

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint application for authority to issue and sell securities for year ending December 31, 2023, by Tampa Electric Company and Peoples Gas System.

DOCKET NO. 20220146-PU
ORDER NO. PSC-2022-0363-FOF-PU
ISSUED: October 25, 2022

The following Commissioners participated in the disposition of this matter:

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

FINAL ORDER GRANTING TAMPA ELECTRIC COMPANY AND PEOPLES GAS SYSTEM APPROVAL FOR AUTHORITY TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

Tampa Electric Company (Tampa Electric or the Company) and Tampa Electric Company d/b/a Peoples Gas System (PGS) filed a joint application with us on August 24, 2022 pursuant to Section 366.04, Florida Statutes (F.S.), and Chapter 25-8, Florida Administrative Code (F.A.C.), seeking the authority to issue, sell securities.

Notice of Tampa Electric Company's application was given in the Florida Administrative Register on September 22, 2022.

In its petition, Tampa Electric stated it is preparing to transfer the assets used by its PGS division into a separate corporation known as Peoples Gas System, Inc. (PGS, Inc. or PGS). PGS intends to access the third-party lending market during 2023 but cannot predict when during 2023 that it will do so. To assist its affiliate and to facilitate an orderly transfer of its gas assets, Tampa Electric has agreed to continue to be responsible for providing capital as needed to PGS, Inc. under an Intercompany Debt Agreement until December 31, 2023. Consequently, Tampa Electric will need long- and short-term securities issuance authority in 2023 to cover the needs of its electric operations and the gas operations of its affiliate, PGS, up to a total of \$2.2 billion. In addition, PGS will need short- and long-term securities issuance authority in 2023 to cover its obligation under the planned Intercompany Debt Agreement and with third-party lenders in an amount equal to approximately \$1.4 billion.

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

I. Tampa Electric Company

Statement of Proposed Transactions

Tampa Electric 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 its Application. The Company also seeks authority to enter into interest rate swaps or other derivative instruments related to debt securities. Any exercise of the requested authority will be for the benefit of the Company or its affiliate PGS under the Intercompany Debt Agreement. In connection with this application, the Company confirms that the capital raised pursuant to its application will be used in connection with the activities of the Company's regulated electric and gas divisions, or its affiliate PGS under the Intercompany Debt Agreement, and not the unregulated activities of the utilities or their affiliates.

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

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

The short-term debt may take the form of commercial paper, short-term tax-exempt notes, borrowings under bank credit facilities, or other bank borrowings. Short-term debt sold in the commercial paper market may bear an interest rate as determined by the market price at the date of issuance and will mature not more than one year from the date of issuance.

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 \$1.5 billion 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 \$2.2 billion.

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 for potential long-term emergency funding; and the amount of \$1.2 billion is needed based on projected long-term debt levels and for other purposes (swaps, re-financings, etc.). With respect to short-term debt, the amount of up to \$2.2 billion at any time outstanding is needed to enable

the Company to fully draw existing short-term credit facilities including what may be needed to avail the Company of short-term emergency funding and other purposes.

The interest rate that Tampa Electric 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. On July 12, 2022, Tampa Electric issued two new series of fixed-rate notes with terms to maturity of 2 years and 30 years. The 2-year notes carry a yield to maturity of 3.895% and the 30-year notes carry a yield to maturity of 5.008%. Actual dividend rates for the aforementioned equity securities and interest rates will be determined at the time of the issuance and/or sale of the applicable securities.

Purpose of Issuance

Proceeds from any sale of securities will be added to the Company's general funds and used for working capital requirements and for other general business purposes, including financing of the Company's capital investments (electric and gas to the extent needed by PGS) 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 the Company.

(a) Construction

Although the 2023 business plan is still preliminary, the electric division of the Company currently estimates that construction expenditures during the 12 months ending December 31, 2023, will be \$1.151 billion.

The gas division of the Company currently estimates that construction expenditures during the 12 months ending December 31, 2023, will be \$333 million for maintenance and system expansion.

