GU608-13-AR

# ANNUAL REPORT OF

# NATURAL GAS UTILITIES



PEOPLES GAS SYSTEM

(EXACT NAME OF RESPONDENT)

702 N. Franklin Street

Tampa, Florida 33602

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2013



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

| | | |
|---|---|---|
| Name Jeffrey S. Chronister | Title Controller | |
| Address P.O Box 2562 | City Tampa | State FL 33601-2562 |
| Telephone No. (813) 228-1609 | | |

pwc

## Report of Independent Certified Public Accountants

To the Board of Directors of
Tampa Electric Company:

We have audited the accompanying balance sheets of People's Gas System (a wholly-owned subsidiary of Tampa Electric Company) as of December 31, 2013 and 2012 and the related statements of income, retained earnings, cash flows and accumulated comprehensive income, comprehensive income and hedging activities for the years then ended, included on pages 6 through 10 and 11-A through 11-EE of the accompanying Federal Energy Regulatory Commission Form 2.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements 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 as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peoples Gas System as of December 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and publish accounting releases described in Note 1.

Our report is intended solely for the information and use of the board of directors and management of Peoples Gas System and for filing with the Federal Energy Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties or for any other purpose.

PricewaterhouseCoopers LLP

Tampa, Florida
February 28, 2014

## INSTRUCTIONS FOR FILING THE ANNUAL REPORT OF NATURAL GAS UTILITIES

### GENERAL INSTRUCTIONS

I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.

II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.

III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.

IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.

V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.

VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.

VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.

VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

### DEFINITIONS

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

II. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

# ANNUAL REPORT OF NATURAL GAS UTILITIES

## IDENTIFICATION

| | |
|---|---|
| 01 Exact Legal Name of Respondent<br><br>Peoples Gas System, a Division of Tampa Electric Company | 02 Year of Report<br><br>2013 |
| 03 Previous Name and Date of Change (if name changed during year) | |
| 04 Address of Principal Office at End of Year (Street, City, State, Zip Code)<br><br>702 N. Franklin Street Tampa, Florida 33602 | |
| 05 Name of Contact Person<br><br>Jeffrey S. Chronister | 06 Title of Contact Person<br><br>Controller |
| 07 Address of Contact Person (Street, City, State, Zip Code)<br><br>P.O Box 2562 Tampa, Florida 33601-2562 | |
| 08 Telephone of Contact Person, Including Area Code<br><br>(813) 228 - 1609 | 09 Date of Report (Mo., Day, Yr)<br><br>Dec. 31, 2013 |

## ATTESTATION

I certify that I am the responsible accounting officer of

Peoples Gas System ;

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2013 to December 31, 2013, inclusive.

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

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

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

Signature: [signature]    Date: 4/29/14

Name: Jeffrey S. Chronister    Title: Controller

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| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## CONTROL OVER RESPONDENT

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

Peoples Gas System is a division of Tampa Electric Company, which is a wholly owned subsidiary of TECO Energy.

## CORPORATIONS CONTROLLED BY RESPONDENT

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

### DEFINITIONS

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

| Name of Company Controlled (a) | Kind of Business (b) | Percent Voting Stock Owned (c) | Footnote Ref. (d) |
|---|---|---|---|
| TECO Partners | Marketing Services | 100% | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

| Title (a) | Name of Officer (b) | Salary for Year (c) |
|---|---|---|
| President Tampa Electric & PGS * | G. Gillette | $ 160,500.00 |
| Senior Vice President Energy Delivery * | W. Whale | $ 102,000.00 |
| Vice President Customer Care & Fuels Management * | B. Narzissenfeld | $ 72,800.00 |
| Vice President State & Comm Relations * | C. Hinson | $ 33,430.50 |
| *Salary for the year shown represents the Peoples Gas System allocation of individual salaries. | | |

## DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.

2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

| Name (and Title) of Director (a) | Principal Business Address (b) | No. of Directors Meetings During Yr. (c) | Fees During Year (d) |
|---|---|---|---|
| Peoples Gas System, as a division of Tampa Electric Company, has no Directors. | | | |

## SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not complied within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.
2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.
3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.
4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

| | VOTING SECURITIES | | | |
|---|---|---|---|---|
| | Number of votes as of (date): | | | |
| Name (Title) and Address of Security Holder (a) | Total Votes (b) | Common Stock (c) | Preferred Stock (d) | Other (e) |
| TOTAL votes of all voting securities | | | | |
| TOTAL number of security holders | | | | |
| TOTAL votes of security holders listed below | | | | |
| Peoples Gas System, as a division of Tampa Electric Company, has no outstanding shares of common stock. All outstanding shares of Tampa Electric Company common stock are held by its parent, TECO Energy, Inc. | | | | |

## IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.
1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.
2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.
3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.
4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

1 None
2 None
3 None
4 Please see legal contingency section in the notes to financials.
5 None

| Name of Respondent | | | | For the Year Ended |
|---|---|---|---|---|
| Peoples Gas System | | | | Dec. 31, 2013 |

**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

| Line No. | Title of Account (a) | Ref. Page No. (b) | Balance at Beginning of Year (c) | Balance at End of Year (d) |
|---|---|---|---|---|
| 1 | UTILITY PLANT | | | |
| 2 | Utility Plant (101-106, 114) | 12 | 1,171,093,818 | 1,250,563,388 |
| 3 | Construction Work in Progress (107) | 12 | 53,323,410 | 37,999,179 |
| 4 | TOTAL Utility Plant Total of lines 2 and 3) | | 1,224,417,228 | 1,288,562,567 |
| 5 | (Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115) | 12 | 556,950,514 | 595,695,477 |
| 6 | Net Utility Plant (Total of line 4 less 5) | | 667,466,714 | 692,867,090 |
| 7 | Utility Plant Adjustments (116) | 11 | | |
| 8 | Gas Stored (117.1, 117.2, 117.3, 117.4) | - | | |
| 9 | OTHER PROPERTY AND INVESTMENTS | | | |
| 10 | Nonutility Property (121) | - | | |
| 11 | (Less) Accum. Prov. for Depr. and Amort. (122) | - | | |
| 12 | Investments in Associated Companies (123) | - | 981,643 | 1,072,286 |
| 13 | Investment in Subsidiary Companies (123.1) | - | | |
| 14 | Other Investments (124) | - | | |
| 15 | Special Funds (125, 126, 128) | - | | |
| 16 | TOTAL Other Property and Investments (Total of lines 10 through 15) | | 981,643 | 1,072,286 |
| 17 | CURRENT AND ACCRUED ASSETS | | | |
| 18 | Cash (131) | - | 4,359,334 | 3,261,023 |
| 19 | Special Deposits (132-134) | - | 25,000 | 25,000 |
| 20 | Working Funds (135) | - | 3,500 | 3,500 |
| 21 | Temporary Cash Investments (136) | - | | |
| 22 | Notes Receivable (141) | - | | |
| 23 | Customer Accounts Receivable (142) | - | 24,652,859 | 22,917,005 |
| 24 | Other Accounts Receivable (143) | - | 8,837,164 | 6,933,411 |
| 25 | (Less) Accumulated Provision for Uncollectible Accounts-Credit (144) | - | (857,665) | (731,329) |
| 26 | Notes Receivable from Associated Companies (145) | - | | |
| 27 | Accounts Receivable from Associated Companies (146) | - | 4,384,543 | 1,682,578 |
| 28 | Fuel Stock (151) | - | | |
| 29 | Fuel Stock Expense Undistributed (152) | - | | |
| 30 | Residuals (Electric) and Extracted Products (Gas) (153) | - | | |
| 31 | Plant Material and Operating Supplies (154) | - | 2,729,308 | 3,062,783 |
| 32 | Merchandise (155) | - | - | |
| 33 | Other Material and Supplies (156) | - | | |
| 34 | Stores Expenses Undistributed (163) | - | | |
| 35 | Gas Stored Underground & LNG Stored (164.1-164.3) | - | 963,087 | - |
| 36 | Prepayments (165) | 18 | 1,158,661 | 1,368,776 |
| 37 | Advances for Gas (166-167) | - | | |
| 38 | Interest and Dividends Receivable (171) | - | | |
| 39 | Rents Receivable (172) | - | | |
| 40 | Accrued Utility Revenues (173) | - | 10,676,250 | 10,453,804 |
| 41 | Miscellaneous Current and Accrued Assets (174) | - | 59,170 | 1,135,145 |
| 42 | TOTAL Current and Accrued Assets (Total of lines 18 through 41) | | 56,991,211 | 50,111,696 |
| 43 | DEFERRED DEBITS | | | |
| 44 | Unamortized Debt Expense (181) | - | 1,179,823 | 1,094,577 |
| 45 | Extraordinary Property Losses (182.1) | 18 | | |
| 46 | Unrecovered Plant and Regulatory Study Costs (182.2) | 18 | | |
| 47 | Other Regulatory Assets (182.3) | 19 | 84,944,100 | 74,569,400 |
| 48 | Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2) | - | | |
| 49 | Clearing Accounts (184) | - | 918 | 5,503 |
| 50 | Temporary Facilities (185) | - | | |
| 51 | Miscellaneous Deferred Debits (186) | 19 | 146,460 | 86,796 |
| 52 | Deferred Losses from Disposition of Utility Plant. (187) | - | | |
| 53 | Research, Development and Demonstration Expenditures (188) | - | | |
| 54 | Unamortized Loss on Reacquired Debt (189) | 20 | | |
| 55 | Accumulated Deferred Income Taxes (190) | 24 | 38,978,492 | 33,632,569 |
| 56 | Unrecovered Purchased Gas Costs (191) | - | 1,773,815 | 3,028,976 |
| 57 | TOTAL Deferred Debits (Total of lines 44 through 56) | | 127,023,608 | 112,417,821 |
| 58 | TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57) | | 852,463,176 | 856,468,893 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

| Line No. | Title of Account (a) | Ref. Page No. (b) | Balance at Beginning of Year (c) | Balance at End of Year (d) |
|---|---|---|---|---|
| 1 | PROPRIETARY CAPITAL | | | |
| 2 | Common Stock (201, 202, 203, 205, 206, 207) | - | | |
| 3 | Preferred Stock Issued (204) | - | | |
| 4 | Other Paid-In Capital (208-214) | - | 175,550,169 | 185,550,169 |
| 5 | Retained Earnings (215, 216) | 10 | 112,361,504 | 112,751,747 |
| 6 | Other Comprehensive Income (219) | | (2,098,258) | (1,829,350) |
| 7 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 10 | 999,272 | 1,089,915 |
| 8 | (Less) Reacquired Capital Stock (217) | - | | |
| 9 | TOTAL Proprietary Capital (Total of lines 2 through 8) | | 286,812,687 | 297,562,481 |
| 10 | LONG-TERM DEBT | | | |
| 11 | Bonds (221) | 21 | | |
| 12 | (Less) Reacquired Bonds (222) | 21 | | |
| 13 | Advances from Associated Companies (223) | 21 | | |
| 14 | Other Long-Term Debt (224) | 21 | 231,764,680 | 231,764,680 |
| 15 | Unamortized Premium on Long-Term Debt (225) | 21 | | |
| 16 | (Less) Unamortized Discount on Long-Term Debt-Debit (226) | 21 | (441,750) | (422,760) |
| 17 | TOTAL Long-Term Debt (Total of lines 11 through 16) | | 231,322,930 | 231,341,920 |
| 18 | OTHER NONCURRENT LIABILITIES | | | |
| 19 | Obligations Under Capital Leases - Noncurrent (227) | - | | |
| 20 | Accumulated Provision for Property Insurance (228.1) | - | 206,042 | 263,542 |
| 21 | Accumulated Provision for Injuries and Damages (228.2) | - | 3,145,039 | 2,977,012 |
| 22 | Accumulated Provision for Pensions and Benefits (228.3) | - | 36,279,812 | 23,325,251 |
| 23 | Accumulated Miscellaneous Operating Provisions (228.4) | - | 53,295 | 115,339 |
| 24 | Accumulated Provision for Rate Refunds (229) | - | | |
| 25 | TOTAL Other Noncurrent Liabilities (Total of lines 19 through 24) | | 39,684,188 | 26,681,144 |
| 26 | CURRENT AND ACCRUED LIABILITIES | | | |
| 27 | Notes Payable (231) | - | - | 15,600,000 |
| 28 | Accounts Payable (232) | - | 32,478,410 | 25,201,160 |
| 29 | Notes Payable to Associated Companies (233) | - | 2,300,000 | |
| 30 | Accounts Payable to Associated Companies (234) | - | 6,104,859 | 7,116,182 |
| 31 | Customer Deposits (235) | - | 38,855,435 | 38,962,429 |
| 32 | Taxes Accrued (236) | - | 4,978,484 | 2,661,809 |
| 33 | Interest Accrued (237) | - | 1,778,565 | 1,777,760 |
| 34 | Dividends Declared (238) | - | | |
| 35 | Matured Long-Term Debt (239) | - | | |
| 36 | Matured Interest (240) | - | | |
| 37 | Tax Collections Payable (241) | - | 636,406 | 614,504 |
| 38 | Miscellaneous Current and Accrued Liabilities (242) | 22 | 41,644,319 | 44,931,659 |
| 39 | Obligations Under Capital Leases-Current (243) | - | | |
| 40 | Derivative Liabilities (245) | | 4,281,250 | 35,685 |
| 41 | TOTAL Current and Accrued Liabilities (Total of lines 27 through 40) | | 133,057,728 | 136,901,188 |
| 42 | DEFERRED CREDITS | | | |
| 43 | Customer Advances for Construction (252) | - | 6,821,045 | 7,564,144 |
| 44 | Other Deferred Credits (253) | 22 | 2,054,655 | 2,537,502 |
| 45 | Other Regulatory Liabilities (254) | 22 | 952,948 | 1,845,837 |
| 46 | Accumulated Deferred Investment Tax Credits (255) | 23 | | |
| 47 | Deferred Gains from Disposition of Utility Plant (256) | - | | |
| 48 | Unamortized Gain on Reacquired Debt (257) | 20 | | |
| 49 | Accumulated Deferred Income Taxes (281-283) | 24 | 151,756,995 | 152,034,677 |
| 50 | TOTAL Deferred Credits (Total of lines 43 through 49) | | 161,585,643 | 163,982,160 |
| 51 | TOTAL Liabilities and Other Credits (Total of lines 9, 17, 25, 41 and 50) | | 852,463,176 | 856,468,893 |
| | | | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## STATEMENT OF INCOME

1. Use page 11 for important notes regarding the statement of income or any account thereof.
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

| Line No. | Account (a) | Ref. Page No. (b) | Total Gas Utility Current Year (c) | Total Gas Utility Previous Year (d) |
|---|---|---|---|---|
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) | 26 | 382,348,910 | 388,728,150 |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 27-29 | 223,799,544 | 232,396,856 |
| 5 | Maintenance Expenses (402) | 27-29 | 8,092,755 | 6,155,929 |
| 6 | Depreciation Expense (403) | 15-16 | 49,505,687 | 47,452,568 |
| 7 | Amortization & Depletion of Utility Plant (404-405) | - | 1,081,981 | 2,268,253 |
| 8 | Amortization of Utility Plant Acquisition Adjustment (406) | - | 149,146 | 149,146 |
| 9 | Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1) | - | | |
| 10 | Amortization of Conversion Expenses (407.2) | - | | |
| 11 | Regulatory Debits (407.3) | - | 1,694,034 | 639,996 |
| 12 | (Less) Regulatory Credits (407.4) | - | (1,381,787) | (2,041,700) |
| 13 | Taxes Other Than Income Taxes (408.1) | 23 | 33,584,232 | 32,616,191 |
| 14 | Income Taxes - Federal (409.1) | - | 13,277,275 | (9,983,222) |
| 15 | - Other (409.1) | - | 1,442,786 | 1,264,338 |
| 16 | Provision for Deferred Income Taxes (410.1) | 24 | 5,454,730 | 29,217,598 |
| 17 | (Less) Provision for Deferred Income Taxes - Cr.(411.1) | 24 | | |
| 18 | Investment Tax Credit Adjustment - Net (411.4) | 23 | | |
| 19 | (Less) Gains from Disposition of Utility Plant (411.6) | - | | |
| 20 | Losses from Disposition of Utility Plant (411.7) | - | | |
| 21 | Other Operating Income (412-414) | - | | |
| 22 | TOTAL Utility Operating Expenses (Total of lines 4 -21) | | 336,700,383 | 340,135,953 |
| 23 | Net Utility Operating Income (Total of line 2 less 22) | | | |
| 24 | (Carry forward to page 9, line 25) | | 45,648,527 | 48,592,197 |

| Name of Respondent | | | For the Year Ended |
|---|---|---|---|
| Peoples Gas System | | | Dec. 31, 2013 |

