 10 basis points. The weighted-average interest rate on outstanding amounts payable under the PGS credit facilities at December 31, 2023 was 6.36%. The TEC credit facilities required commitment fees of 12.5 basis points. The TEC weighted-average interest rate on outstanding amounts payable under the TEC credit facilities and commercial paper program December 31, 2022 was 5.0%.

PGS Credit Facility

On December 1, 2023, PGS entered into a $250 million senior unsecured revolving credit facility with a group of banks, maturing on December 1, 2028 (subject to further extension with the consent of each lender). The credit agreement contains customary representations and warranties, events of default, and financial and other covenants and provides for interest to accrue at variable rates based on the federal funds rate plus a margin. PGS may request the lenders to increase their commitments under the credit facility by up to $100 million in the aggregate subject to agreement from participating lenders.

7. Long-Term Debt

At December 31, 2023, long-term debt had a carrying amount of $923 million and an estimated fair market value of $943 million. At December 31, 2022, there was no long-term debt. The fair value of the debt securities is determined using Level 2 measurements (see **Note 12** for information regarding the fair value hierarchy).

PGS's gross maturities of long-term debt are as follows:

As of December 31, 2023 (millions)	*2024*	*2025*	*2026*	*2027*	*2028*	*Thereafter*	*Total Long-Term Debt*
PGS	0	0	0	0	350	575	925

PGS 5.42% Notes due 2028, 5.63% Notes due 2033 and 5.94% Notes due 2053

On December 19, 2023, PGS completed a sale of (i) $350 million aggregate principal amount of 5.42% Senior Notes due December 19, 2028 (the 2028 Notes), (ii) $350 million aggregate principal amount of 5.63% Senior Notes due December 19, 2033 (the 2033 Notes), (iii) $225 million aggregate principal amount of 5.94% Senior Notes due December 19, 2053 (the 2053 Notes, and collectively, the Notes). PGS may redeem all or any part of the Notes at its option at a redemption price equal to the discounted value of the remaining principal equal to the sum of the present value of the remaining payments of principal and interest on the notes to be redeemed, discounted at an applicable treasury rate (as defined in the note agreement), plus 50 basis points.

PGS had the following allocated portion of TEC's long-term debt for December 31, 2022 and PGS long-term debt for December 31, 2023:

Long-Term Debt

(millions)		*Due*	*2023*	*2022*[4]
PGS	Notes [1][2]:			
	3.88%[3]	2024	0	38
	5.42%	2028	350	0
	2.40%[3]	2031	0	115
	5.63%	2033	350	0
	6.15%[3]	2037	0	60
	4.10%[3]	2042	0	50
	4.35%[3]	2044	0	10
	4.20%[3]	2045	0	20
	4.30%[3]	2048	0	75
	4.45%[3]	2049	0	25
	3.63%[3]	2050	0	25
	3.45%[3]	2051	0	115
	5.00%[3]	2052	0	37
	5.94%	2053	225	0
	Total long-term debt of PGS		925	570
Unamortized debt discount, net			0	(2)
Debt issuance costs			(2)	(4)
Total carrying amount of Notes			923	564
Less amount due within one year			0	0
Total long-term debt			$ 923	$ 564

(1) The agreements for these senior unsecured long-term debt securities contain various restrictive financial covenants.

(2) These securities are subject to redemption in whole or in part, at any time, at the option of the issuer.

(3) In 2022, the amounts shown are allocations from Tampa Electric to PGS of TEC Notes. As described in **Note 1** and **Note 6**, PGS separated from TEC on January 1, 2023.

(4) In 2022, the Notes are reported as notes payable on the Consolidated Balance Sheet as of December 31, 2022 (see **Note 6**).

8. Commitments and Contingencies

Legal Contingencies

From time to time, PGS is involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss.

Superfund and Former Manufactured Gas Plant Sites

As of December 31, 2023 and 2022, PGS was a PRP for certain superfund sites and certain former MGP sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of December 31, 2023 and 2022, PGS estimated its ultimate financial liability to be $11 million and $13 million, respectively. This amount has been accrued and is reflected in the long-term liability section under “Deferred credits and other liabilities” on the Consolidated Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs that was attributable to PGS. The estimates to perform the work were based on PGS’s experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, most of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, PGS could be liable for more than PGS’s actual percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. Under current regulations, these costs are recoverable through customer rates established in subsequent base rate proceedings.