(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 the Company 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 above, which matures from time to time on a regular basis. Subject to market conditions, the Company may refund such short-term debt with new short-term debt, long-term debt or preferred or preference stock.

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

The proposed issuance and sale of securities is for lawful objectives within the corporate purposes of the Company, is necessary for the proper performance by the two divisions of the Company as public utilities, or to satisfy its Intercompany Debt Agreement with PGS during 2023, is compatible with the public interest and is reasonable, necessary, and appropriate. The Company states that the proposed issuance and sale of securities and the proposed application of funds derived therefrom, are consistent with similar actions the Company in the past has found to be lawful, reasonable, necessary, and appropriate for the conduct of its business. The Company further states that this application for authority to issue and sell securities is consistent in its objectives with those of applications the Company has filed, and we have found to be lawful, reasonable, necessary, and appropriate, on numerous occasions in the past.

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

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

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

II. Peoples Gas System, Inc.

As previously discussed, on January 1, 2023, a new wholly owned subsidiary of TECO Energy, Inc., Peoples Gas System, Inc. is planned to be created. On January 1, 2023, the assets, liabilities, and equity that have been recorded in the books of PGS and reported in its Annual Report to us and Earnings Surveillance Reports are planned to be legally moved from Tampa Electric to the newly formed PGS, Inc. Included in the liabilities transferred will be PGS's allocation of Tampa Electric's outstanding unsecured notes listed above and outstanding short-term borrowings that are planned to be converted into an Intercompany Debt Agreement with

Tampa Electric, with interest rates on each allocation being maintained accordingly. During 2023, short-term debt funding will be provided to PGS through the Intercompany Debt Agreement at Tampa Electric's prevailing cost of short-term debt borrowings. The Intercompany Debt Agreement will remain outstanding until PGS pays Tampa Electric all principal and interest due on the Intercompany Debt Agreement, which is planned to occur during 2023, funded by PGS issuance of its own long-term debt and/or short-term borrowings. The initial obligation of PGS, Inc. under the Intercompany Debt Agreement is expected to be approximately \$800 million. PGS intends to access the third-party lending market during 2023 but cannot predict when during 2023 that it will do so. If necessary, PGS may obtain temporary short-term bank borrowings (used to retire the Intercompany Debt Agreement principal and interest) that would be replaced with a combination of long-term debt and short-term debt borrowings.

The planned PGS seeks the authority to issue, sell, and/or exchange equity securities and issue, sell, exchange, and/or assume long-term or short-term debt securities and/or to assume liabilities or obligations as guarantor, endorser, or surety during the period covered by this Application. PGS also seeks authority to enter into interest rate swaps or other derivative instruments related to debt securities. Any exercise of the requested authority will be for the benefit of the 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 PGS regulated gas distribution services and not the unregulated activities of the utility or its affiliates.

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

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

The short-term debt may take the form of commercial paper, short-term tax-exempt notes, borrowings under bank credit facilities, or other bank borrowings. Short-term debt sold in the commercial paper market may bear an interest rate as determined by the market price at the date of issuance and will mature not more than one year from the date of issuance.

The amount of equity (excluding equity moved from Tampa Electric to new PGS on January 1, 2023, as described above) and long-term debt securities issued, sold, exchanged, or assumed and liabilities and obligations assumed or guaranteed as guarantor, endorser, or surety (excluding the initial obligation assumed by PGS on January 1, 2023 under the Intercompany Debt Agreement of approximately \$800 million) will not exceed in the aggregate \$1.4 billion

during the period covered by this Application, including any amounts issued to retire the Intercompany Debt Agreement with Tampa Electric and amounts needed for potential long-term emergency funding. The maximum amount of short-term debt, as described above to potentially retire the Intercompany Debt Agreement with Tampa Electric, outstanding at any one time and to avail PGS of short-term emergency funding and other purposes, will be \$1.2 billion.