**STATEMENT OF INCOME (Continued)**

| Line No. | Account (a) | Ref. Page No. (b) | TOTAL Current Year (c) | TOTAL Previous Year (d) |
|---|---|---|---|---|
| 25 | Net Utility Operating Income (Carried forward from page 8) | | 45,648,527 | 48,592,197 |
| 26 | **Other Income and Deductions** | | | |
| 27 | Other Income | | | |
| 28 | Nonutility Operating Income | | | |
| 29 | Revenues From Merchandising, Jobbing and Contract Work (415) | - | 106,450 | 87,023 |
| 30 | (Less) Costs and Exp. of Merchandising, Job & Contract Work (416) | - | (67,495) | (291,762) |
| 31 | Revenues From Nonutility Operations (417) | - | | |
| 32 | (Less) Expenses of Nonutility Operations (417.1) | - | | |
| 33 | Nonoperating Rental Income (418) | - | | |
| 34 | Equity in Earnings of Subsidiary Companies (418.1) | 10 | 2,615,361 | 1,583,855 |
| 35 | Interest and Dividend Income (419) | - | 201,891 | 177,615 |
| 36 | Allowance for Other Funds Used During Construction (419.1) | - | | |
| 37 | Miscellaneous Nonoperating Income (421) | - | 123,699 | 9,238 |
| 38 | Gain on Disposition of Property (421.1) | - | 7,025 | 201,585 |
| 39 | TOTAL Other Income (Total of lines 29 through 38) | | 2,986,931 | 1,767,554 |
| 40 | Other Income Deductions | | | |
| 41 | Loss on Disposition of Property (421.2) | - | | |
| 42 | Miscellaneous Amortization (425) | 33 | | |
| 43 | Miscellaneous Income Deductions (426.1-426.5) | 33 | 325,014 | 281,449 |
| 44 | TOTAL Other Income Deductions (Total of lines 41 through 43) | | 325,014 | 281,449 |
| 45 | Taxes Applicable to Other Income and Deductions | | | |
| 46 | Taxes Other Than Income Taxes (408.2) | - | | |
| 47 | Income Taxes - Federal (409.2) | - | 77,774 | (17,767) |
| 48 | Income Taxes - Other (409.2) | - | 12,933 | (2,955) |
| 49 | Provision for Deferred Income Taxes (410.2) | 24 | | |
| 50 | (Less) Provision for Deferred Income Taxes - Credit (411.2) | 24 | | |
| 51 | Investment Tax Credit Adjustment - Net (411.5) | - | | |
| 52 | (Less) Investment Tax Credits (420) | - | | |
| 53 | TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52) | | 90,707 | (20,722) |
| 54 | Net Other Income and Deductions (Total of lines 39,44,53) | | 2,571,210 | 1,506,827 |
| 55 | **Interest Charges** | | | |
| 56 | Interest on Long-Term Debt (427) | - | 11,965,023 | 13,099,079 |
| 57 | Amortization of Debt Discount and Expense (428) | 21 | 543,008 | 1,074,673 |
| 58 | Amortization of Loss on Reacquired Debt (428.1) | - | | |
| 59 | (Less) Amortization of Premium on Debt - Credit (429) | 21 | | |
| 60 | (Less) Amortization of Gain on Reacquired Debt - Credit (429.1) | - | | |
| 61 | Interest on Debt to Associated Companies (430) | 33 | | |
| 62 | Other Interest Expense (431) | 33 | 982,480 | 1,859,619 |
| 63 | (Less) Allowance for Borrowed Funds Used During Const.-Credit (432) | - | | |
| 64 | Net Interest Charges (Total of lines 56 through 63) | | 13,490,511 | 16,033,371 |
| 65 | Income Before Extraordinary Items (Total of lines 25, 54 and 64) | | 34,729,226 | 34,065,653 |
| 66 | **Extraordinary Items** | | | |
| 67 | Extraordinary Income (434) | - | | |
| 68 | (Less) Extraordinary Deductions (435) | - | | |
| 69 | Net Extraordinary Items (Total of line 67 less line 68) | | | |
| 70 | Income Taxes - Federal and Other (409.3) | - | | |
| 71 | Extraordinary Items After Taxes (Total of line 69 less line 70) | | | |
| 72 | Net Income (Total of lines 65 and 71) | | 34,729,226 | 34,065,653 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## STATEMENT OF RETAINED EARNINGS

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

| Line No. | Item (a) | Contra Primary Account Affected (b) | Amount (c) |
|---|---|---|---|
| | **UNAPPROPRIATED RETAINED EARNINGS (Account 216)** | | |
| 1 | Balance - Beginning of Year | | 111,262,517 |
| 2 | Changes (Identify by prescribed retained earnings accounts) | | |
| 3 | Adjustments to Retained Earnings (Account 439): | | |
| 4 | Credit: | | |
| 5 | Credit: | | |
| 6 | TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5) | | |
| 7 | Debit: | | |
| 8 | Debit: | | |
| 9 | TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8) | | |
| | | | |
| 10 | Balance Transferred from Income (Account 433 less Account 418.1) | | 32,113,865 |
| | | | |
| 11 | Appropriations of Retained Earnings (Account 436) TOTAL | | |
| | | | |
| 12 | Dividends Declared - Preferred Stock (Account 437) TOTAL | | |
| | | | |
| 13 | Dividends Declared - Common Stock (Account 438) TOTAL | | 34,248,341 |
| | | | |
| 14 | Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings | | 2,615,362 |
| | | | |
| 15 | FAS 133 Other Comprehensive Income | | 268,909 |
| | | | |
| 16 | Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15) | | 112,012,312 |
| | | | |
| | | | |
| | **APPROPRIATED RETAINED EARNINGS (Account 215)** | | |
| | State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year. | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | TOTAL Appropriated Retained Earnings (Account 215) | | |
| | | | |
| | TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23) | | 112,012,312 |
| | | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

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

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

3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

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

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

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

## DEFINITIONS

Acronyms and defined terms used in this and other filings with the U.S. Securities and Exchange Commission include the following:

| **Term** | **Meaning** |
|---|---|
| ABS | asset-backed security |
| ADR | American depository receipt |
| AFUDC | allowance for funds used during construction |
| AFUDC - debt | debt component of allowance for funds used during construction |
| AFUDC - equity | equity component of allowance for funds used during construction |
| AMT | alternative minimum tax |
| AOCI | accumulated other comprehensive income |
| APBO | accumulated postretirement benefit obligation |
| ARO | asset retirement obligation |
| BACT | Best Available Control Technology |
| BTU | British Thermal Unit |
| CAA | Federal Clean Air Act |
| CAIR | Clean Air Interstate Rule |
| capacity clause | capacity cost-recovery clause, as established by the FPSC |
| CERCLA | Comprehensive Environmental Response, Compensation and Liability Act of 1980 |
| CCRs | coal combustion residuals |
| CGESJ | Central Generadora Eléctrica San José, Limitada, owner of the San José Power Station in Guatemala |
| CMMA | Cardno Marshall Miller & Associates |
| CMBS | commercial mortgage-backed securities |
| CMO | collateralized mortgage obligation |
| CNG | compressed natural gas |
| CPI | consumer price index |
| CSAPR | Cross State Air Pollution Rule |
| $CO_2$ | carbon dioxide |
| CT | combustion turbine |
| DECA II | Distribución Eléctrica Centro Americana, II, S.A. |
| DOE | U.S. Department of Energy |
| DR-CAFTA | Dominican Republic Central America – United States Free Trade Agreement |
| ECRC | environmental cost recovery clause |
| EEGSA | Empresa Eléctrica de Guatemala, S.A., the largest private distribution company in Central America |
| EEI | Edison Electric Institute |
| EGWP | Employee Group Waiver Plan |
| EPA | U.S. Environmental Protection Agency |
| EPS | earnings per share |
| ERISA | Employee Retirement Income Security Act |
| EROA | expected return on plan assets |
| ERP | enterprise resource planning |
| FASB | Financial Accounting Standards Board |
| FDEP | Florida Department of Environmental Protection |
| FERC | Federal Energy Regulatory Commission |
| FGT | Florida Gas Transmission Company |
| FPSC | Florida Public Service Commission |
| fuel clause | fuel and purchased power cost-recovery clause, as established by the FPSC |
| GAAP | generally accepted accounting principles |

| | |
|---|---|
| GHG | greenhouse gas(es) |
| HCIDA | Hillsborough County Industrial Development Authority |
| HPP | Hardee Power Partners |
| ICSID | International Centre for the Settlement of Investment Disputes |
| IFRS | International Financial Reporting Standards |
| IGCC | integrated gasification combined-cycle |
| IOU | investor owned utility |
| IRS | Internal Revenue Service |
| ISDA | International Swaps and Derivatives Association |
| ISO | independent system operator |
| ITCs | investment tax credits |
| KW | Kilowatt(s) |
| KWH | kilowatt-hour(s) |
| LIBOR | London Interbank Offered Rate |
| MAP-21 | Moving Ahead for Progress in the 21st Century Act |
| MBS | mortgage-backed securities |
| MD&A | Management's Discussion and Analysis |
| Met | metallurgical |
| MMA | The Medicare Prescription Drug, Improvement and Modernization Act of 2003 |
| MMBTU | one million British Thermal Units |
| MRV | market-related value |
| MSHA | Mine Safety and Health Administration |
| MW | megawatt(s) |
| MWH | megawatt-hour(s) |
| NAESB | North American Energy Standards Board |
| NAV | net asset value |
| NERC | North American Electric Reliability Corporation |
| NMGC | New Mexico Gas Company, Inc., the principal subsidiary of NMGI |
| NMGI | New Mexico Gas Intermediate, Inc. |
| NMPRC | New Mexico Public Regulation Commission |
| NOL | net operating loss |
| Note __ | Note__ to consolidated financial statements |
| $NO_x$ | nitrogen oxide |
| NPNS | normal purchase normal sale |
| NYMEX | New York Mercantile Exchange |
| O&M expenses | operations and maintenance expenses |
| OATT | open access transmission tariff |
| OCI | other comprehensive income |
| OTC | over-the-counter |
| OTTI | other than temporary impairment |
| PBGC | Pension Benefit Guarantee Corporation |
| PBO | postretirement benefit obligation |
| PCI | pulverized coal injection |
| PCIDA | Polk County Industrial Development Authority |
| PGA | purchased gas adjustment |
| PGS | Peoples Gas System, the gas division of Tampa Electric Company |
| PM | particulate matter |
| PPA | power purchase agreement |

| | |
|---|---|
| PPSA | Power Plant Siting Act |
| PRP | potentially responsible party |
| PUHCA 2005 | Public Utility Holding Company Act of 2005 |
| REIT | real estate investment trust |
| REMIC | real estate mortgage investment conduit |
| RFP | request for proposal |
| ROE | return on common equity |
| Regulatory ROE | return on common equity as determined for regulatory purposes |
| RPS | renewable portfolio standards |
| RTO | regional transmission organization |
| S&P | Standard and Poor's |
| SCR | selective catalytic reduction |
| SEC | U.S. Securities and Exchange Commission |
| $SO_2$ | sulfur dioxide |
| SERP | Supplemental Executive Retirement Plan |
| SPA | stock purchase agreement |
| STIF | short-term investment fund |
| Tampa Electric | Tampa Electric, the electric division of Tampa Electric Company |
| TCAE | Tampa Centro Americana de Electridad, Limitada, majority owner of the Alborada Power Station |
| TEC | Tampa Electric Company, the principal subsidiary of TECO Energy, Inc. |
| TECO Diversified | TECO Diversified, Inc., a subsidiary of TECO Energy, Inc. and parent of TECO Coal Corporation |
| TECO Coal | TECO Coal Corporation, and its subsidiaries, a coal producing subsidiary of TECO Diversified |
| TECO Finance | TECO Finance, Inc., a financing subsidiary for the unregulated businesses of TECO Energy, Inc. |
| TECO Guatemala | TECO Guatemala, Inc., a subsidiary of TECO Energy, Inc., parent company of formerly owned generating and transmission assets in Guatemala. |
| TEMSA | Tecnología Marítima, S.A., a provider of dry bulk and coal unloading services located in Guatemala |
| TGH | TECO Guatemala Holdings, LLC |
| TRC | TEC Receivables Company |
| USACE | U.S. Army Corps of Engineers |
| VIE | variable interest entity |
| WRERA | The Worker, Retiree and Employer Recovery Act of 2008 |

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 in accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). These requirements differ from GAAP related to (1) the presentation of long-term debt, (2) the presentation of deferred income taxes, (3) the presentation of certain income tax related regulatory assets and liabilities, (4) the presentation of transactions as operating or non-operating, (5) the presentation of accruals associated with cost of removal included within accumulated depreciation reserve, (6) the presentation of storm costs including storm and property insurance reserve and corresponding regulatory liability, (7) the presentation of derivatives, and (8) the presentation of current portions of regulatory assets and liabilities.

Tampa Electric Company's (TEC) Notes to the Financial Statements have been combined with People's Gas Systems (PGS) and are prepared in conformity with generally accepted accounting principles. Accordingly, certain footnotes are not reflective of TEC's Financial Statements contained herein.

## TAMPA ELECTRIC COMPANY
## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Significant Accounting Policies

The significant accounting policies are as follows:

**Basis of Accounting**

TEC maintains its accounts in accordance with recognized policies prescribed or permitted by the FPSC and the FERC. These policies conform with GAAP in all material respects.

The impact of the accounting guidance for the effects of certain types of regulation has been minimal in the company's experience, but when cost recovery is ordered over a period longer than a fiscal year, costs are recognized in the period that the regulatory agency recognizes them in accordance with this guidance.

TEC's retail and wholesale businesses are regulated by the FPSC and related FERC, respectively. Prices allowed by both agencies are generally based on recovery of prudent costs incurred plus a reasonable return on invested capital.

**Principles of Consolidation**

TEC is a wholly-owned subsidiary of TECO Energy, Inc., and is comprised of the Electric division, generally referred to as Tampa Electric, and the Natural Gas division, PGS. All significant intercompany balances and intercompany transactions have been eliminated in consolidation. The use of estimates is inherent in the preparation of financial statements in accordance with GAAP. Actual results could differ from these estimates.

For entities that are determined to meet the definition of a VIE, TEC obtains information, where possible, to determine if it is the primary beneficiary of the VIE. If TEC is determined to be the primary beneficiary, then the VIE is consolidated and a minority interest is recognized for any other third-party interests. If TEC is not the primary beneficiary, then the VIE is accounted for using the equity or cost method of accounting. In certain circumstances this can result in TEC consolidating entities in which it has less than a 50% equity investment and deconsolidating entities in which it has a majority equity interest (see **Note 15**).

**Planned Major Maintenance**

Tampa Electric and PGS expense major maintenance costs as incurred. Concurrent with a planned major maintenance outage, the cost of adding or replacing retirement units-of-property is capitalized in conformity with FPSC and FERC regulations.

**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.

**Depreciation**

Tampa Electric and PGS compute depreciation and amortization for electric generation, electric transmission and distribution, gas distribution and general plant facilities 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.

The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 3.7% for 2013 and 3.8% for 2012 and 3.6% for 2011. Construction work in progress is not depreciated until the asset is completed or placed in service. Total depreciation expense for the years ended Dec. 31, 2013, 2012 and 2011 was $284.2 million, $275.1 million and $263.7 million, respectively.

On Sept. 11, 2013, the FPSC unanimously voted to approve a stipulation and settlement agreement between TEC and all of the intervenors in its Tampa Electric division base rate proceeding. As a result, Tampa Electric will begin using a 15-year amortization period for all computer software retroactive to Jan. 1, 2013.

**Cash Flows Related to Derivatives and Hedging Activities**

TEC 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 Statements of Cash Flows.

**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 FPSC approved rate used to calculate AFUDC is revised periodically to reflect significant changes in Tampa Electric's cost of capital. The rate was 8.16% for May 2009 through December 2013. Total AFUDC for the years ended Dec. 31, 2013, 2012 and 2011 was $9.9 million, $4.1 million and $1.6 million, respectively.

**Deferred Income Taxes**

TEC 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 current tax rates. Tampa Electric and PGS are 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.

**Investment Tax Credits**

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

**Inventory**

TEC values materials, supplies and fossil fuel inventory (coal, oil and natural gas) using a weighted-average cost method. These materials, supplies and fuel inventories are carried at the lower of weighted-average cost or market, unless evidence indicates that the weighted-average cost (even if in excess of market) will be recovered with a normal profit upon sale in the ordinary course of business.

**Revenue Recognition**

TEC recognizes revenues consistent with accounting standards for revenue recognition. Except as discussed below, TEC recognizes revenues on a gross basis when earned for the physical delivery of products or services and the risks and rewards of ownership have transferred to the buyer.

The regulated utilities' (Tampa Electric and PGS) retail businesses and the prices charged to customers are regulated by the FPSC. Tampa Electric's wholesale business is regulated by the FERC. See **Note 3** for a discussion of significant regulatory matters and the applicability of the accounting guidance for certain types of regulation to the company.

**Revenues and Cost Recovery**

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

Certain other costs incurred by the regulated utilities are allowed to be recovered from customers through prices approved in the regulatory process. These costs are recognized as the associated revenues are billed. The regulated utilities accrue base revenues for services rendered but unbilled to provide a closer matching of revenues and expenses (see **Note 3**). As of Dec. 31, 2013 and 2012, unbilled revenues of $46.7 million and $49.0 million, respectively, are included in the "Receivables" line item on TEC's Consolidated Balance Sheets.

Tampa Electric purchases power on a regular basis primarily to meet the needs of its retail customers. Tampa Electric purchased power from non-TECO Energy affiliates at a cost of $64.7 million, $105.3 million and $125.9 million, for the years ended Dec. 31, 2013, 2012 and 2011, respectively. The prudently incurred purchased power costs at Tampa Electric have historically been recovered through an FPSC-approved cost-recovery clause.

**Accounting for Excise Taxes, Franchise Fees and Gross Receipts**

TEC is allowed to recover certain costs on a dollar-per-dollar basis incurred from customers through prices approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. Franchise fees and gross receipt taxes payable by the regulated utilities are included as an expense on the Consolidated Statements of Income in "Taxes, other than income". These amounts totaled \$108.5 million, \$111.5 million and \$109.3 million for the years ended Dec. 31, 2013, 2012 and 2011, respectively. Excise taxes paid by the regulated utilities are not material and are expensed as incurred.

**Reclassifications**

Certain reclassifications were made to prior year amounts to conform to current period presentation. None of the reclassifications affected TEC's net income in any period.

## 2. New Accounting Pronouncements

**Comprehensive Income**

In February 2013, the FASB issued guidance requiring improved disclosures of significant reclassifications out of AOCI and their corresponding effect on net income. The guidance is effective for interim and annual reporting periods beginning on or after Dec. 15, 2012. TEC has adopted this guidance as required. It has no effect on TEC's results of operations, financial position or cash flows.

**Offsetting Assets and Liabilities**

In December 2011, the FASB issued guidance enhancing disclosures of financial instruments and derivative instruments that are offset in the statement of financial position or subject to enforceable master netting agreements. The guidance is effective for interim and annual reporting periods beginning on or after Jan. 1, 2013. TEC has adopted this guidance as required. It had no effect on TEC's results of operations, financial position or cash flows.

## 3. Regulatory

Tampa Electric's and PGS's retail businesses are regulated by the FPSC. Tampa Electric is also subject to regulation by the FERC under PUHCA 2005. However, pursuant to a waiver granted in accordance with the FERC's regulations, TECO Energy is not subject to certain accounting, record-keeping and reporting requirements prescribed by the FERC's regulations under PUHCA 2005. The operations of PGS are regulated by the FPSC separately from the operations of Tampa Electric. The FPSC has jurisdiction over rates, service, issuance of securities, safety, accounting and depreciation practices and other matters. In general, the FPSC sets rates at a level that allows utilities such as Tampa Electric and PGS to collect total revenues (revenue requirements) equal to their cost of providing service, plus a reasonable return on invested capital.

**Base Rates-Tampa Electric**

Tampa Electric's results for the first ten months of 2013, and all of 2012 and 2011, reflect base rates established in March 2009, when the FPSC awarded \$104 million higher revenue requirements effective in May 2009 that authorized an ROE midpoint of 11.25%, 54.0% equity in the capital structure and 2009 13-month average rate base of \$3.4 billion. In a series of subsequent decisions in 2009 and 2010, related to a calculation error and a step increase for CTs and rail unloading facilities that entered service before the end of 2009, base rates increased an additional \$33.5 million.