Long-Term Commitments

PGS has commitments for various purchases as disclosed below, including contractual agreements for transportation, fuel and gas supply that are recovered from customers under regulatory clauses. The following is a schedule of future payments under minimum lease payments with non-cancelable lease terms in excess of one year and other net purchase obligations/commitments at December 31, 2023:

(millions)	*Transportation* (1)	*Fuel and Gas Supply*	*Total*
Year ended December 31:			
2024	$ 142	$ 5	$ 147
2025	132	0	132
2026	128	1	129
2027	125	1	126
2028	121	0	121
Thereafter	884	0	884
Total future minimum payments	$ 1,532	$ 7	$ 1,539

(1) As of December 31, 2023, $100 million is related to a gas transportation contract between SeaCoast and PGS through 2040.

Financial Covenants

PGS must meet certain financial tests, including a debt to capital ratio, as defined in the applicable debt agreements. PGS has certain restrictive covenants in specific agreements and debt instruments. At December 31, 2022, all debt allocable to PGS was held at Tampa Electric. Therefore, TEC had to meet certain financial tests, including a debt to capital ratio, as defined in the applicable debt agreements. TEC had certain restrictive covenants in specific agreements and debt instruments for 2022. At December 31, 2023 and 2022, PGS and TEC, respectively, were in compliance with all required financial covenants.

9. Revenue

The following disaggregates PGS's revenue by major source:

(millions) **For the years ended December 31,** **Regulated gas revenue**	*2023*	*2022*
Residential	$ 209	$ 229
Commercial	191	200
Industrial (1)	36	31
Other (2)	112	184
Total gas revenue(3)	548	644
Unregulated revenue	15	12
Total revenue	$ 563	$ 656

(1) Industrial includes sales to power generation customers.

(2) Other includes off-system sales to other utilities, franchise fees, gross receipts, energy conservation charges, regulatory deferrals and various other items.

(3) Includes fuel revenue.

10. Related Party Transactions

A summary of activities between PGS and its affiliates follows:

Net transactions with affiliates:

(millions)	*2023*	*2022*
Services provided to/(received from) affiliates	$ (32)	$ (31)
Natural gas sales to/(from) affiliates	(19)	(8)
Interest expense to affiliate	38	0
Equity contributions from Parent	92	205
Dividends to Parent	74	82

Amounts due from or to affiliates at December 31,

(millions)	*2023*	*2022*
Accounts receivable(1)	$ 2	$ 4
Accounts payable(1)	15	27
Note payable to Tampa Electric(2)	0	730
Taxes payable(3)	1	0

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

(2) The note payable for the term loan bears interest at primarily the stated rate and the revolving loan rate approximates the market rate of Tampa Electric's commercial paper. See "Separation of PGS from TEC" in **Note 1** and see **Note 6** for further information.

(3) Taxes payable were due to EUSHI. See **Note 4** for additional information.

11. Leases

PGS determines whether a contract contains a lease at inception by evaluating if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where PGS is the lessor, a lease is a sales-type lease if certain criteria are met and the arrangement transfers control of the underlying asset to the lessee. For arrangements where the criteria are met due to the presence of a third-party residual value guarantee, the lease is a direct financing lease.

For direct finance leases, a net investment in the lease is recorded that consists of the sum of the minimum lease payments and residual value (net of estimated executory costs and unearned income). The difference between the gross investment and the cost of the leased item is recorded as unearned income at the inception of the lease. Unearned income is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease.

Lessor

Commencing in October 2023, the company leased a renewable natural gas (RNG) facility to a biogas producer that is classified as a sales-type lease. The term of the facility lease is 15 years, with a nominal value purchase at the end of the term and a net investment of approximately $35 million.

The total net investment in sales-type leases consists of the following as of December 31:

(millions)	*2023*	*2022*
Minimum lease payments receivable	$ 59	$ 0
Less unearned finance lease income	(24)	0
Net investment in direct finance and sales-type leases	$ 35	$ 0
Principal due within one year (included in "Receivables")	(4)	0
Net investment in direct finance and sales-type leases - long-term (included in "Deferred charges and other assets")	$ 31	$ 0

The unearned income related to this sales-type leases is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease and is recorded as “Gas revenues” on the Consolidated Statements of Income. Less than $1 million of interest income related to this lease was recognized in 2023.