The interest rates for the aforementioned debt securities to be issued by PGS will be subject to its own credit rating expected to be established in 2023. Actual dividend rates for the aforementioned equity securities and interest rates will be determined at the time of the issuance and/or sale of the applicable securities.

Purpose of Issuance

Proceeds from any sale of securities will be added to PGS general funds and used for working capital requirements and for other general business purposes, including financing PGS 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 including the Intercompany Debt Agreement.

(a) Construction

Although the 2023 business plan is still preliminary, PGS currently estimates that construction expenditures during the 12 months ending December 31, 2023, will be \$333 million for maintenance and system expansion.

(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 the planned Intercompany Debt Agreement, which is expected to occur during 2023. Subject to market conditions and establishment of PGS own credit rating during 2023, PGS may refund such short-term debt with new short-term debt, long-term debt or preferred or preference stock.

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 by 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 above, are consistent with similar actions PGS, as a division of Tampa Electric, 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, as a division of Tampa Electric, has filed, and we have found to be lawful, reasonable, necessary, and appropriate, on numerous occasions in the past.

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 Tampa Electric's shareholders approved a restructuring plan under which the Company and its subsidiaries became separate wholly owned subsidiaries of a holding company, TECO Energy, Inc. PGS became an operating division of Tampa Electric in 1997 when TECO Energy, Inc. purchased PGS and merged that corporation into Tampa Electric. On July 1, 2016, TECO Energy, Inc. became a wholly owned subsidiary of Emera US Holdings Inc., a wholly owned subsidiary of Emera Inc. On January 1, 2023, the new corporate entity, Peoples Gas System, Inc., is planned to be formed and will be a wholly owned subsidiary of a newly formed gas operations holding company, TECO Gas Operations, Inc., which would be a subsidiary of TECO Energy, Inc.

III. Conclusion

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

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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the joint application of Tampa Electric Company and Peoples Gas System Inc., to issue, sell and/or exchange equity securities and issue, sell, exchange and/or assume long-term or short-term debt securities and/or assume liabilities or obligations as guarantor, endorser, or surety during the twelve month period ending December 31, 2023 pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, is hereby approved as set forth herein. It is further

ORDERED that Tampa Electric Company's is hereby authorized to issue and sell and/or exchange any combination of long-term debt and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed \$1.5 billion during the twelve month period ending December 31, 2023, for the purposes and in the manner described in the Applicants' application. It is further

ORDERED that Tampa Electric Company is hereby authorized to issue and sell short-term securities in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed \$2.2 billion during the twelve month period ending December 31, 2023, for the purposes and in the manner described in the Applicants' application. It is further

ORDERED that Tampa Electric Company's request for authority to enter into interest rate swaps or other derivative instruments related to debt securities during the twelve month period ending December 31, 2023, is hereby granted. It is further

ORDERED that Peoples Gas System Inc., is hereby authorized to issue and sell and/or exchange any combination of long-term debt and equity securities (excluding equity moved from Tampa Electric Company to the new Peoples Gas System, Inc. on January 1, 2023), and/or to assume liabilities or obligations as guarantor, endorser or surety (excluding the initial obligation assumed by Peoples Gas System Inc., on January 1, 2023 under the Intercompany Debt Agreement of approximately \$800 million) in an aggregate amount not to exceed \$1.4 billion including any amounts issued to retire the Intercompany Debt Agreement with Tampa Electric Company and amounts needed for potential long-term emergency funding, and for the purposes and in the manner described in the Applicants application. It is further

ORDERED that Peoples Gas System Inc., is hereby authorized to issue and sell short-term securities in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed \$1.2 billion during the twelve month period ending December 31, 2023, for the purposes and in the manner described in the Applicants' application. It is further

ORDERED that this docket shall remain open until May 3, 2024, to monitor the issuance and/or sale of securities until Tampa Electric Company and Peoples Gas System submits and Commission staff has reviewed the Consummation Report, at which time it shall be closed administratively.

By ORDER of the Florida Public Service Commission this 25th day of October, 2022.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

RPS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

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