On Feb. 4, 2013, Tampa Electric delivered a letter to the FPSC notifying it of its intent to file a request for an increase in its retail base rates and service charges. On April 5, 2013, Tampa Electric filed a petition with the FPSC requesting, among other things, a permanent increase in rates and service charges sufficient to generate additional annual revenues of approximately \$134.8 million, to be effective on or after Jan. 1, 2014. The request provided for a return on equity range of 10.25% to 12.25% with a midpoint of 11.25%. The petition also requested certain changes to existing rate schedules, as well as the adoption of new rate designs.

On Sept. 6, 2013, TEC and all of the intervenors in its Tampa Electric division base rate proceeding filed with the FPSC a joint motion for the FPSC to approve a stipulation and settlement agreement, which would resolve all matters in Tampa Electric's pending base rate proceeding.

This agreement provided for the following revenue increases: $57.5 million effective Nov. 1, 2013, an additional $7.5 million effective Nov. 1, 2014, an additional $5.0 million effective Nov. 1, 2015, and an additional $110.0 million effective Jan. 1, 2017 or the date that the expansion of TEC's Polk Power Station goes into service, whichever is later. The agreement provides that Tampa Electric's allowed regulatory ROE would be a mid-point of 10.25% with a range of plus or minus 1%, with a potential increase to 10.50% if U.S. Treasury bond yields exceed a specified threshold. The agreement provides that Tampa Electric cannot file for additional rate increases until 2017 (to be effective in 2018), unless its earned ROE were to fall below 9.25% (or 9.5% if the allowed ROE is increased as described above) before that time. If its earned ROE were to rise above 11.25% (or 11.5% if the allowed ROE is increased as described above) any party to the agreement other than TEC could seek a review of Tampa Electric's base rates. Under the agreement, the allowed equity in the capital structure is 54% from investor sources of capital and Tampa Electric will begin using a 15-year amortization period for all computer software retroactive to Jan. 1, 2013.

On Sept. 11, 2013, the FPSC unanimously voted to approve the stipulation and settlement agreement between TEC and all of the intervenors in its Tampa Electric division base rate proceeding, which resolved Tampa Electric's base rate proceeding.

Tampa Electric is also subject to regulation by the FERC in various respects, including wholesale power sales, certain wholesale power purchases, transmission and ancillary services and accounting practices.

**Storm Damage Cost Recovery**

Prior to the above mentioned stipulation and settlement agreement, Tampa Electric was accruing $8.0 million annually to a FERC-authorized and FPSC-approved self-insured storm damage reserve. This reserve was created after Florida's IOUs were unable to obtain transmission and distribution insurance coverage due to destructive acts of nature. Tampa Electric's storm reserve was $56.1 million and $50.4 million as of Dec. 31, 2013 and 2012, respectively. Effective Nov. 1, 2013, Tampa Electric ceased accruing for this storm damage reserve. However, in the event of a named storm that results in damage to its system, Tampa Electric can petition the FPSC to seek recovery of those costs over a 12-month period or longer as determined by the FPSC, as well as replenish its reserve to the level as of Oct. 31, 2013.

**Regulatory Assets and Liabilities**

Tampa Electric and PGS maintain their accounts in accordance with recognized policies of the FPSC. In addition, Tampa Electric maintains its accounts in accordance with recognized policies prescribed or permitted by the FERC.

Tampa Electric and PGS apply the accounting standards for regulated operations. Areas of applicability include: deferral of revenues under approved regulatory agreements; revenue recognition resulting from cost-recovery clauses that provide for monthly billing charges to reflect increases or decreases in fuel, purchased power, conservation and environmental costs; and the deferral of costs as regulatory assets to the period in which the regulatory agency recognizes them, when cost recovery is ordered over a period longer than a fiscal year.

Details of the regulatory assets and liabilities as of Dec. 31, 2013 and 2012 are presented in the following table:

**Regulatory Assets and Liabilities**

| *(millions)* | | *Dec. 31, 2013* | | *Dec. 31, 2012* |
|---|---|---|---|---|
| **Regulatory assets:** | | | | |
| Regulatory tax asset (1) | $ | 67.4 | $ | 67.2 |
| Other: | | | | |
| Cost-recovery clauses | | 6.1 | | 42.9 |
| Postretirement benefit asset | | 182.7 | | 276.1 |
| Deferred bond refinancing costs (2) | | 8.0 | | 9.2 |
| Environmental remediation | | 51.4 | | 46.9 |
| Competitive rate adjustment | | 4.1 | | 4.1 |
| Other | | 7.7 | | 6.5 |
| Total other regulatory assets | | 260.0 | | 385.7 |
| Total regulatory assets | | 327.4 | | 452.9 |
| Less: Current portion | | 34.3 | | 70.3 |
| Long-term regulatory assets | $ | 293.1 | $ | 382.6 |
| **Regulatory liabilities:** | | | | |
| Regulatory tax liability (1) | $ | 9.8 | $ | 14.6 |
| Other: | | | | |
| Cost-recovery clauses | | 54.5 | | 73.9 |
| Transmission and delivery storm reserve | | 56.1 | | 50.4 |
| Deferred gain on property sales (3) | | 2.0 | | 3.4 |
| Provision for stipulation and other | | 0.8 | | 1.0 |
| Accumulated reserve - cost of removal | | 594.0 | | 593.7 |
| Total other regulatory liabilities | | 707.4 | | 722.4 |
| Total regulatory liabilities | | 717.2 | | 737.0 |
| Less: Current portion | | 85.8 | | 105.6 |
| Long-term regulatory liabilities | $ | 631.4 | $ | 631.4 |

(1) Primarily related to plant life and derivative positions.

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

(3) Amortized over a 5-year period with various ending dates.

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

**Regulatory assets**

| *(millions)* | | *Dec. 31, 2013* | | *Dec. 31, 2012* |
|---|---|---|---|---|
| Clause recoverable (1) | $ | 10.2 | $ | 47.0 |
| Components of rate base (2) | | 185.6 | | 279.1 |
| Regulatory tax assets (3) | | 67.4 | | 67.2 |
| Capital structure and other (3) | | 64.2 | | 59.6 |
| Total | $ | 327.4 | $ | 452.9 |

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

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

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

included are unamortized loan costs, which are amortized over the life of the related debt instruments. See footnotes 1 and 2 in the prior table for additional information.

## 4. Income Taxes

TEC is included in the filing of a consolidated federal income tax return with TECO Energy and its affiliates. TEC's income tax expense is based upon a separate return computation. For the three years presented, TEC's effective tax rate differs from the statutory rate principally due to state income taxes, domestic production deduction and AFUDC equity benefit. The decrease in the 2013 effective tax rate compared to 2012 is principally due to equity portion of AFUDC.

Income tax expense consists of the following components:

**Income Tax Expense (Benefit)**

| *(millions)*<br>*For the year ending Dec. 31,* | *2013* | *2012* | *2011* |
|---|---|---|---|
| Current income taxes | | | |
| Federal | $ 19.4 | $ (19.5) | $ (30.7) |
| State | 1.3 | 5.6 | 2.9 |
| Deferred income taxes | | | |
| Federal | 99.8 | 141.2 | 155.6 |
| State | 18.6 | 14.7 | 18.0 |
| Amortization of investment tax credits | (0.3) | (0.3) | (0.4) |
| Total income tax expense | $ 138.8 | $ 141.7 | $ 145.4 |

The total income tax provisions differ from amounts computed by applying the federal statutory tax rate to income before income taxes as follows:

**Effective Income Tax Rate**

| *(millions)*<br>*For the years ended Dec. 31,* | *2013* | *2012* | *2011* |
|---|---|---|---|
| Income tax expense at the federal statutory rate of 35% | $ 127.5 | $ 129.1 | $ 133.2 |
| Increase (decrease) due to | | | |
| State income tax, net of federal income tax | 13.0 | 13.2 | 13.6 |
| Equity portion of AFUDC | (2.2) | (0.9) | (0.4) |
| Domestic production deduction | (0.6) | (0.4) | (1.5) |
| Other | 1.1 | 0.7 | 0.5 |
| Total income tax expense on consolidated statements of income | $ 138.8 | $ 141.7 | $ 145.4 |
| Income tax expense as a percent of income from continuing operations, before income taxes | 38.1% | 38.4% | 38.2% |

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

**Deferred Income Taxes**

| *(millions)* *As of Dec. 31,* | 2013 | 2012 |
|---|---|---|
| Deferred tax liabilities [1] | | |
| Property related | $ 1,166.4 | $ 1,016.2 |
| Deferred fuel | 1.6 | 11.3 |
| Pension and postretirement benefits | 70.5 | 106.6 |
| Pension | 43.2 | 36.7 |
| Other | 0.0 | 22.2 |
| Total deferred tax liabilities | 1,281.7 | 1,193.0 |
| Deferred tax assets [1] | | |
| Medical benefits | 50.9 | 49.0 |
| Insurance reserves | 29.1 | 31.1 |
| Investment tax credits | 5.3 | 5.5 |
| Hedging activities | 4.9 | 5.5 |
| Pension and postretirement benefits | 70.5 | 106.6 |
| Unbilled revenue | 12.1 | 14.8 |
| Capitalized energy conservation assistance costs | 19.6 | 19.6 |
| Other | 4.4 | 0.0 |
| Total deferred tax assets | 196.8 | 232.1 |
| Total deferred tax liability, net | 1,084.9 | 960.9 |
| Less: Current portion of deferred tax asset | (29.4) | (20.0) |
| Long-term portion of deferred tax liability, net | $ 1,114.3 | $ 980.9 |

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

TEC accounts for uncertain tax positions as required by FASB accounting guidance. This guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under the guidance, TEC may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The guidance also provides standards on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

As of Dec. 31, 2013 and 2012, TEC did not have a liability for unrecognized tax benefits. Based on current information, TEC does not anticipate that this will change materially in 2014. As of Dec. 31, 2013, TEC does not have a liability recorded for payment of interest and penalties associated with uncertain tax positions.

The IRS concluded its examination of federal income tax returns for the year 2012 in January 2014. The U.S. federal statute of limitations remains open for the year 2010 and onward. The federal income tax return for calendar year 2013 is part of the IRS's Compliance Assurance Program. As a result, the IRS audit of such return is expected to be completed in 2014. 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 2010 and onward. TEC does not expect the settlement of audit examinations to significantly change the total amount of unrecognized tax benefits within the next 12 months.

## 5. Employee Postretirement Benefits

### Pension Benefits

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

The Pension Protection Act became effective Jan. 1, 2008 and requires companies to, among other things, maintain certain defined minimum funding thresholds (or face plan benefit restrictions), pay higher premiums to the PBGC if they sponsor defined benefit plans, amend plan documents and provide additional plan disclosures in regulatory filings and to plan participants.

WRERA was signed into law on Dec. 23, 2008. WRERA grants plan sponsors relief from certain funding requirements and benefits restrictions, and also provides some technical corrections to the Pension Protection Act. There are two primary provisions that impact funding results for TECO Energy. First, for plans funded less than 100%, required shortfall contributions will be based on a percentage of the funding target until 2012, rather than the funding target of 100%. Second, one of the technical corrections, referred to as asset smoothing, allows the use of asset averaging subject to certain limitations in the determination of funding requirements. TECO Energy utilizes asset smoothing in determining funding requirements.

In July 2012, the President signed into law the MAP-21. MAP-21 provides funding relief for pension plan sponsors by stabilizing discount rates used in calculating the required minimum pension contributions and increasing PBGC premium rates to be paid by plan sponsors. TECO Energy expects the required minimum pension contributions to be lower than the levels previously projected; however, TECO Energy plans on funding at levels above the required minimum pension contributions under MAP-21.

The qualified pension plan's actuarial value of assets, including credit balance, was 96.7% of the Pension Protection Act funded target as of Jan. 1, 2013 and is estimated at 98.2% of the Pension Protection Act funded target as of Jan. 1, 2014.

Amounts disclosed for pension benefits also include the unfunded obligations for the SERP. This is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management.

**Other Postretirement Benefits**

TECO Energy and its subsidiaries currently provide certain postretirement health care and life insurance benefits for substantially all employees retiring after age 50 meeting certain service requirements. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to TEC 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.

MMA added prescription drug coverage to Medicare, with a 28% tax-free subsidy to encourage employers to retain their prescription drug programs for retirees, along with other key provisions. TECO Energy's current retiree medical program for those eligible for Medicare (generally over age 65) includes coverage for prescription drugs. The company has determined that prescription drug benefits available to certain Medicare-eligible participants under its defined-dollar-benefit postretirement health care plan are at least "actuarially equivalent" to the standard drug benefits that are offered under Medicare Part D. The FASB issued accounting guidance and disclosure requirements related to the MMA. The guidance requires (a) that the effects of the federal subsidy be considered an actuarial gain and recognized in the same manner as other actuarial gains and losses and (b) certain disclosures for employers that sponsor postretirement health care plans that provide prescription drug benefits.

In March 2010, the Patient Protection and Affordable Care Act and a companion bill, the Health Care and Education Reconciliation Act, collectively referred to as the Health Care Reform Acts, were signed into law. Among other things, both acts reduced the tax benefits available to an employer that receives the Medicare Part D subsidy, resulting in a write-off of any associated deferred tax asset. As a result, TEC reduced its deferred tax asset and recorded a corresponding regulatory asset in 2010. This amount was trued up in 2012. TEC is amortizing the regulatory asset over the remaining average service life of 12 years. Additionally, the Health Care Reform Acts contain other provisions that may impact TECO Energy's obligation for retiree medical benefits. In particular, the Health Care Reform Acts include a provision that imposes an excise tax on certain high-cost plans beginning in 2018, whereby premiums paid over a prescribed threshold will be taxed at a 40% rate. TECO Energy does not currently believe the excise tax or other provisions of the Health Care Reform Acts will materially increase its PBO. TECO Energy will continue to monitor and assess the impact of the Health Care Reform Acts, including any clarifying regulations issued to address how the provisions are to be implemented, on its future results of operations, cash flows or financial position.

Effective Jan. 1, 2013, the company decided to implement an EGWP for its post-65 retiree prescription drug plan. The EGWP is a private Medicare Part D plan designed to provide benefits that are at least equivalent to Medicare Part D. The EGWP reduces net periodic benefit cost by taking advantage of rebate and discount enhancements provided under the Health Care Reform Acts. Prior to this, the company received subsidy payments under Medicare Part D for its post-65 retiree prescription drug plan.

**Obligations and Funded Status**

TEC recognizes in its statement of financial position the over-funded or under-funded status of its postretirement benefit plans. This status is measured as the difference between the fair value of plan assets and the 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 benefit liabilities and regulatory assets. The results of operations are not impacted. Below is the detail of the change in benefit obligations, change in plan assets, unfunded liability and amounts recognized in TECO Energy's Consolidated Balance Sheets for 2013 and 2012.

| **TECO Energy Obligations and Funded Status** *(millions)* | **Pension Benefits** | | **Other Benefits** | |
|---|---|---|---|---|
| | *2013* | *2012* | *2013* | *2012* |
| **Change in benefit obligation** | | | | |
| Net benefit obligation at beginning of year | $715.0 | $646.4 | $230.3 | $216.5 |
| Service cost | 18.2 | 17.0 | 2.5 | 2.4 |
| Interest cost | 28.9 | 30.1 | 9.3 | 10.1 |
| Plan participants' contributions | 0.0 | 0.0 | 2.9 | 3.7 |
| Plan amendments | 0.0 | 0.0 | 0.0 | (5.2) |
| Actuarial loss (gain) | (50.4) | 54.7 | (22.1) | 16.3 |
| Gross benefits paid | (43.1) | (33.2) | (15.0) | (14.5) |
| Settlements | (2.6) | 0.0 | 0.0 | 0.0 |
| Federal subsidy on benefits paid | n/a | n/a | 0.2 | 1.0 |
| Net benefit obligation at end of year | $666.0 | $715.0 | $208.1 | $230.3 |
| **Change in plan assets** | | | | |
| Fair value of plan assets at beginning of year | $529.1 | $467.6 | $0.0 | $0.0 |
| Actual return on plan assets | 63.7 | 57.9 | 0.0 | 0.0 |
| Employer contributions | 45.9 | 36.8 | 11.9 | 9.8 |
| Plan participants' contributions | 0.0 | 0.0 | 2.9 | 3.7 |
| Settlements | (2.6) | 0.0 | 0.0 | 0.0 |
| Gross benefits paid | (43.1) | (33.2) | (14.8) | (13.5) |
| Fair value of plan assets at end of year | $593.0 | $529.1 | $0.0 | $0.0 |
| **Funded status** | | | | |
| Fair value of plan assets (1) | $593.0 | $529.1 | $0.0 | $0.0 |
| Less: Benefit obligation (PBO/APBO) | 666.0 | 715.0 | 208.1 | 230.3 |
| Funded status at end of year | (73.0) | (185.9) | (208.1) | (230.3) |
| Unrecognized net actuarial loss | 173.1 | 270.3 | 19.7 | 42.7 |
| Unrecognized prior service (benefit) cost | (0.4) | (0.7) | (0.7) | (1.0) |
| Unrecognized net transition obligation | 0.0 | 0.0 | 0.0 | 0.0 |
| Net amount required to be recognized at end of year | $99.7 | $83.7 | ($189.1) | ($188.6) |
| **Amounts recognized in balance sheet** | | | | |
| Regulatory assets | $139.6 | $216.5 | $43.2 | $59.6 |
| Accrued benefit costs and other current liabilities | (3.3) | (5.3) | (13.3) | (13.1) |
| Deferred credits and other liabilities | (69.7) | (180.6) | (194.8) | (217.2) |
| Accumulated other comprehensive loss (income), pretax | 33.1 | 53.1 | (24.2) | (17.9) |
| Net amount recognized at end of year | $99.7 | $83.7 | ($189.1) | ($188.6) |

(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.

| **Tampa Electric Company** **Amounts recognized in balance sheet** *(millions)* | **Pension Benefits** *2013* | *2012* | **Other Benefits** *2013* | *2012* |
|---|---|---|---|---|
| Regulatory assets | $ 139.6 | $ 216.5 | $ 43.2 | $ 59.6 |
| Accrued benefit costs and other current liabilities | (0.9) | (0.9) | (10.8) | (10.6) |
| Deferred credits and other liabilities | (50.1) | (139.8) | (158.3) | (174.2) |
| | $ 88.6 | $ 75.8 | $ (125.9) | $ (125.2) |

The accumulated benefit obligation for TECO Energy Consolidated defined benefit pension plans was $624.1 million at Dec. 31, 2013 and $664.7 million at Dec. 31, 2012. The projected benefit obligation for the other postretirement benefits plan was $208.1 million at Dec. 31, 2013 and $230.3 million at Dec. 31, 2012.