The credit risk associated with the RNG facility is mitigated by a lease guaranty for two years of the lease payments of $8 million.

As of December 31, 2023, future minimum sales-type lease payments to be received for each of the next five years and in aggregate thereafter consisted of the following:

(millions) *Year ended December 31:*	*2024*	*2025*	*2026*	*2027*	*2028*	*Thereafter*	*Total*
Minimum lease payments receivable	$ 4	$ 4	$ 4	$ 4	$ 4	$ 39	$ 59

12. Fair Value Measurements

Items Measured at Fair Value on a Recurring Basis

Accounting guidance governing fair value measurements and disclosures provides that fair value represents the amount that would be received in selling an asset or the amount that would be paid in transferring a liability in an orderly transaction between market participants. As a basis for considering assumptions that market participants would use in pricing an asset or liability, accounting guidance also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs, such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of December 31, 2023 and 2022, the fair value of PGS's short-term debt is not materially different from the carrying value due to the short-term nature of the instruments and because the stated rates approximate market rates. The fair value of PGS's short-term debt is determined using Level 2 measurements.

See **Note 5** for information regarding the fair value of the company's pension plan investments and **Note 7** for the company's long-term debt.

13. Subsequent Events

PGS is a wholly owned subsidiary of TECO Gas Operations, Inc. ("TGOI"). Prior to April 1, 2024, TGOI was a wholly owned subsidiary of TECO Energy, Inc., which is an indirect wholly owned subsidiary of Emera Inc. On April 1, 2024, TECO Energy distributed its investment in TGOI to TECO Holdings, Inc. This new corporation is also an indirect, wholly owned subsidiary of Emera.

These financial statements and notes reflect PGS's evaluation of events occurring subsequent to the balance sheet date through April 15, 2024, the date the financial statements were issued.

14. Difference between Uniform System of Accounts and GAAP

In accordance with the PSC/AFD 020-G page 11 instructions, these notes are a replica of those included in the Company's published annual reports which may include reclassifications not made for PSC/AFD 020-G reporting purposes. These financial statements are prepared in accordance with the accounting requirements as set forth in the applicable FERC Uniform System of Accounts for Natural Gas Companies and published accounting releases. This is a comprehensive basis of accounting consistent with GAAP, except for:

- the balance sheet classification of cost of removal collections from customers,
- the balance sheet classification of plant leased to others under capital leases,
- the balance sheet classification of ASC 740-10-45 deferred income tax,
- the balance sheet classification of regulatory assets and liabilities,
- the balance sheet classification of debt issuance costs,
- the balance sheet classification of unbilled revenue,
- the balance sheet classification of insurance recoveries,
- the balance sheet classification of accumulated provision for pension benefits,
- the income statement classification of amortization of regulatory assets and liabilities,
- the equity method of accounting for wholly owned subsidiaries,
- The income statement classification of revenues and expenses.

Subsequent events have been included through the date of the PGS GAAP financial statements issuance on April 15, 2024. In accordance with FERC requirements, subsequent events occurring in 2024 after that date have not been disclosed.

Exhibit B

**PEOPLES GAS SYSTEM, INC.
PROJECTED STATEMENT OF SOURCES
AND USES OF FUNDS FOR THE TWELVE MONTHS
ENDED DECEMBER 31, 2025 (MILLIONS)**

Cash Flows from Operating Activities:	
Depreciation	$ 96
Deferred Taxes	26
Other	124
	246
Cash Flows from Investing Activities:	
Capital Expenditures, excluding AFUDC	(355)
Cash Flows from Financing Activities:	
Changes in Financing	109
Total Cash Flows	$ 0

**PEOPLES GAS SYSTEM, INC.
PROJECTED CONSTRUCTION BUDGET
FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2025 (MILLIONS)**

Revenue Producing	$ 190
Maintenance	104
Cast Iron Bare Steel / Problematic Plastic Pipe	61
Total Projected Construction Budget, excluding AFUDC	$ 355