**Assumptions used to determine benefit obligations at Dec. 31:**

| | **Pension Benefits** *2013* | *2012* | **Other Benefits** *2013* | *2012* |
|---|---|---|---|---|
| Discount rate | 5.118% | 4.196% | 5.096% | 4.180% |
| Rate of compensation increase-weighted average | 3.73% | 3.76% | 3.71% | 3.74% |
| Healthcare cost trend rate | | | | |
| Immediate rate | n/a | n/a | 7.25% | 7.50% |
| Ultimate rate | n/a | n/a | 4.50% | 4.50% |
| Year rate reaches ultimate | n/a | n/a | 2025 | 2025 |

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

| *(millions)* | **1% Increase** | **1 % Decrease** |
|---|---|---|
| Effect on postretirement benefit obligation | $ 5.6 | $ (5.0) |

The discount rate assumption used to determine the Dec. 31, 2013 benefit obligation was based on a cash flow matching technique developed by outside actuaries and a review of current economic conditions. This technique constructs hypothetical bond portfolios using high-quality (AA or better by S&P) corporate bonds available from the Barclays Capital database at the measurement date to meet the plan's year-by-year projected cash flows. The technique calculates all possible bond portfolios that produce adequate cash flows to pay the yearly benefits and then selects the portfolio with the highest yield and uses that yield as the recommended discount rate.

**Components of TECO Energy Consolidated Net Periodic Benefit Cost**

| (millions) | Pension Benefits 2013 | 2012 | 2011 | Other Benefits 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Service cost | $ 18.2 | $ 17.0 | $ 16.0 | $ 2.4 | $ 2.4 | $ 2.1 |
| Interest cost | 28.9 | 30.1 | 30.9 | 9.3 | 10.1 | 11.1 |
| Expected return on plan assets | (38.4) | (37.1) | (38.4) | 0.0 | 0.0 | 0.0 |
| Amortization of: | | | | | | |
| Actuarial loss | 20.5 | 15.3 | 11.3 | 1.0 | 0.1 | 0.1 |
| Prior service (benefit) cost | (0.4) | (0.4) | (0.4) | (0.3) | 0.8 | 0.8 |
| Transition obligation | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 2.3 |
| Settlement loss | 1.0 | 0.0 | 0.9 | 0.0 | 0.0 | 0.0 |
| Net periodic benefit cost | $ 29.8 | $ 24.9 | $ 20.3 | $ 12.4 | $ 15.2 | $ 16.4 |

**Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets**

| (millions) | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Prior service cost | $0.0 | $0.0 | $0.0 | $0.0 | $ (5.2) | $0.0 |
| Net loss (gain) | (75.7) | 34.0 | 43.3 | (15.6) | 16.3 | (7.4) |
| Amortization of: | | | | | | |
| Actuarial gain (loss) | (21.5) | (15.3) | (12.2) | (1.0) | (0.1) | (0.1) |
| Prior service (benefit) cost | 0.4 | 0.4 | 0.4 | 0.3 | (0.8) | (0.8) |
| Transition obligation | 0.0 | 0.0 | 0.0 | 0.0 | (1.8) | (2.4) |
| Total recognized in OCI and regulatory assets | $ (96.8) | $ 19.1 | $ 31.5 | $ (16.3) | $ 8.4 | $ (10.7) |
| **Total Recognized in Net Periodic Benefit Cost, OCI and Regulatory Assets** | $ (67.0) | $ 44.0 | $ 51.8 | $ (3.9) | $ 23.6 | $ 5.7 |

TEC's portion of the net periodic benefit costs for pension benefits was $21.7 million, $18.3 million and $13.1 million for 2013, 2012 and 2011, respectively. TEC's portion of the net periodic benefit costs for other benefits was $10.0 million, $12.4 million and $10.0 million for 2013, 2012 and 2011, respectively.

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortized by TEC from regulatory assets into net periodic benefit cost over the next fiscal year are $10.5 million and $0.5 million, respectively. There will be no remaining net loss for the other postretirement benefit plan that will be amortized from regulatory assets into net periodic benefit cost over the next fiscal year.

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

| | Pension Benefits 2013 | 2012 | 2011 | Other Benefits 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Discount rate | 4.196% | 4.797% | 5.30% | 4.180% | 4.744% | 5.25% |
| Expected long-term return on plan assets | 7.50% | 7.50% | 7.75% | n/a | n/a | n/a |
| Rate of compensation increase | 3.76% | 3.83% | 3.88% | 3.74% | 3.82% | 3.87% |
| Healthcare cost trend rate | | | | | | |
| Immediate rate | n/a | n/a | n/a | 7.50% | 7.75% | 8.00% |
| Ultimate rate | n/a | n/a | n/a | 4.50% | 4.50% | 4.50% |
| Year rate reaches ultimate | n/a | n/a | n/a | 2025 | 2025 | 2023 |

The discount rate assumption used to determine the 2013 benefit cost was based on a cash flow matching technique developed by outside actuaries and a review of current economic conditions. This technique constructs hypothetical bond portfolios using high-quality (AA or better by S&P) corporate bonds available from the Barclays

Capital database at the measurement date to meet the plan's year-by-year projected cash flows. The technique calculates all possible bond portfolios that produce adequate cash flows to pay the yearly benefits and then selects the portfolio with the highest yield and uses that yield as the recommended discount rate.

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 Dec. 31, 2013, TECO Energy's pension plan experienced actual asset returns of approximately 12%.

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

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

| *(millions)* | 1% Increase | 1% Decrease |
|---|---|---|
| Effect on periodic cost | $ 0.2 | $ (0.2) |

**Pension Plan Assets**

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

| | Target Allocation | Actual Allocation, End of Year | |
|---|---|---|---|
| Asset Category | | *2013* | *2012* |
| Equity securities | 48%-54% | 54% | 55% |
| Fixed income securities | 46%-52% | 46% | 45% |
| Total | 100% | 100% | 100% |

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

The plan's investments are held by a trust fund administered by JP Morgan Chase Bank, N.A. (JP Morgan). JP Morgan measures fair value using the procedures set forth below for all investments. When available, JP Morgan uses quoted market prices on investments traded on an exchange to determine fair value and classifies such items as Level 1. In some cases where a market exchange price is available, but the investments are traded in a secondary market, JP Morgan makes use of acceptable practical expedients to calculate fair value, and the company classifies these items as Level 2.

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

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 table sets forth by level within the fair value hierarchy the plan's investments as of Dec. 31, 2013 and 2012.

| **Pension Plan Investments** *(millions)* | At Fair Value as of Dec. 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Accounts receivable | $44.7 | $0.0 | $0.0 | $44.7 |
| Accounts payable | (40.8) | 0.0 | 0.0 | (40.8) |
| Cash equivalents | | | | |
| STIFs | 7.9 | 0.0 | 0.0 | 7.9 |
| T bills | 0.0 | 0.3 | 0.0 | 0.3 |
| Repurchase agreements | 0.0 | 8.8 | 0.0 | 8.8 |
| Commercial paper | 0.0 | 0.4 | 0.0 | 0.4 |
| Money markets | 0.0 | 1.5 | 0.0 | 1.5 |
| Total cash equivalents | 7.9 | 11.0 | 0.0 | 18.9 |
| Equity securities | | | | |
| Common stocks | 91.6 | 0.0 | 0.0 | 91.6 |
| ADRs | 3.0 | 0.0 | 0.0 | 3.0 |
| REITs | 1.7 | 0.0 | 0.0 | 1.7 |
| Preferred stock | 0.0 | 0.8 | 0.0 | 0.8 |
| Mutual funds | 172.6 | 0.0 | 0.0 | 172.6 |
| Commingled fund | 0.0 | 50.0 | 0.0 | 50.0 |
| Total equity securities | 268.9 | 50.8 | 0.0 | 319.7 |
| Fixed income securities | | | | |
| Municipal bonds | 0.0 | 7.3 | 0.0 | 7.3 |
| Government bonds | 0.0 | 35.7 | 0.0 | 35.7 |
| Corporate bonds | 0.0 | 19.6 | 0.0 | 19.6 |
| ABS | 0.0 | 0.4 | 0.0 | 0.4 |
| MBS, net short sales | 0.0 | 6.7 | 0.0 | 6.7 |
| CMOs | 0.0 | 2.3 | 0.0 | 2.3 |
| Mutual funds | 0.0 | 85.1 | 0.0 | 85.1 |
| Commingled fund | 0.0 | 94.1 | 0.0 | 94.1 |
| Total fixed income securities | 0.0 | 251.2 | 0.0 | 251.2 |
| Derivatives | | | | |
| Short futures | 0.0 | 0.2 | 0.0 | 0.2 |
| Swaps | 0.0 | (0.9) | 0.0 | (0.9) |
| Purchased options (swaptions) | 0.0 | 0.2 | 0.0 | 0.2 |
| Written options (swaptions) | 0.0 | (0.4) | 0.0 | (0.4) |
| Total derivatives | 0.0 | (0.9) | 0.0 | (0.9) |
| Miscellaneous | 0.0 | 0.2 | 0.0 | 0.2 |
| Total | $280.7 | $312.3 | $0.0 | $593.0 |

**Pension Plan Investments**
*(millions)*

| | At Fair Value as of Dec. 31, 2012 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Accounts receivable | $64.8 | $0.0 | $0.0 | $64.8 |
| Accounts payable | (72.8) | 0.0 | 0.0 | (72.8) |
| Cash equivalents | | | | |
| STIFs | 9.0 | 0.0 | 0.0 | 9.0 |
| T bills | 0.0 | 0.6 | 0.0 | 0.6 |
| Repurchase agreements | 0.0 | 23.1 | 0.0 | 23.1 |
| CDs | 0.0 | 1.1 | 0.0 | 1.1 |
| Commercial paper | 0.0 | 0.9 | 0.0 | 0.9 |
| Money markets | 0.0 | 0.6 | 0.0 | 0.6 |
| Total cash equivalents | 9.0 | 26.3 | 0.0 | 35.3 |
| Equity securities | | | | |
| Common stocks | 125.3 | 0.0 | 0.0 | 125.3 |
| ADRs | 6.2 | 0.0 | 0.0 | 6.2 |
| REITs | 2.0 | 0.0 | 0.0 | 2.0 |
| Preferred stocks | 0.0 | 0.8 | 0.0 | 0.8 |
| Equity mutual funds | 153.4 | 0.0 | 0.0 | 153.4 |
| Total equity securities | 286.9 | 0.8 | 0.0 | 287.7 |
| Fixed income securities | | | | |
| Municipal bonds | 0.0 | 8.0 | 0.0 | 8.0 |
| Government bonds | 0.0 | 53.0 | 0.0 | 53.0 |
| Corporate bonds | 0.0 | 19.8 | 0.0 | 19.8 |
| ABS | 0.0 | 0.5 | 0.0 | 0.5 |
| MBS | 0.0 | 17.6 | 0.0 | 17.6 |
| CMBS | 0.0 | 0.3 | 0.0 | 0.3 |
| CMOs | 0.0 | 2.5 | 0.0 | 2.5 |
| Fixed income mutual fund | 0.0 | 63.7 | 0.0 | 63.7 |
| Fixed income commingled fund | 0.0 | 49.4 | 0.0 | 49.4 |
| Total fixed income securities | 0.0 | 214.8 | 0.0 | 214.8 |
| Derivatives | | | | |
| Swaps | 0.0 | (0.5) | 0.0 | (0.5) |
| Purchased options (swaptions) | 0.0 | 0.1 | 0.0 | 0.1 |
| Written options (swaptions) | 0.0 | (0.4) | 0.0 | (0.4) |
| Total derivatives | 0.0 | (0.8) | 0.0 | (0.8) |
| Miscellaneous | 0.0 | 0.1 | 0.0 | 0.1 |
| Total | $287.9 | $241.2 | $0.0 | $529.1 |

- The primary pricing inputs in determining the fair value of the Level 1 assets, excluding the mutual funds and STIF, are closing quoted prices in active markets.
- The STIF is valued at net asset value (NAV) as determined by JP Morgan. 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, making this a Level 1 asset.
- The primary pricing inputs in determining the Level 1 mutual funds are the mutual funds' NAVs. The funds are registered open-ended mutual funds and the NAVs are validated with purchases and sales at NAV, making these Level 1 assets.
- The repurchase agreements and money markets are valued at cost due to their short term nature. Additionally, repurchase agreements are backed by collateral.
- T bills and commercial paper are valued using benchmark yields, reported trades, broker dealer quotes, and benchmark securities.

- The primary pricing inputs in determining the fair value of the preferred stock is the price of underlying and common stock of the same issuer, average life, and benchmark yields.
- The methodology and inputs used to value the investment in the equity commingled fund are broker dealer quotes. The fund holds primarily international equity securities that are actively traded in OTC markets. The fund honors subscription and redemption activity on an "as of" basis.
- The primary pricing inputs in determining the fair value Level 2 municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of government bonds are the U.S. Treasury curve, CPI, and broker quotes, if available. The primary pricing inputs in determining the fair value of corporate bonds are the U.S. treasury curve, base spreads, YTM, and benchmark quotes. ABS and CMOs are priced using TBA prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information. Commercial MBS are priced using payment information and yields.
- The primary pricing input in determining the fair value of the Level 2 mutual fund is its NAV. However, since this mutual fund is an unregistered open-ended mutual fund, it is a Level 2 asset.
- The fixed income commingled fund is a private fund valued at NAV as determined by a third party at year end. The fund invests 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 NAV is calculated based on bid prices of the underlying securities. The fund honors subscription activity on the first business day of the month and the first business day following the 15th calendar day of the month. Redemptions are honored on the 15th or last business day of the month, providing written notice is given at least ten business days prior to withdrawal date.
- Futures are valued using futures data, cash rate data, swap rates, and cash flow analyses.
- Swaps are valued using benchmark yields, swap curves, and cash flow analyses.
- Options are valued using the bid-ask spread and the last price.

**Other Postretirement Benefit Plan Assets**

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

**Contributions**

TECO Energy's policy is to fund the qualified pension plan at or above amounts determined by its actuaries to meet ERISA guidelines for minimum annual contributions and minimize PBGC premiums paid by the plan. TECO Energy made $42.0 million of contributions to this plan in 2013 and $35.5 million in 2012, which met the minimum funding requirements for both 2013 and 2012. TEC's portion of the contribution in 2013 was $33.5 million and in 2012 was $27.9 million. These amounts are reflected in the "Other" line on the Consolidated Statements of Cash Flows. TECO Energy estimates its contribution in 2014 to be $47.5 million, with TEC's portion being $38.4 million. TECO Energy estimates it will make annual contributions from 2015 to 2018 ranging from $4.0 to $48.0 million per year based on current assumptions, with TEC's portion to range from $3 million to $39 million. These amounts are in excess of the minimum funding required under ERISA guidelines.

The SERP is funded annually to meet the benefit obligations. TECO Energy made contributions of $2.6 million and $1.3 million to this plan in 2013 and 2012, respectively. TEC's portion of the contributions in 2013 and 2012 were $1.0 million and $0.6 million, respectively. In 2014, TECO Energy expects to make a contribution of about $3.3 million to this plan. TEC's portion of the expected contribution is about $0.9 million.

The other postretirement benefits are funded annually to meet benefit obligations. TECO Energy's contribution toward health care coverage for most employees who retired after the age of 55 between Jan. 1, 1990 and Jun. 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 Jul. 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2014, TECO Energy expects to make a contribution of about $13.3 million. TEC's portion of the expected contribution is $10.8 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 |
| 2014 | $ 53.5 | $ 13.3 |
| 2015 | 50.9 | 13.9 |
| 2016 | 55.3 | 14.6 |
| 2017 | 55.9 | 15.2 |
| 2018 | 58.3 | 15.7 |
| 2019-2023 | 298.6 | 81.9 |

**Defined Contribution Plan**

TECO Energy has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries that enables participants to save a portion of their compensation up to the limits allowed by IRS guidelines. TECO Energy and its subsidiaries match up to 6% of the participant's payroll savings deductions. Employer matching contributions are 60% of eligible participant contributions with additional incentive match of up to 40% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended Dec. 31, 2013, 2012 and 2011, TECO Energy and its subsidiaries recognized expense totaling $11.3 million, $7.0 million and $9.0 million, respectively, related to the matching contributions made to this plan. TEC's portion of expense totaled $9.1 million, $6.0 million and $5.8 million for 2013, 2012 and 2011, respectively.

## 6. Short-Term Debt

At Dec. 31, 2013 and 2012, the following credit facilities and related borrowings existed:

**Credit Facilities**

| | *Dec. 31, 2013* | | | *Dec. 31, 2012* | | |
|---|---|---|---|---|---|---|
| *(millions)* | Credit Facilities | Borrowings Outstanding (1) | Letters of Credit Outstanding | Credit Facilities | Borrowings Outstanding (1) | Letters of Credit Outstanding |
| Tampa Electric Company: | | | | | | |
| 5-year facility (2) | $325.0 | $6.0 | $0.7 | $325.0 | $0.0 | $1.5 |
| 1-year accounts receivable facility | 150.0 | 78.0 | 0.0 | 150.0 | 0.0 | 0.0 |
| **Total** | $475.0 | $84.0 | $0.7 | $475.0 | $0.0 | $1.5 |

(1) Borrowings outstanding are reported as notes payable.
(2) This 5-year facility matures Dec. 17, 2018.

At Dec. 31, 2013, these credit facilities require commitment fees ranging from 12.5 to 25.0 basis points. The weighted-average interest rate on outstanding amounts payable under the credit facilities at Dec. 31, 2013 was 0.56%. There were no outstanding borrowings at Dec. 31, 2012.

*Tampa Electric Company Accounts Receivable Facility*

On Feb. 14, 2014, TEC and TRC amended their $150 million accounts receivable collateralized borrowing facility, entering into Amendment No. 12 to the Loan and Servicing Agreement with certain lenders named therein and Citibank, N.A., Inc. as Program Agent. The amendment extends the maturity date to Feb. 13, 2015 and makes certain other technical changes. Please refer to **Note 16** for additional information.

*Amendment of Tampa Electric Company Credit Facility*

On Dec. 17, 2013, TEC amended and restated its $325 million bank credit facility, entering into a Fourth Amended and Restated Credit Agreement. The amendment (i) extends the maturity date of the credit facility from Oct. 25, 2016 to Dec. 17, 2018 (subject to further extension with the consent of each lender); (ii) continues to allow

TEC to borrow funds at a rate equal to the London interbank deposit rate plus a margin; (iii) as an alternative to the above interest rate, allows TEC to borrow funds at an interest rate equal to a margin plus the higher of Citibank's prime rate, the federal funds rate plus 50 basis points, or the London interbank deposit rate plus 1.00%; (iv) allows TEC to borrow funds on a same-day basis under a swingline loan provision, which loans mature on the fourth banking day after which any such loans are made and bear interest at an interest rate as agreed by the borrower and the relevant swingline lender prior to the making of any such loans; (v) continues to allow TEC to request the lenders to increase their commitments under the credit facility by up to $175 million in the aggregate; (vi) includes a $200 million letter of credit facility; and (vii) made other technical changes.

**7. Long-Term Debt**

A substantial part of Tampa Electric's tangible assets are pledged as collateral to secure its first mortgage bonds. There are currently no bonds outstanding under Tampa Electric's first mortgage bond indenture.

*Purchase in Lieu of Redemption of Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 B*

On Sept. 3, 2013, TEC purchased in lieu of redemption $51.6 million HCIDA Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 B (the Series 2007 B HCIDA Bonds). On March 26, 2008, the HCIDA had remarketed the Series 2007 B HCIDA Bonds in a term-rate mode pursuant to the terms of the Loan and Trust Agreement governing those bonds. The Series 2007 B HCIDA Bonds bore interest at a term rate of 5.15% per annum from March 26, 2008 to Sept. 1, 2013. TEC is responsible for payment of the interest and principal associated with the Series 2007 B HCIDA Bonds.

On March 15, 2012, TEC purchased in lieu of redemption $86.0 million HCIDA Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (Non-AMT) (the Series 2006 HCIDA Bonds). On March 19, 2008, the HCIDA had remarketed the Series 2006 HCIDA Bonds in a term-rate mode pursuant to the terms of the Loan and Trust Agreement governing those bonds. The Series 2006 HCIDA Bonds bore interest at a term rate of 5.00% per annum from March 19, 2008 to March 15, 2012. TEC is responsible for payment of the interest and principal associated with the Series 2006 HCIDA Bonds. Regularly scheduled principal and interest when due, are insured by Ambac Assurance Corporation.

On March 1, 2011, TEC purchased in lieu of redemption $75.0 million PCIDA Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010 (the PCIDA Bonds). On Nov. 23, 2010, the PCIDA had issued the PCIDA Bonds in a term-rate mode pursuant to the terms of the Loan and Trust Agreement governing those bonds. Proceeds of the PCIDA Bonds were used to redeem $75.0 million PCIDA Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007, which previously had been in auction rate mode and had been held by TEC since March 26, 2008. The PCIDA Bonds bore interest at the initial term rate of 1.50% per annum from Nov. 23, 2010 to March 1, 2011.

On March 26, 2008, TEC purchased in lieu of redemption $20 million HCIDA Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 C.

After the Sept. 3, 2013 purchase of the Series 2007 B HCIDA Bonds, $232.6 million in bonds purchased in lieu of redemption were held by the trustee at the direction of TEC as of Dec. 31, 2013 to provide an opportunity to evaluate refinancing alternatives.

*Redemption of Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2002*

On Oct. 1, 2012, TEC redeemed $147.1 million of Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2002 due Oct. 1, 2013 and Oct. 1, 2023 (the 2002 Bonds) at a redemption price equal to 100% of the principal amount of the 2002 Bonds to be redeemed, plus accrued and unpaid interest to Oct. 1, 2012. Before the optional redemption, $60.7 million of the 2002 Bonds due Oct. 1, 2013 bore interest at 5.1% and $86.4 million of the 2002 Bonds due Oct. 1, 2023 bore interest at 5.5%.

*Issuance of Tampa Electric Company 2.60% Notes due 2022*

On Sept. 28, 2012, TEC completed an offering of $250 million aggregate principal amount of 2.60% Notes due 2022 (the 2022 Notes). The 2022 Notes were sold at 99.878% of par. The offering resulted in net proceeds to TEC (after deducting underwriting discounts and commissions and estimated offering expenses) of approximately

$247.7 million. Net proceeds were used to repay the 2002 Bonds. The remaining net proceeds were used to repay short-term debt and for general corporate purposes. At any time prior to June 15, 2022, TEC may redeem all or any part of the 2022 Notes at its option at a redemption price equal to the greater of (i) 100% of the principal amount of 2022 Notes to be redeemed or (ii) the sum of the present values of the remaining payments of principal and interest on the 2022 Notes to be redeemed, discounted to the redemption date on a semiannual basis at an applicable treasury rate, plus 15 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after June 15, 2022, TEC may at its option redeem the 2022 Notes, in whole or in part, at 100% of the principal amount of the 2022 Notes being redeemed plus accrued and unpaid interest thereon to but excluding the date of redemption.

*Issuance of Tampa Electric Company 4.10% Notes due 2042*

On June 5, 2012, TEC completed an offering of $300 million aggregate principal amount of 4.10% Notes due 2042 (the 2042 Notes). The 2042 Notes were sold at 99.724% of par. The offering resulted in net proceeds to TEC (after deducting underwriting discounts, commissions, and estimated offering expenses and before settlement of interest rate swaps) of approximately $296.2 million. Net proceeds were used to repay maturing long-term debt, to repay short-term debt and for general corporate purposes. At any time prior to Dec. 15, 2041, TEC may redeem all or any part of the 2042 Notes at its option and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the 2042 Notes to be redeemed or (ii) the sum of the present value of the remaining payments of principal and interest on the 2042 Notes to be redeemed, discounted at an applicable treasury rate, plus 25 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after Dec. 15, 2041, TEC may at its option redeem the 2042 Notes, in whole or in part, at 100% of the principal amount of the 2042 Notes being redeemed plus accrued and unpaid interest thereon to but excluding the date of redemption.

## 8. Other Comprehensive Income

TEC reported the following OCI (loss) for the years ended Dec. 31, 2013, 2012 and 2011, related to the amortization of prior settled amounts and changes in the fair value of cash flow hedges:

| **Other Comprehensive Income** *(millions)* | Gross | Tax | Net |
|---|---|---|---|
| **2013** | | | |
| Unrealized gain (loss) on cash flow hedges | $0.0 | $0.0 | $0.0 |
| Reclassification from AOCI to net income | 1.4 | (0.5) | 0.9 |
| Gain (Loss) on cash flow hedges | 1.4 | (0.5) | 0.9 |
| Total other comprehensive income (loss) | $1.4 | ($0.5) | $0.9 |
| **2012** | | | |
| Unrealized (loss) gain on cash flow hedges | ($8.0) | $3.1 | ($4.9) |
| Reclassification from AOCI to net income | 1.4 | (0.6) | 0.8 |
| (Loss) Gain on cash flow hedges | (6.6) | 2.5 | (4.1) |
| Total other comprehensive (loss) income | ($6.6) | $2.5 | ($4.1) |
| **2011** | | | |
| Unrealized gain (loss) on cash flow hedges | $0.0 | $0.0 | $0.0 |
| Reclassification from AOCI to net income | 1.2 | (0.5) | 0.7 |
| Gain (Loss) on cash flow hedges | 1.2 | (0.5) | 0.7 |
| Total other comprehensive income (loss) | $1.2 | ($0.5) | $0.7 |

| **Accumulated Other Comprehensive Loss** *(millions) As of Dec. 31,* | *2013* | *2012* |
|---|---|---|
| Net unrealized losses from cash flow hedges [1] | ($7.8) | ($8.7) |
| Total accumulated other comprehensive loss | ($7.8) | ($8.7) |

(1) Net of tax benefit of $4.9 million and $5.5 million as of Dec. 31, 2013 and Dec. 31, 2012, respectively.

**9. Commitments and Contingencies**

**Legal Contingencies**

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

*Legal Proceedings*

In November 2010, heavy equipment operated at a road construction site being conducted by Posen Construction, Inc. struck a natural gas line causing a rupture and ignition of the gas and an outage in the natural gas service to Lee and Collier counties, Florida. In December 2010, two commercial PGS customers filed a purported class action in Lee County Circuit Court, Florida against PGS on behalf of PGS commercial customers affected by the outage, seeking damages for loss of revenue and other costs related to the gas outage. Posen Construction, Inc., the company conducting construction at the site where the incident occurred, is also a defendant in the action. In June 2013, the court denied the plaintiffs' motion for class certification and dismissed the plaintiffs' underlying claim against PGS. The Court's order is now final and not appealable. PGS filed suit in April 2011 against Posen Construction, Inc. in Federal Court for the Middle District of Florida to recover damages for repair and restoration relating to the incident and Posen Construction, Inc. counter-claimed against PGS alleging negligence. In the first quarter of 2014, the parties entered into a settlement agreement that resolves the claims of the parties. In addition, the suit filed in November 2011 by the Posen Construction, Inc. employee operating the heavy equipment involved in the incident in Lee County Circuit Court against PGS, Posen Construction, Inc. and a PGS contractor involved in the project, seeking damages for his injuries, also remains pending.

In addition, three former or inactive TEC employees are maintaining a suit against TEC in Hillsborough County Circuit Court, Florida for personal injuries allegedly caused by exposure to a chemical substance at one of TEC's power stations. The suit was originally filed in 2002, and the trial judge allowed the plaintiffs to seek punitive damages in connection with their case. In the first quarter of 2014, the attorneys for the plaintiffs withdrew from representation. A trial is expected sometime in 2014.

TEC believes the claims in each of the pending actions described above in this item are without merit and intends to defend each matter vigorously. TEC is unable at this time to estimate the possible loss or range of loss with respect to these matters.

**Environmental Protection Agency Section 114 Letter**

On Feb. 11, 2013, TEC received an information request from the EPA under Section 114(a) of the CAA seeking documents and other information concerning the compliance status of its sulfuric acid plant at its Polk Power Station in Polk County, Florida with the "New Source Review" requirements of the CAA. The request received by TEC appears to be part of a broader EPA national enforcement initiative focusing on sulfuric acid plants. TEC cannot predict at this time what the scope of this matter will ultimately be or the range of outcomes, and therefore it is not able to estimate the possible loss or range of loss, if any, with respect to this matter. TEC responded with the requested information on April 26, 2013 and has not received any response from the EPA on this matter.

**Superfund and Former Manufactured Gas Plant Sites**

TEC, through its Tampa Electric and Peoples Gas divisions, is a PRP for certain superfund sites and, through its Peoples Gas division, for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of Dec. 31, 2013, TEC has estimated its ultimate financial liability to be $40.4 million, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under "Other" on the Consolidated Balance Sheets. The environmental remediation costs associated with these sites, which are expected to be paid over many years, are not expected to have a significant impact on customer prices.

The estimated amounts represent only the portion of the cleanup costs attributable to TEC. The estimates to perform the work are based on TEC'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, TEC could be liable for more than TEC'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**

TEC has commitments under long-term leases, primarily for building space, capacity payments, office equipment and heavy equipment. Total rental expense for these leases, included in "Regulated operations & maintenance – Other" on the Consolidated Statements of Income for the years ended Dec. 31, 2013, 2012 and 2011, totaled $2.3 million, $2.2 million and $2.2 million, respectively. The following is a schedule of future minimum lease payments with non-cancelable lease terms in excess of one year and capacity payments under PPAs at Dec. 31, 2013:

**Future Minimum Lease and Capacity Payments**

| *(millions)* | *Capacity Payments* | *Operating Leases* | *Total* |
|---|---|---|---|
| *Year ended Dec. 31:* | | | |
| 2014 | $14.8 | $2.3 | $17.1 |
| 2015 | 14.9 | 2.3 | 17.2 |
| 2016 | 14.6 | 2.2 | 16.8 |
| 2017 | 9.9 | 2.2 | 12.1 |
| 2018 | 10.1 | 2.2 | 12.3 |
| Thereafter | 0.0 | 13.4 | 13.4 |
| Total future mimimum payments | $64.3 | $24.6 | $88.9 |

**Guarantees and Letters of Credit**

TEC accounts for guarantees in accordance with the applicable accounting standards. Upon issuance or modification of a guarantee the company determines if the obligation is subject to either or both of the following:

- Initial recognition and initial measurement of a liability, and/or
- Disclosure of specific details of the guarantee.

Generally, guarantees of the performance of a third party or guarantees that are based on an underlying (where such a guarantee is not a derivative) are likely to be subject to the recognition and measurement, as well as the disclosure provisions. Such guarantees must initially be recorded at fair value, as determined in accordance with the interpretation.

Alternatively, guarantees between and on behalf of entities under common control or that are similar to product warranties are subject only to the disclosure provisions of the interpretation. The company must disclose information as to the term of the guarantee and the maximum potential amount of future gross payments (undiscounted) under the guarantee, even if the likelihood of a claim is remote.

At Dec. 31, 2013, TEC was not obligated under guarantees, but had $0.7 million of letters of credit outstanding.

**Letters of Credit - Tampa Electric Company**

| *(millions)* <br> *Letters of Credit for the Benefit of:* | *2014* | *2015-2018* | *After [1] 2018* | *Total* | *Liabilities Recognized at Dec. 31, 2013* |
|---|---|---|---|---|---|
| **Tampa Electric [2]** | | | | | |
| Letters of credit | $0.0 | $ 0.0 | $0.7 | $0.7 | $0.1 |

(1) These letters of credit renew annually and are shown on the basis that they will continue to renew beyond 2018.

(2) The amounts shown are the maximum theoretical amounts guaranteed under current agreements. Liabilities recognized represent the associated obligation of TEC under these agreements at Dec. 31, 2013. The obligations under these letters of credit include net accounts payable and net derivative liabilities.

**Financial Covenants**

In order to utilize their respective bank credit facilities, TEC must meet certain financial tests as defined in the applicable agreements. In addition, TEC has certain restrictive covenants in specific agreements and debt instruments. At Dec. 31, 2013, TEC was in compliance with all required financial covenants.

## 10. Related Party Transactions

A summary of activities between TEC and its affiliates follows:

**Net transactions with affiliates:**

| *(millions)* | *2013* | *2012* | *2011* |
|---|---|---|---|
| Natural gas sales, net | $ 18.3 | $ 11.7 | $ 0.0 |
| Administrative and general, net | $ 27.2 | $ 23.4 | $17.5 |

**Amounts due from or to affiliates at Dec. 31,**

| *(millions)* | *2013* | *2012* |
|---|---|---|
| Accounts receivable [1] | $ 1.3 | $ 4.7 |
| Accounts payable [1] | 9.8 | 7.9 |
| Taxes receivable | 54.9 | 22.1 |
| Taxes payable | 0.4 | 3.2 |

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

TEC had certain transactions, in the ordinary course of business, with entities in which directors of TEC had interests. TEC paid legal fees of $1.7 million, $1.2 million and $1.3 million for the years ended Dec. 31, 2013, 2012 and 2011, respectively, to Ausley McMullen, P.A. of which Mr. Ausley (who was a director of TECO Energy, until his retirement from the Board in May 2013) was an employee.

## 11. Segment Information

TEC is a public utility operating within the State of Florida. Through its Tampa Electric division, it is engaged in the generation, purchase, transmission, distribution and sale of electric energy to almost 700,000 customers in West Central Florida. Its PGS division is engaged in the purchase, distribution and marketing of natural gas for almost 350,000 residential, commercial, industrial and electric power generation customers in the State of Florida.

| (millions) | Tampa Electric | PGS | Other & Eliminations | TEC |
|---|---|---|---|---|
| **2013** | | | | |
| Revenues - external | $1,950.1 | $392.7 | $0.0 | $2,342.8 |
| Sales to affiliates | 0.4 | 0.8 | (1.2) | 0.0 |
| Total revenues | 1,950.5 | 393.5 | (1.2) | 2,342.8 |
| Depreciation and amortization | 238.8 | 51.5 | 0.0 | 290.3 |
| Total interest charges | 91.8 | 13.5 | 0.0 | 105.3 |
| Provision for income taxes | 116.9 | 21.9 | 0.0 | 138.8 |
| Net income | 190.9 | 34.7 | 0.0 | 225.6 |
| Total assets | 5,895.4 | 989.3 | (8.9) | 6,875.8 |
| Capital expenditures | 428.6 | 79.0 | 0.0 | 507.6 |
| **2012** | | | | |
| Revenues - external | $1,980.9 | $397.1 | $0.0 | $2,378.0 |
| Sales to affiliates | 0.4 | 1.8 | (2.2) | 0.0 |
| Total revenues | 1,981.3 | 398.9 | (2.2) | 2,378.0 |
| Depreciation and amortization | 237.6 | 50.6 | 0.0 | 288.2 |
| Total interest charges | 109.8 | 16.0 | 0.0 | 125.8 |
| Provision for income taxes | 120.2 | 21.5 | 0.0 | 141.7 |
| Net income | 193.1 | 34.1 | 0.0 | 227.2 |
| Total assets | 5,760.4 | 970.9 | 13.3 | 6,744.6 |
| Capital expenditures | 361.7 | 97.3 | 0.0 | 459.0 |
| **2011** | | | | |
| Revenues - external | $2,020.1 | $450.5 | $0.0 | $2,470.6 |
| Sales to affiliates | 0.5 | 3.0 | (3.5) | 0.0 |
| Total revenues | 2,020.6 | 453.5 | (3.5) | 2,470.6 |
| Depreciation and amortization | 222.1 | 48.4 | 0.0 | 270.5 |
| Total interest charges | 121.8 | 17.7 | 0.0 | 139.5 |
| Provision for income taxes | 124.8 | 20.6 | 0.0 | 145.4 |
| Net income | 202.7 | 32.6 | 0.0 | 235.3 |
| Total assets | 5,678.0 | 888.4 | (10.0) | 6,556.4 |
| Capital expenditures | 314.9 | 71.9 | 0.0 | 386.8 |

## 12. Asset Retirement Obligations

TEC accounts for AROs under the applicable accounting standards. An ARO for a long-lived asset is recognized at fair value at inception of the obligation if there is a legal obligation under an existing or enacted law or statute, a written or oral contract or by legal construction under the doctrine of promissory estoppel. Retirement obligations are recognized only if the legal obligation exists in connection with or as a result of the permanent retirement, abandonment or sale of a long-lived asset.

When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its estimated future value. The corresponding amount capitalized at inception is depreciated over the remaining useful life of the asset. The liability must be revalued each period based on current market prices.

As regulated utilities, Tampa Electric and PGS must file depreciation and dismantlement 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 or dismantlement factor. TEC uses current cost of removal or dismantlement factors as part of the estimation method to approximate the amount of cost of removal in accumulated depreciation.

For Tampa Electric and PGS, the original cost of utility plant retired or otherwise disposed of and the cost of removal or dismantlement, less salvage value, is charged to accumulated depreciation and the accumulated cost of removal reserve reported as a regulatory liability, respectively.

For the year ended Dec. 31, 2012, $27.6 million of liabilities settled resulted primarily from asbestos abatement and other dismantling at the generating stations at Tampa Electric.

**Reconciliation of beginning and ending carrying amount of asset retirement obligations:**

| *(millions)* | *Dec. 31,* *2013* | *2012* |
|---|---|---|
| Beginning balance | $ 5.0 | $ 30.8 |
| Additional liabilities | 0.1 | 0.0 |
| Liabilities settled | (0.2) | (27.6) |
| Revisions to estimated cash flows | (0.3) | 0.0 |
| Other [(1)] | 0.2 | 1.8 |
| Ending balance | $ 4.8 | $ 5.0 |

(1) Accretion recorded as a deferred regulatory asset.

## 13. Accounting for Derivative Instruments and Hedging Activities

From time to time, TEC enters into futures, forwards, swaps and option contracts for the following purposes:

- To limit the exposure to price fluctuations for physical purchases and sales of natural gas in the course of normal operations, and
- To limit the exposure to interest rate fluctuations on debt securities.

TEC uses derivatives only to reduce normal operating and market risks, not for speculative purposes. TEC's primary objective in using derivative instruments for regulated operations is to reduce the impact of market price volatility on ratepayers.

The risk management policies adopted by TEC provide a framework through which management monitors various risk exposures. Daily and periodic reporting of positions and other relevant metrics are performed by a centralized risk management group which is independent of all operating companies.

TEC applies the accounting standards for derivative instruments and hedging activities. These standards require companies to recognize derivatives as either assets or liabilities in the financial statements, to measure those instruments at fair value and to reflect the changes in the fair value of those instruments as either components of OCI or in net income, depending on the designation of those instruments (see **Note 14**). The changes in fair value that are recorded in OCI are not immediately recognized in current net income. As the underlying hedged transaction matures or the physical commodity is delivered, the deferred gain or loss on the related hedging instrument must be reclassified from OCI to earnings based on its value at the time of the instrument's settlement. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the market change of the amount paid or received on the underlying physical transaction.

TEC applies the accounting standards for regulated operations to financial instruments used to hedge the purchase of natural gas for its regulated companies. These standards, in accordance with the FPSC, permit the changes in fair value of natural gas derivatives to be recorded as regulatory assets or liabilities reflecting the impact of hedging activities on the fuel recovery clause. As a result, these changes are not recorded in OCI (see **Note 3**).

TEC's physical contracts qualify for the NPNS exception to derivative accounting rules, provided they meet certain criteria. Generally, NPNS applies if TEC deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if TEC intends to receive physical delivery and if the transaction is reasonable in relation to TEC's business needs. As of Dec. 31, 2013, all of TEC's physical contracts qualify for the NPNS exception.

The following table presents the derivative cash flow hedges of natural gas contracts at Dec. 31, 2013 and Dec. 31, 2012 to limit the exposure to changes in market price for natural gas used to produce energy and natural gas purchased for resale to customers:

**Natural Gas Derivatives** [(1)]

| *(millions)* | *Dec. 31, 2013* | *Dec. 31, 2012* |
|---|---|---|
| Current assets | $9.5 | $0.0 |
| Long-term assets | 0.3 | 0.2 |
| Total assets | $9.8 | $0.2 |
| | | |
| Current liabilities | $0.0 | $14.1 |
| Long-term liabilities | 0.2 | 0.2 |
| Total liabilities | $0.2 | $14.3 |

(1) Amounts presented above are on a gross basis, with asset and liability positions netted by counterparty in accordance with accounting standards for derivatives and hedging.

The following table presents the gross amounts of derivatives and their related offset amounts as permitted by their respective master netting agreements at Dec. 31, 2013 and Dec. 31, 2012. There was no collateral posted with or received from any counterparties.

**Offsetting of Derivative Assets and Liabilities**
*(millions)*

| | Gross Amounts of Recognized Assets (Liabilities) | | Gross Amounts Offset on the Balance Sheet | | Net Amounts of Assets (Liabilities) Presented on the Balance Sheet | |
|---|---|---|---|---|---|---|
| *Dec. 31, 2013* | | | | | | |
| **Description** | | | | | | |
| Derivative assets | $ | 10.3 | $ | (0.5) | $ | 9.8 |
| Derivative liabilities | $ | (0.7) | $ | 0.5 | $ | (0.2) |
| *Dec. 31, 2012* | | | | | | |
| **Description** | | | | | | |
| Derivative assets | $ | 1.0 | $ | (0.8) | $ | 0.2 |
| Derivative liabilities | $ | (15.1) | $ | 0.8 | $ | (14.3) |

The ending balance in AOCI related to previously settled interest rate swaps at Dec. 31, 2013 is a net loss of $7.8 million after tax and accumulated amortization. This compares to a net loss of $8.7 million in AOCI after tax and accumulated amortization at Dec. 31, 2012.

The following table presents the effect of energy related derivatives on the fuel recovery clause mechanism on the Consolidated Balance Sheets as of Dec. 31, 2013 and 2012:

**Energy Related Derivatives**

| | Asset Derivatives | | Liability Derivatives | |
|---|---|---|---|---|
| *(millions)* | Balance Sheet | Fair | Balance Sheet | Fair |
| *at Dec. 31, 2013* | Location [(1)] | Value | Location [(1)] | Value |
| Commodity Contracts: | | | | |
| Natural gas derivatives: | | | | |
| Current | Regulatory liabilities | $9.5 | Regulatory assets | $0.0 |
| Long-term | Regulatory liabilities | 0.3 | Regulatory assets | 0.2 |
| Total | | $9.8 | | $0.2 |

| *(millions)* | Balance Sheet | Fair | Balance Sheet | Fair |
|---|---|---|---|---|
| *at Dec. 31, 2012* | Location [(1)] | Value | Location [(1)] | Value |
| Commodity Contracts: | | | | |
| Natural gas derivatives: | | | | |
| Current | Regulatory liabilities | $0.0 | Regulatory assets | $14.1 |
| Long-term | Regulatory liabilities | 0.2 | Regulatory assets | 0.2 |
| Total | | $0.2 | | $14.3 |

(1) Natural gas derivatives are deferred in accordance with accounting standards for regulated operations and all increases and decreases in the cost of natural gas supply are passed on to customers with the fuel recovery clause mechanism. As gains and losses are realized in future periods, they will be recorded as fuel costs in the Consolidated Statements of Income.

Based on the fair value of the instruments at Dec. 31, 2013, net pretax losses of $9.5 million are expected to be reclassified from regulatory assets or liabilities to the Consolidated Statements of Income within the next twelve months.

The following table presents the effect of hedging instruments on OCI and income for the years ended Dec. 31, 2013, 2012 and 2011:

| *(millions)* | Location of Gain/(Loss) Reclassified From AOCI Into Income | Amount of Gain/(Loss) Reclassified From AOCI Into Income | | |
|---|---|---|---|---|
| *For the years ended Dec. 31:* | | *2013* | *2012* | *2011* |
| Derivatives in Cash Flow Hedging Relationships | Effective Portion [(1)] | | | |
| *Interest rate contracts:* | Interest expense | ($0.9) | ($0.8) | ($0.7) |
| Total | | ($0.9) | ($0.8) | ($0.7) |

(1) Changes in OCI and AOCI are reported in after-tax dollars.

For derivative instruments that meet cash flow hedge criteria, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or period during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For the years ended Dec. 31, 2013, 2012 and 2011, all hedges were effective.

The maximum length of time over which TEC is hedging its exposure to the variability in future cash flows extends to Dec. 31, 2015 for the financial natural gas contracts. The following table presents by commodity type TEC's derivative volumes that, as of Dec. 31, 2013, are expected to settle during the 2014 and 2015 fiscal years:

| (millions) | Natural Gas Contracts (MMBTUs) | |
| --- | --- | --- |
| Year | Physical | Financial |
| 2014 | 0.0 | 36.9 |
| 2015 | 0.0 | 7.6 |
| Total | 0.0 | 44.5 |

TEC is exposed to credit risk primarily through entering into derivative instruments with counterparties to limit its exposure to the commodity price fluctuations associated with natural gas. Credit risk is the potential loss resulting from a counterparty's nonperformance under an agreement. TEC manages credit risk with policies and procedures for, among other things, counterparty analysis, exposure measurement and exposure monitoring and mitigation.

It is possible that volatility in commodity prices could cause TEC to have material credit risk exposures with one or more counterparties. If such counterparties fail to perform their obligations under one or more agreements, TEC could suffer a material financial loss. However, as of Dec. 31, 2013, substantially all of the counterparties with transaction amounts outstanding in TEC's energy portfolio were rated investment grade by the major rating agencies. TEC assesses credit risk internally for counterparties that are not rated.

TEC has entered into commodity master arrangements with its counterparties to mitigate credit exposure to those counterparties. TEC generally enters into the following master arrangements: (1) EEI agreements-standardized power sales contracts in the electric industry; (2) ISDA agreements- standardized financial gas and electric contracts; and (3) NAESB agreements - standardized physical gas contracts. TEC believes that entering into such agreements reduces the risk from default by creating contractual rights relating to creditworthiness, collateral and termination.

TEC has implemented procedures to monitor the creditworthiness of its counterparties and to consider nonperformance risk in determining the fair value of counterparty positions. Net liability positions are generally not adjusted as TEC uses derivative transactions as hedges and has the ability and intent to perform under each of these contracts. In the instance of net asset positions, TEC considers general market conditions and the observable financial health and outlook of specific counterparties in evaluating the potential impact of nonperformance risk to derivative positions. As of Dec. 31, 2013, substantially all positions with counterparties were net assets.

Certain TEC derivative instruments contain provisions that require TEC's debt to maintain an investment grade credit rating from any or all of the major credit rating agencies. If debt ratings were to fall below investment grade, it could trigger these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. TEC has no other contingent risk features associated with any derivative instruments. Substantially all of TEC's open positions with counterparties as of Dec. 31, 2013 were asset positions.

## 14. Fair Value Measurements

### Items Measured at Fair Value on a Recurring Basis

The following table sets forth by level within the fair value hierarchy TEC's financial assets and liabilities that were accounted for at fair value on a recurring basis as of Dec. 31, 2013 and 2012. As required by accounting standards for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. TEC's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For all assets and liabilities presented below, the market approach was used in determining fair value.

**Recurring Derivative Fair Value Measures**

| (millions) | At fair value as of Dec. 31, 2013 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Natural gas swaps | $ 0.0 | $9.8 | $ 0.0 | $9.8 |
| Total | $ 0.0 | $9.8 | $ 0.0 | $9.8 |
| **Liabilities** | | | | |
| Natural gas swaps | $ 0.0 | $0.2 | $ 0.0 | $0.2 |
| Total | $ 0.0 | $0.2 | $ 0.0 | $0.2 |

| (millions) | At fair value as of Dec. 31, 2012 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Natural gas swaps | $ 0.0 | $0.2 | $ 0.0 | $0.2 |
| Total | $ 0.0 | $0.2 | $ 0.0 | $0.2 |
| **Liabilities** | | | | |
| Natural gas swaps | $ 0.0 | $14.3 | $ 0.0 | $14.3 |
| Total | $ 0.0 | $14.3 | $ 0.0 | $14.3 |

Natural gas swaps are OTC swap instruments. The primary pricing inputs in determining the fair value of natural gas swaps are the NYMEX quoted closing prices of exchange-traded instruments. These prices are applied to the notional amounts of active positions to determine the reported fair value (see **Note 13**).

TEC considered the impact of nonperformance risk in determining the fair value of derivatives. TEC considered the net position with each counterparty, past performance of both parties, the intent of the parties, indications of credit deterioration and whether the markets in which TEC transacts have experienced dislocation. At Dec. 31, 2013, the fair value of derivatives was not materially affected by nonperformance risk. TEC's net positions with substantially all counterparties were liability positions. There were no Level 3 assets or liabilities during the 2013 or 2012 fiscal years.

## 15. Variable Interest Entities

The determination of a VIE's primary beneficiary is the enterprise that has both 1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and 2) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

TEC has entered into multiple PPAs with wholesale energy providers in Florida to ensure the ability to meet customer energy demand and to provide lower cost options in the meeting of this demand. These agreements range in size from 117 MW to 370 MW of available capacity, are with similar entities and contain similar provisions. Because some of these provisions provide for the transfer or sharing of a number of risks inherent in the generation of energy, these agreements meet the definition of being VIEs. These risks include: operating and maintenance, regulatory, credit, commodity/fuel and energy market risk. TEC has reviewed these risks and has determined that the owners of these entities have retained the majority of these risks over the expected life of the underlying generating assets, have the power to direct the most significant activities, the obligation or right to absorb losses or benefits and hence remain the primary beneficiaries. As a result, TEC is not required to consolidate any of these entities. TEC purchased $22.1 million, $75.8 million and $81.2 million, under these PPAs for the three years ended Dec. 31, 2013, 2012 and 2011, respectively.

In one instance, TEC's agreement with an entity for 370 MW of capacity was entered into prior to Dec. 31, 2003, the effective date of these standards. Under these standards, TEC is required to make an exhaustive effort to obtain sufficient information to determine if this entity is a VIE and which holder of the variable interests is the primary beneficiary. The owners of this entity are not willing to provide the information necessary to make these determinations, have no obligation to do so and the information is not available publicly. As a result, TEC is unable to determine if this entity is a VIE and, if so, which variable interest holder, if any, is the primary beneficiary. TEC has no obligation to this entity beyond the purchase of capacity; therefore, the maximum exposure for TEC is the obligation to pay for such capacity under terms of the PPA at rates that could be unfavorable to the wholesale market. TEC purchased $46.6 million and $34.4 million for the two years ended Dec. 31, 2012 and 2011, respectively. This PPA expired on Dec. 31, 2012.

The company does not provide any material financial or other support to any of the VIEs it is involved with, nor is the company under any obligation to absorb losses associated with these VIEs. In the normal course of business, the company's involvement with these VIEs does not affect its Consolidated Balance Sheets, Statements of Income or Cash Flows.

**16. Subsequent Events**

On Feb. 14, 2014, TEC and TRC amended their $150 million accounts receivable collateralized borrowing facility, entering into Amendment No. 12 to the Loan and Servicing Agreement with certain lenders named therein and Citibank, N.A. as Program Agent. The amendment (i) extends the maturity date to Feb. 13, 2015, (ii) provides that TRC will pay program and liquidity fees, which will total 70.0 basis points, (iii) continues to provide that the interest rates on the borrowings will be based on prevailing asset-backed commercial paper rates, unless such rates are not available from conduit lenders, in which case the rates will be at an interest rate equal to, at TEC's option, either Citibank's prime rate (or the federal funds rate plus 50 basis points, if higher) or a rate based on the LIBOR (if available) plus a margin, (iv) confirms that CAFCO, LLC will be the Committed Lender and Conduit Lender and (v) makes other technical changes.

**17. Difference between Uniform System of Accounts and Generally Accepted Accounting Principles (GAAP)**

In accordance with the Federal Energy Regulatory Commission (FERC) Form 1 instructions, these notes are a replica of those included in the Company's published annual reports which may include reclassifications not made for FERC reporting purposes. These financial statements are prepared in accordance with the accounting requirements of the FERC as set forth in the applicable Uniform System of Accounts and published accounting releases. This is a comprehensive basis of accounting consistent with GAAP, except for:

- the balance sheet classification of cost of removal collections from customers
- the balance sheet classification of ASC 740-10-45 deferred income tax credits
- the income statement classification of buy for resale transactions

This is a comprehensive basis of accounting consistent with FERC, except for:

- the application of ASC 740-10-25 Accounting for Uncertainty in Income Taxes

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

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

| Line No. | Item (a) | Total (b) | Gas (c) |
|---|---|---|---|
| 1 | UTILITY PLANT | | |
| 2 | In Service | | |
| 3 | 101 Plant in Service (Classified) | 1,188,438,144 | 1,188,438,144 |
| 4 | 101.1 Property Under Capital Leases | - | - |
| 5 | 102 Plant Purchased or Sold | - | - |
| 6 | 106 Completed Construction not Classified | 55,155,772 | 55,155,772 |
| 7 | 103 Experimental Plant Unclassified | - | - |
| 8 | 104 Leased to Others | - | - |
| 9 | 105 Held for Future Use | 1,937,574 | 1,937,574 |
| 10 | 114 Acquisition Adjustments | 5,031,897 | 5,031,897 |
| 11 | TOTAL Utility Plant (Total of lines 3 through 10 ) | 1,250,563,388 | 1,250,563,388 |
| 12 | 107 Construction Work in Progress | 37,999,179 | 37,999,179 |
| 13 | Accum. Provision for Depreciation, Amortization, & Depletion | 595,695,477 | 595,695,477 |
| 14 | Net Utility Plant (Total of lines 11 plus 12 less line 13) | 692,867,090 | 692,867,090 |
| 15 | DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION | | |
| 16 | In Service: | | |
| 17 | 108 Depreciation | 591,732,868 | 591,732,868 |
| 18 | 111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights | - | - |
| 19 | 111 Amort. of Underground Storage Land and Land Rights | - | - |
| 20 | 119 Amortization of Other Utility Plant | - | - |
| 21 | TOTAL in Service (Total of lines 17 through 20) | 591,732,868 | 591,732,868 |
| 22 | Leased to Others | | |
| 23 | 108 Depreciation | - | - |
| 24 | 111 Amortization and Depletion | - | - |
| 25 | TOTAL Leased to Others (Total of lines 23 and 24) | - | - |
| 26 | Held for Future Use | | |
| 27 | 108 Depreciation | - | - |
| 28 | 111 Amortization | - | - |
| 29 | TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28) | - | - |
| 30 | 111 Abandonment of Leases (Natural Gas) | - | - |
| 31 | 115 Amortization of Plant Acquisition Adjustment | 3,962,609 | 3,962,609 |
| 32 | TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31) | 595,695,477 | 595,695,477 |

Annual Status Report

Analysis of Plant in Service Accounts

Company: Peoples Gas System

For the Year Ended December 31, 2013



| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|---|---|---|---|---|---|---|---|---|---|
| **Amortizable General Plant Assets:** | | | | | | | | | |
| 30100 | Organization | 0 | 12,620 | - | - | - | - | - | 12,620 |
| 30200 | Franchise & Consents | 4 | 427,466 | - | - | - | - | - | 427,466 |
| 30300 | Misc Intangible Plant | 4 | 815,325 | - | - | - | - | - | 815,325 |
| 30301 | Custom Intangible Plant | 6.7 | 26,301,702 | 834,984 | (1,376,702) | - | - | - | 25,759,984 |
| 37402 | Land Rights | 1.3 | 1,559,152 | 80,368 | - | - | - | - | 1,639,519 |
| 39002 | Structures & Improve Leases | 2.5 | 121,764 | - | - | - | - | - | 121,764 |
| | **Subtotal** | | 29,238,029 | 915,352 | (1,376,702) | - | - | - | 28,776,679 |
| **Depreciable Assets:** | | | | | | | | | |
| 37400 | Land Distribution | 0 | 3,233,468 | 1,124,630 | - | - | - | - | 4,358,099 |
| 37500 | Structures & Improvements | 2.5 | 18,698,013 | - | (15,480) | - | - | - | 18,682,533 |
| 37600 | Mains Steel | 4.2 | 333,096,564 | 33,712,523 | (2,047,155) | - | - | - | 364,761,932 |
| 37602 | Mains Plastic | 3.1 | 316,426,223 | 18,943,145 | (916,856) | - | - | - | 334,452,511 |
| 37800 | Meas & Reg Station Eqp Gen | 3.4 | 9,024,909 | 1,710,718 | (45,853) | - | - | - | 10,689,774 |
| 37900 | Meas & Reg Station Eqp City | 3.4 | 26,091,059 | 5,736,678 | (155,322) | - | - | - | 31,672,415 |
| 38000 | Services Steel | 6.6 | 41,905,612 | 1,660,718 | (332,898) | - | - | - | 43,233,432 |
| 38002 | Services Plastic | 5 | 206,882,007 | 12,368,331 | (1,041,969) | - | - | - | 218,208,369 |
| 38100 | Meters | 5.9 | 56,556,246 | 3,279,985 | (1,117,326) | - | - | - | 58,718,905 |
| 38200 | Meter Installations | 4.5 | 43,583,795 | 1,854,367 | (410,617) | - | - | - | 45,027,545 |
| 38300 | House Regulators | 3.6 | 12,964,484 | 663,396 | (64,926) | - | - | - | 13,562,954 |
| 38400 | House Regulator Installs | 4.5 | 17,296,614 | 1,335,434 | (163,022) | - | - | - | 18,469,026 |
| 38500 | Meas & Reg Station Eqp Ind | 3.1 | 9,231,283 | 102,723 | (137,301) | - | - | - | 9,196,706 |
| 38700 | Other Equipment | 6.3 | 4,043,320 | 130,510 | (9,922) | - | - | - | 4,163,908 |
| 39000 | Structures & Improvements | 2.5 | 9,582 | - | - | - | - | - | 9,582 |
| 39100 | Office Furniture | 6.7 | 2,811,276 | 60,210 | (10,296) | - | - | - | 2,861,190 |
| 39101 | Computer Equipment | 12.5 | 7,772,371 | 74,772 | (24,961) | - | - | - | 7,822,182 |
| 39102 | Office Equipment | 6.7 | 720,285 | 105,399 | (10,565) | - | - | - | 815,119 |
| 39201 | Vehicles up to 1/2 Tons | 11.2 | 6,544,042 | 1,814,231 | (1,087,859) | - | - | - | 7,270,414 |
| 39202 | Vehicles from 1/2 - 1 Tons | 12.7 | 5,789,332 | 569,370 | (391,622) | - | - | - | 5,967,080 |
| 39203 | Airplane | 1.7 | - | - | - | - | - | - | - |
| 39204 | Trailers & Other | 4 | 317,859 | 14,399 | (4,303) | - | - | - | 327,956 |
| 39205 | Vehicles over 1 Ton | 7.4 | 1,223,505 | 132,861 | (153,544) | - | - | - | 1,202,822 |
| 39300 | Stores Equipment | 4 | 8,579 | - | - | - | - | - | 8,579 |
| 39400 | Tools, Shop & Garage Equip | 6.6 | 3,708,720 | 293,234 | (23,460) | - | - | - | 3,978,495 |
| 39500 | Laboratory Equipment | 5 | 46,445 | - | - | - | - | - | 46,445 |
| 39600 | Power Operated Equipment | 6.4 | 1,746,788 | 30,178 | (16,039) | - | - | - | 1,760,927 |
| 39700 | Communication Equipment | 8.4 | 6,391,569 | 746,361 | (32,735) | - | - | - | 7,105,194 |
| 39800 | Miscellaneous Equipment | 5.9 | 470,987 | - | (27,841) | - | - | - | 443,146 |
| 39900 | Other Tangible Property | 0 | - | - | - | - | - | - | - |

Annual Status Report

Analysis of Plant in Service Accounts

Company:

For the Year Ended December 31, 2013



| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|---|---|---|---|---|---|---|---|---|---|
| (Continued) | | | | | | | | | |
| Capital Recovery Schedules: | | | | | | | | | |
| Total Account 101 and 106* | | | 1,165,832,966 | 87,379,525 | (9,618,575) | - | - | - | 1,243,593,917 |
| 10500 | Property Held for Future Use | 0.0 | 228,955 | 1,708,620 | - | - | - | - | 1,937,574 |
| 11400 | Acquisition Adjustment | 3.0 | 5,031,897 | - | - | - | - | - | 5,031,897 |
| | Subtotal | | 5,260,852 | 1,708,620 | - | - | - | - | 6,969,472 |
| Total Utility Plant ** | | | 1,171,093,818 | 89,088,145 | (9,618,575) | - | - | - | 1,250,563,388 |

Note: * The total of beginning and ending balances must agree to acct. 101 and 106, Plant in Service, Line 3 and Line 6, Page 12.

Note: ** The total of beginning and ending balances must agree to Line 11, Page 12.

Annual Status Report

Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2013



| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Amortizable General Plant Assets:** | | | | | | | | | | |
| 30100 | Organization | 3,116 | - | - | - | - | - | - | - | 3,116 |
| 30200 | Franchise & Consents | 423,453 | 3,711 | - | - | - | - | - | - | 427,164 |
| 30300 | Misc Intangible Plant | 659,652 | 32,613 | - | - | - | - | - | - | 692,265 |
| 30301 | Custom Intangible Plant | 15,093,801 | 1,021,259 | (1,376,702) | - | - | - | - | - | 14,738,358 |
| 37402 | Land Rights | 583,385 | 21,354 | - | (693) | (5,994) | - | - | - | 598,052 |
| 39002 | Structures & Improve Leases | 979 | 3,044 | - | - | - | - | - | - | 4,023 |
| | **Subtotal 108 - 404 *** | 16,764,387 | 1,081,981 | (1,376,702) | (693) | (5,994) | - | - | - | 16,462,979 |

**Items necessary to reconcile the total amortization accrual amount to Acct. 404.3, Amortization Expense, shown on Line 7, Page 8.**

| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Depreciable Assets:** | | | | | | | | | | |
| 37400 | Land Distribution | - | - | - | - | - | - | - | - | - |
| 37500 | Structures & Improvements | 6,531,910 | 467,351 | (15,480) | - | - | - | - | - | 6,983,781 |
| 37600 | Mains Steel | 184,930,152 | 14,998,149 | (2,047,155) | (1,218,327) | 142,855 | - | - | - | 196,805,674 |
| 37602 | Mains Plastic | 108,197,345 | 10,022,345 | (916,856) | (711,990) | 230,547 | - | - | - | 116,821,391 |
| 37800 | Meas & Reg Station Eqp Gen | 2,202,712 | 334,642 | (45,853) | (40,821) | - | - | - | - | 2,450,680 |
| 37900 | Meas & Reg Station Eqp City | 4,645,494 | 1,016,951 | (155,322) | (21,657) | - | - | - | - | 5,485,466 |
| 38000 | Services Steel | 47,432,234 | 2,792,330 | (332,898) | (1,275,715) | 25,735 | - | - | - | 48,641,686 |
| 38002 | Services Plastic | 106,698,797 | 10,538,268 | (1,041,969) | (1,259,996) | 179,410 | - | - | - | 115,114,510 |
| 38100 | Meters | 14,879,485 | 3,358,083 | (1,117,326) | (2,497) | 102,487 | - | - | - | 17,220,231 |
| 38200 | Meter Installations | 21,109,169 | 1,990,106 | (410,617) | (157,128) | - | - | - | - | 22,531,531 |
| 38300 | House Regulators | 5,208,147 | 474,426 | (64,926) | (2,397) | 130 | - | - | - | 5,615,379 |
| 38400 | House Regulator Installs | 8,067,173 | 806,626 | (163,022) | (80,013) | - | - | - | - | 8,630,764 |
| 38500 | Meas & Reg Station Eqp Ind | 4,824,022 | 285,065 | (137,301) | (667) | - | - | - | - | 4,971,119 |
| 38700 | Other Equipment | 1,282,246 | 258,293 | (9,922) | (1,270) | - | - | - | - | 1,529,348 |
| 39000 | Structures & Improvements | 10,111 | 240 | - | - | - | - | - | - | 10,350 |
| 39100 | Office Furniture | 1,766,265 | 189,984 | (10,296) | - | - | - | - | - | 1,945,953 |
| 39101 | Computer Equipment | 5,003,291 | 974,800 | (24,961) | - | - | - | - | - | 5,953,130 |
| 39102 | Office Equipment | 228,043 | 48,173 | (10,565) | - | - | - | - | - | 265,651 |
| 39201 | Vehicles up to 1/2 Tons | 2,545,717 | 750,412 | (1,087,859) | 3,985 | 109,689 | - | - | - | 2,321,944 |
| 39202 | Vehicles from 1/2 - 1 Tons | 2,565,707 | 742,037 | (391,622) | (227) | 4,024 | - | - | - | 2,919,920 |
| 39203 | Airplane | (0) | - | - | - | - | - | - | - | (0) |
| 39204 | Trailers & Other | 136,979 | 13,008 | (4,303) | 33 | 2,900 | - | - | - | 148,619 |
| 39205 | Vehicles over 1 Ton | 668,068 | 84,487 | (153,544) | 208 | 7,838 | - | - | - | 607,057 |
| 39300 | Stores Equipment | 3,592 | 343 | - | - | - | - | - | - | 3,935 |
| 39400 | Tools, Shop & Garage Equip | 2,093,524 | 259,928 | (23,460) | - | - | - | - | - | 2,329,992 |
| 39500 | Laboratory Equipment | 29,511 | 2,322 | - | - | - | - | - | - | 31,834 |
| 39600 | Power Operated Equipment | 932,968 | 112,597 | (16,039) | 192 | 6,500 | - | - | - | 1,036,218 |
| 39700 | Communication Equipment | 4,090,844 | 547,269 | (32,735) | - | - | - | - | - | 4,605,378 |
| 39800 | Miscellaneous Equipment | 289,158 | 27,033 | (27,841) | - | - | - | - | - | 288,350 |
| 39900 | Other Tangible Property | - | - | - | - | - | - | - | - | - |

Annual Status Report

Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2013



| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|---|---|---|---|---|---|---|---|---|---|---|
| (Continued) | | | | | | | | | | |
| 107-800 | Retirement Works in Progress | - | - | - | - | - | - | - | - | - |
| Capital Recovery Schedules: | | | | | | | | | | |
| | Subtotal 108-403 * | 553,137,051 | 52,177,252 | (9,618,575) | (4,768,980) | 806,119 | - | - | - | 591,732,868 |
| Items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on Line 6, Page 8. | | | | | | | | | | |
| 10500 | Property Held for Future Use | - | - | - | - | - | - | - | - | - |
| 11400 | Acquisition Adjustment | 3,813,463 | 149,146 | - | - | - | - | - | - | 3,962,609 |
| | Subtotal | 3,813,463 | 149,146 | - | - | - | - | - | - | 3,962,609 |
| Total Accumulated Reserve** | | 556,950,514 | 52,326,398 | (9,618,575) | (4,768,980) | 806,119 | - | - | - | 595,695,477 |

Note: * The total of beginning and ending balances must agree to Line 17, Page 12.

Note: ** The total of beginning and ending balances must agree to Line 32, Page 12.

Per rule 25-7.045(9), there has been no change of plans or utility experience requiring a change of rates, amortization or capital recovery schedule.

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $500,000) may be grouped.

| Line No. | Description of Project (a) | Construction Work in Progress-Gas (Account 107) (b) | Estimated Additional Cost of Project (c) |
|---|---|---|---|
| 1 | Alternative Fueling Stations | 939,988 | 511,346 |
| 2 | Cathodic Protection | 136,591 | 847 |
| 3 | Cast Iron Bare Steel Replacement Projects | 2,180,094 | 5,331,519 |
| 4 | Flagler Street/Miami River Phase 1 Replacement | 548,587 | 377,080 |
| 5 | Orlando College Park North Replacement Project | 572,480 | 243,302 |
| 6 | Communications Equipment | 19,956 | 171,795 |
| 7 | Distribution System Improvements | 1,672,019 | 2,553,529 |
| 8 | Ocala S Villages 8" Steel Improvement | 623,153 | 1,926,847 |
| 9 | Governmental / Municipal Improvements | 5,584,060 | 5,150,037 |
| 10 | Improvements to Leased Property | 30,199 | - |
| 11 | Improvements to Property | 413,605 | 16,379 |
| 12 | Miami Purchase of 15700 Biscayne Blvd Property | 2,299,343 | 40,000 |
| 13 | Industrial Installations | 771 | - |
| 14 | Main Replacement Projects | 1,820,474 | 950,964 |
| 15 | **TOTAL (Continued on 17b)** | | |

## CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.
2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.
3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

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

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $500,000) may be grouped.

| Line No. | Description of Project (a) | Construction Work in Progress-Gas (Account 107) (b) | Estimated Additional Cost of Project (c) |
|---|---|---|---|
| 1 | Measuring & Regulating Station Equipment | 1,611,674 | 2,319,501 |
| 2 | Miscellaneous - Non Revenue Producing | 542,684 | 116,983 |
| 3 | Office Equipment & Software | 1,271,694 | 283,221 |
| 4 | Software Project Energy Trade Risk Management | 1,207,791 | 2,792,209 |
| 5 | Software Project IVR Upgrade | 1,004,463 | 97,204 |
| 6 | Software Compliance Management System | 639,849 | 674,152 |
| 7 | Revenue Mains | 10,663,369 | 20,459,258 |
| 8 | Revenue Main Extension Wauchula Zolfo Springs | 577,246 | 396,662 |
| 9 | Power Operated Equipment | 462,507 | 625,293 |
| 10 | Service Lines | 228,507 | - |
| 11 | Testing, Measuring & Detection Equipment | 823,037 | 12,453 |
| 12 | Tools, Shop & Garage Equipment | 956,411 | 20,514 |
| 13 | Transportation Vehicles | 371,509 | 134,522 |
| 14 | Three 40' CNG Trailers | 797,120 | 39,380 |
| 15 | **TOTAL (including pg 17)** | 37,999,181 | 45,244,997 |

## CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.
2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.
3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

| Line No. | Description of Overhead (a) | Total Amount Charged for the Year (b) | Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c) |
|---|---|---|---|
| 1 | Supervision and Management | 1,683,697 | 75,039,860 |
| 2 | (These costs are allocated to WIP as outlined | | |
| 3 | in instruction 3 above) | | |
| 4 | | | |
| 5 | Corporate G & A | 3,999,996 | 76,723,557 |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | TOTAL | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## PREPAYMENTS (Account 165)

1. Report below the particulars (details) on each prepayment.

| Line No. | Nature of Prepayment (a) | Balance at End of Year (In Dollars) (b) |
|---|---|---|
| 1 | Prepaid Insurance | 742,080 |
| 2 | Line of Credit | 347,596 |
| 3 | Health Savings Account (H.S.A) | 197,100 |
| 4 | Permits | 82,000 |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | TOTAL | 1,368,776 |

## EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

| Line No. | Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a) | Total Amount of Loss (b) | Losses Recognized During Year (c) | WRITTEN OFF DURING YEAR Account Charged (d) | WRITTEN OFF DURING YEAR Amount (e) | Balance at End of Year (f) |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | n/a | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | TOTAL | | | | | |

## UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

| Line No. | Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a) | Total Amount of Charges (b) | Costs Recognized During Year (c) | WRITTEN OFF DURING YEAR Account Charged (d) | WRITTEN OFF DURING YEAR Amount (e) | Balance at End of Year (f) |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | n/a | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | | | | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## OTHER REGULATORY ASSETS (Account 182.3)

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (amounts less than $25,000) may be grouped by classes.

| Line No. | Description and Purpose of Other Regulatory Assets (a) | Balance Beginning of Year (b) | Debits (c) | Credits | | Balance End of Year (f) |
|---|---|---|---|---|---|---|
| | | | | Account Charged (d) | Amounts (e) | |
| 1 | Conservation Clause | 1,339,250 | 1,188,578 | 407 | 826,068 | 1,701,760 |
| 2 | | | | | | |
| 3 | Competitive Rate Adjustment | 4,106,799 | 3,661,695 | 142/4xx | 3,619,275 | 4,149,219 |
| 4 | | | | | | |
| 5 | FAS 158 - Current | 1,339,567 | 44,386 | 242 | - | 1,383,953 |
| 6 | | | | | | |
| 7 | Rate Case (5 years) | 71,302 | - | 928 | 71,302 | - |
| 8 | | | | | | |
| 9 | Current Derivative - Regulatory | 4,196,035 | 12,202,870 | 245 | 16,391,785 | 7,120 |
| 10 | | | | | | |
| 11 | Environmental MGP | 9,674,351 | 1,985,859 | 232/407 | 696,583 | 10,963,628 |
| 12 | | | | | | |
| 13 | FAS 158 - Non Current | 26,929,427 | 49,454 | 228 | 11,083,669 | 15,895,212 |
| 14 | | | | | | |
| 15 | Long Term Derivative Liability | 85,215 | 1,610,550 | 245 | 1,667,200 | 28,565 |
| 16 | | | | | | |
| 17 | Environmental Liability | 37,202,154 | 40,439,944 | 242 | 37,202,154 | 40,439,944 |
| 18 | TOTAL | 84,944,100 | 61,183,336 | | 71,558,036 | 74,569,400 |

## MISCELLANEOUS DEFERRED DEBITS (Account 186)

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

| Line No. | Description of Miscellaneous Deferred Debit (a) | Balance Beginning of Year (b) | Debits (c) | Account Charged (d) | Amount (e) | Balance End of Year (f) |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | Mutual Assistance | 119,137 | - | 131 | 119,137 | - |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | Misc. Work in Progress | 27,323 | | | | 86,796 |
| 18 | Deferred Regulatory Comm. Expenses | | | | | |
| 19 | TOTAL | 146,460 | | | | 86,796 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

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

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

**Securities Retired**

None

Total Retired $0

**Securities Issued**

None

Total Issued $0

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

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

| Line No. | Designation of Long-Term Debt (a) | Date Reacquired (b) | Principal of Debt Reacquired (c) | Net Gain or Net Loss (d) | Balance at Beginning of Year (e) | Balance at End of Year (f) |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | None | | | | | |
| 4 | | | | | | |
| 5 | | | | | | - |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | - |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | - |
| 12 | Total Amortization - Acct 428 | | | | - | |
| 13 | Loss on Reacquired Debt | | | | | - |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

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

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

| Line No. | Class and Series of Obligation (a) | Nominal Date of Issue (b) | Date of Maturity (c) | Original Amount Issued (d) | Interest for Year Rate (in %) (e) | Interest for Year Amount (f) | Total Amount Outstanding (g) |
|---|---|---|---|---|---|---|---|
| 1 | Other Long Term Debt - Acct 224 | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | Note Issued by Tampa Electric | 05/15/07 | 05/15/37 | 60,000,000 | 6.15 | 3,690,000 | 60,000,000 |
| 6 | Note Issued by Tampa Electric | 05/15/08 | 05/15/18 | 50,000,000 | 6.10 | 3,050,000 | 50,000,000 |
| 7 | Note Issued by Tampa Electric | 12/09/10 | 05/15/21 | 46,764,680 | 5.40 | 2,525,293 | 46,764,680 |
| 8 | Note Issued by Tampa Electric | 06/05/12 | 06/15/42 | 50,000,000 | 4.10 | 2,050,000 | 50,000,000 |
| 9 | Note Issued by Tampa Electric | 09/28/12 | 09/15/22 | 25,000,000 | 2.60 | 650,000 | 25,000,000 |
| 10 | | | | | | | |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | TOTAL | | | 231,764,680 | | 11,965,293 | 231,764,680 |

## UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.
6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

| Line No. | Designation of Long-Term Debt (a) | Principal Amount of Debt issued (b) | Total Expense Premium or Discount (c) | Amortization Period Date From (d) | Amortization Period Date To (e) | Balance at beginning of Year (f) | Debits (Credits) During Year (g) | Balance at End of Year (h) |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |
| 2 | Unamortized Debt Exp-Acct 181 | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | 36-Note/Tampa Electric 6.15% | 60,000,000 | 347,571 | 05-2007 | 05-2037 | 282,691 | (11,586) | 271,105 |
| 8 | 37-Note/Tampa Electric 6.10% | 50,000,000 | 378,502 | 05-2008 | 05-2018 | 203,445 | (37,850) | 165,595 |
| 9 | 39-Note/Tampa Electric 4.10% | 50,000,000 | 513,521 | 06-2012 | 06-2042 | 502,938 | (16,520) | 486,418 |
| 10 | 40-Note/Tampa Electric 2.60% | 25,000,000 | 195,952 | 12-2012 | 09-2022 | 190,748 | (19,290) | 171,458 |
| 11 | | | | | | 1,179,822 | (85,246) | 1,094,576 |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

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

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

| Line No. | Class and Series of Obligation (a) | Nominal Date of Issue (b) | Date of Maturity (c) | Original Amount Issued (d) | Interest for Year Rate (in %) (e) | Interest for Year Amount (f) | Total Amount Outstanding (g) |
|---|---|---|---|---|---|---|---|
| 1 | Other Long Term Debt - Acct 224 | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | TOTAL | | | 0 | | 0 | 0 |

## UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.
6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

| Line No. | Designation of Long-Term Debt (a) | Principal Amount of Debt issued (b) | Total Expense Premium or Discount (c) | Amortization Period Date From (d) | Amortization Period Date To (e) | Balance at beginning of Year (f) | Debits (Credits) During Year (g) | Balance at End of Year (h) |
|---|---|---|---|---|---|---|---|---|
| 1 | Unamortized Debt Disc - Acct 226 | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | 36-Note/Tampa Electric 6.15% | 60,000,000 | 340,200 | 05-2007 | 05-2037 | 276,696 | (11,340) | 265,356 |
| 5 | 39-Note/Tampa Electric 4.10% | 50,000,000 | 138,000 | 06-2012 | 06-2042 | 135,317 | (4,600) | 130,717 |
| 6 | 40-Note/Tampa Electric 2.60% | 25,000,000 | 30,500 | 12-2012 | 09-2022 | 29,737 | (3,050) | 26,687 |
| 7 | | | | | | 441,750 | (18,990) | 422,760 |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | Unamortized Debt Disc - OCI | | | | | | | |
| 15 | 37-Note/Tampa Electric 6.10% | 50,000,000 | 3,935,734 | 05-2008 | 05-2018 | 2,115,457 | (393,573) | 1,721,884 |
| 16 | (Interest Rate Settlement) | | | | | | | |
| 17 | 39-Note/Tampa Electric 4.10% | 50,000,000 | 1,326,300 | 06-2012 | 06-2042 | 1,300,511 | (44,210) | 1,256,301 |
| 18 | | | | | | | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than $50,000) may be grouped under appropriate title.

| Line No. | Item | Balance at End of Year |
|---|---|---|
| 1 | | |
| 2 | Vacation Liability | 2,622,171 |
| 3 | | |
| 4 | SERP Liability FAS 158 - Current | 777,018 |
| 5 | | |
| 6 | FAS 106 Liability FAS 158 - Current | 606,935 |
| 7 | | |
| 8 | Manufactured Gas Plant Estimated Environmental Liability | 40,439,944 |
| 9 | | |
| 10 | Other | 485,590 |
| 11 | | |
| 12 | | |
| 13 | TOTAL | 44,931,658 |

## OTHER DEFERRED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor Items (less than $25,000) may be grouped by classes.

| Line No. | Description of Other Deferred Credit (a) | Balance Beginning of Year (b) | DEBITS Contra Account (c) | DEBITS Amount (d) | Credits (e) | Balance End of Year (f) |
|---|---|---|---|---|---|---|
| 1 | Contractor Retention | 71,267 | CWIP | 274,199 | 769,437 | 566,505 |
| 2 | | | | | | |
| 3 | Environ. Insurance Recover | 1,737,324 | | | | 1,737,324 |
| 4 | | | | | | |
| 5 | MacDill Deferred Credit | 246,064 | CWIP | 12,390 | | 233,674 |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | 2,054,655 | | 286,589 | 769,437 | 2,537,503 |

## OTHER REGULATORY LIABILITIES (Account 254)

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

| Line No. | Description and Purpose of Other Regulatory Liabilities (a) | Balance Beginning of Year (b) | Debits Contra Account (b) | Debits Amount (c) | Credits (d) | Balance End of Year (e) |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | Gas Technology Research | 893,778 | 930.2 | 717,100 | 500,000 | 676,678 |
| 3 | | | | | | |
| 4 | Derivative Regulatory | 59,170 | 219 | 819,800 | 811,865 | 51,235 |
| 5 | Liability - Long Term | | | | | |
| 6 | | | | | | |
| 7 | Cast Iron Bare Steel Rider | - | | 204,045 | 238,059 | 34,014 |
| 8 | | | | | | |
| 9 | Derivative Regulatory | - | | 4,150,420 | 5,234,330 | 1,083,910 |
| 10 | Liability - Current | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | 952,948 | | 5,891,365 | 6,784,254 | 1,845,837 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## TAXES OTHER THAN INCOME TAXES (Account 408.1)

| | Name of Taxing Authority | Real Property | Tangible Personal Property | Intangible Personal Property | FICA, SUTA, FUTA | Gross Receipts | Regulatory Assessment Fees | Environ-mental, Excise | Franchise | Other* | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Various FL Counties | 8,978,233 | | | | | | | | | 8,978,233 |
| 2 | Internal Revenue Service (FICA) | | | | 2,402,080 | | | | | | 2,402,080 |
| 3 | FL Public Service Commission | | | | | | 1,648,695 | | | | 1,648,695 |
| 4 | FL Dept of Revenue | | | | | 12,361,549 | | | | | 12,361,549 |
| 5 | Various FL Municipalities | | | | | | | | 8,234,252 | | 8,234,252 |
| 6 | Internal Revenue Svc (FUTA) | | | | 24,462 | | | | | | 24,462 |
| 7 | Internal Revenue Svc (SUTA) | | | | 148,124 | | | | | | 148,124 |
| 8 | Various FL Counties (tags) | | | | | | | | | 10,379 | 10,379 |
| 9 | Various FL Municipalities | | | | | | | | | 32,525 | 32,525 |
| 10 | (occupational Licenses) | | | | | | | | | | - |
| 11 | Department of State | | | | | | | | | | - |
| 12 | Add: Cross company labor related | | | | 490,900 | | | | | | 490,900 |
| 13 | Less:charged to other revenue (495) | | | | | | (45,150) | | | | (45,150) |
| 14 | Less: Charged to Construction | | | | (476,103) | | | | | | (476,103) |
| 15 | Less: Charged to clearing, jobbing, AR | | | | (122,727) | | (102,986) | | | | (225,713) |
| 16 | TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1 | 8,978,233 | - | - | 2,466,736 | 12,361,549 | 1,500,559 | - | 8,234,252 | 42,904 | 33,584,232 |

Note: *List separately each item in excess of $500.

## ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below the information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustment to the account balance shown in column (f).

| Line No. | Account Subdivisions (a) | Balance Beginning of Year (b) | Amount Deferred for Year (c) | Allocations to Current Year's Income: Acct. No. (d) | Allocations to Current Year's Income: Amount (e) | Adjustments (f) | Balance End of Year (g) | Average Period of Allocation to Income (h) |
|---|---|---|---|---|---|---|---|---|
| 1 | Gas Utility | | | | | | | |
| 2 | 3% | 0 | | 411 | 0 | | 0 | |
| 3 | 4% | | | | | | | |
| 4 | 7% | | | | | | | |
| 5 | 10% | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | TOTAL | 0 | | | 0 | | 0 | |

**Notes**

Name of Respondent

Peoples Gas System

For the Year Ended

Dec. 31, 2013

## ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. At Other (Specify), include deferrals relating to other income and deductions.

2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

| Line No. | | Balance at Beginning of Year | Changes During Year: Amounts Debited to Account 410.1 | Amounts Credited to Account 411.1 | Amounts Debited to Account 410.2 | Amounts Credited to Account 411.2 | Adjustments: Debits: Account No. | Debits: Amount | Credits: Account No. | Credits: Amount | Balance at End of Year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | GAS | | | | | | | | | | |
| 2 | FAS 158 | 10,942,067 | | | | | | | 190 | 4,239,327 | 6,702,740 |
| 3 | FAS 133 | 2,946,376 | | | | | | | 190 | 1,345,894 | 1,600,482 |
| 4 | | | | | | | | | | | |
| 5 | Gas | 24,985,201 | (239,298) | | | | | | | | 25,224,499 |
| 6 | | | | | | | | | | | |
| 7 | Tax Credit | 104,848 | | | | | | | | | 104,848 |
| 8 | | | | | | | | | | | |
| 9 | | | | | | | | | | | |
| 10 | | | | | | | | | | | |
| 11 | TOTAL Gas (Lines 2 - 10) | 38,978,492 | (239,298) | | | | | | | 5,585,221 | 33,632,569 |
| 12 | Other (Specify) | | | | | | | | | | |
| 13 | TOTAL (Account 190) (Total of lines 11 and 12) | 38,978,492 | (239,298) | | | | | - | | 5,585,221 | 33,632,569 |

**Notes**

| | Federal | State | Total | |
|---|---|---|---|---|
| Deferred Income Tax Other Adjustments Includes: | (1,153,996) | (191,898) | (1,345,894) | FAS 133 |
| | (3,634,886) | (604,441) | (4,239,327) | FAS 158 |
| | (4,788,882) | (796,339) | (5,585,221) | |

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

| Line No. | | Balance at Beginning of Year | Changes During Year: Amounts Debited to Account 410.1 | Amounts Credited to Account 411.1 | Amounts Debited to Account 410.2 | Amounts Credited to Account 411.2 | Adjustments: Debits: Account No. | Debits: Amount | Credits: Account No. | Credits: Amount | Balance at End of Year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Account 281 - Accelerated Amortization Property | | | | | | | | | | |
| 2 | Electric | | | | | | | | | | |
| 3 | Gas | | | | | | | | | | |
| 4 | Other | | | | | | | | | | |
| 5 | TOTAL Account 281 (Lines 2 thru 4) | | | | | | | | | | |
| 6 | Account 282 - Other Property | | | | | | | | | | |
| 7 | Electric | | | | | | | | | | |
| 8 | Gas | 131,578,366 | 4,440,170 | | | | | | | | 136,018,536 |
| 9 | Other | | | | | | | | | | |
| 10 | TOTAL Account 282 (Lines 7 thru 9) | 131,578,366 | 4,440,170 | | | | | | | | 136,018,536 |
| 11 | Account 283 - Other | | | | | | | | | | |
| 12 | Electric | | | | | | | | | | |
| 13 | Gas | 20,178,629 | 1,253,858 | | | | 283 | 5,416,347 | | | 16,016,140 |
| 14 | Other | | | | | | | | | | - |
| 15 | TOTAL Account 283 - Other (Lines 12 thru 14) | 20,178,629 | 1,253,858 | | | | 283 | 5,416,347 | | | 16,016,140 |
| 16 | GAS | | | | | | | | | | |
| 17 | Federal Income Tax | 136,766,715 | 4,225,797 | | | | | 4,644,088 | | | 136,348,424 |
| 18 | State Income Tax | 14,990,280 | 1,468,231 | | | | | 772,259 | | | 15,686,252 |
| 19 | | | | | | | | | | | - |
| 20 | TOTAL Gas (Lines 17 thru 19) | 151,756,995 | 5,694,028 | | | | | 5,416,347 | | - | 152,034,676 |
| 21 | OTHER | | | | | | | | | | |
| 22 | Federal Income Tax | | | | | | | | | | |
| 23 | State Income Tax | | | | | | | | | | |
| 24 | TOTAL Other (Lines 22 and 23) | 0 | | | | | | | | | |
| 25 | TOTAL (Total of lines 5, 10 and 15) | 151,756,995 | 5,694,028 | | | | | 5,416,347 | | | 152,034,676 |

**NOTES:**

| | Federal | State | Total | |
|---|---|---|---|---|
| Deferred income tax adjustment includes: | | | | |
| | 1,009,201 | 167,818 | 1,177,019 | FAS 133 |
| | 3,634,887 | 604,441 | 4,239,328 | FAS158 |
| Total 283 | 4,644,088 | 772,259 | 5,416,347 | |

## RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

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

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

| Line No. | Particulars (Details) (a) | Amount (b) |
|---|---|---|
| 1 | Net Income for the Year (Page 9) | 34,729,226 |
| 2 | Reconciling Items for the Year | |
| 3 | Federal Income Tax | |
| 4 | *Taxable Income Not Reported on Books* | |
| 5 | CIAC and AIAC | 1,444,434 |
| 6 | | |
| 7 | | |
| 8 | *Deductions Recorded on Books Not Deducted for Return* | |
| 9 | Bonus | 2,130,125 |
| 10 | Capitalized Interest (Sec. 263) | 692,365 |
| 11 | Capitalized ECA Costs Tax Amortization | 364,127 |
| 12 | FAS 106 | 331,523 |
| 13 | Federal Income Tax | 13,355,049 |
| 14 | Whole Pricing Interest Component | 523,764 |
| 15 | Hedges | 429,759 |
| 16 | Deferred Taxes | 5,454,730 |
| 17 | Other | 1,097,946 |
| 18 | *Income Recorded on Books Not Included in Return* | |
| 19 | Competitive Rate Adjustment | 42,420 |
| 20 | Deferred Revenue | 316,102 |
| 21 | Energy Conservation Revenue | 362,510 |
| 22 | Equity Earnings of Subsidiaries | 2,615,361 |
| 23 | *Deductions on Return Not Charged Against Book Income* | |
| 24 | Bad Debts | 126,335 |
| 25 | Cost of Removal | 4,768,980 |
| 26 | Deferred Fuel | 1,255,161 |
| 27 | Depreciation - Excess Over Books | 16,328,468 |
| 28 | Environmental Disposal Costs | 1,289,277 |
| 29 | Pension | 136,633 |
| 30 | Repairs Capitalized on Books | 9,962,713 |
| 31 | SERP | 430,959 |
| 32 | Other | 509,595 |
| 33 | | |
| 34 | Federal Taxable Net Income | 22,408,534 |
| 35 | *Show Computation of Tax:* | |
| 36 | Federal Taxable Net Income | 22,408,534 |
| 37 | Federal Income Tax @ 35% | 7,842,987 |
| 38 | Prior Year True-up Provision to Actual Per Return and FAS 109 Adjustment | 5,512,062 |
| 39 | Federal Income Tax | 13,355,049 |
| 40 | Federal Income Tax Allocation to Other Income | 77,774 |

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME
FOR FEDERAL INCOME TAXES

Additional information in response to Question 2, Page 25a:

The consolidated federal income tax liability is currently being apportioned in accordance with Internal Revenue Service Regulations Section 1.1552-1(a)(2). These regulations provide for allocation of the consolidated tax liability on the basis of the percentage of the total tax to the tax which each member would bear if the tax were computed on a separate return basis. The tax liability allocated to each company cannot exceed the tax liability computed as if each had filed a separate return.

Peoples Gas System participates in the filing of a consolidated federal income tax return.

Affiliates included in the consolidated return are:

Bear Branch Coal Company
Clintwood Elkhorn Mining Company
Gatliff Coal Company
Peoples Gas System (Florida), Inc.
Perry County Coal Corporation
Pike-Letcher Land Company
Premier Elkhorn Coal Company
Raven Rock Development Corporation
Ray Coal Company, Inc.
Rich Mountain Coal Company
Tampa Electric Company
TECO Coal Corporation
TECO Coalbed Methane Florida, Inc.
TECO Clean Advantage Corporation
TECO Diversified, Inc.
TECO EnergySource, Inc.
TECO Finance, Inc.
TECO Gemstone, Inc.
TECO Guatemala, Inc.
TECO Oil & Gas, Inc.
TECO Partners, Inc.
TECO Pipeline Holding Company, LLC
TECO Properties Corporation
TEC Receivables Corporation
TECO Solutions, Inc.
TECO Wholesale Generation, Inc.
Whitaker Coal Corporation
TECO Services, Inc.

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account in total.
2. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
3. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
4. Report gas service revenues and therms sold by rate schedule.
5. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

| | | Operating Revenues | | Therms of Natural Gas Sold | | Avg. No. of Natural Gas Customers Per Mo. | |
|---|---|---|---|---|---|---|---|
| Line No. | Title of Account (a) | Amount for Year (b) | Amount for Previous Year (c) | Current Year (d) | Previous Year (e) | Current Year (f) | Previous Year (g) |
| 1 | Gas Service Revenues | | | | | | |
| 2 | Firm Sales Service | | | | | | |
| 3 | 480 Residential RS1 - RS3 | 120,685,802 | 117,750,776 | 60,722,065 | 57,595,646 | 312,583 | 309,098 |
| 4 | 480 Residential GS1 | 3,922,880 | 3,856,062 | 3,409,721 | 3,342,140 | 1,098 | 1,010 |
| 5 | 480 Residential GS2 | 1,041,278 | 1,270,882 | 1,030,554 | 1,245,774 | 69 | 74 |
| 6 | 480 Residential GS3 | (895) | 97,272 | (1,157) | 94,077 | | 6 |
| 7 | 481 Commercial Street Lighting | 66,015 | 61,241 | 71,461 | 65,726 | 17 | 19 |
| 8 | 481 Small General Service | 8,049,057 | 8,157,828 | 5,281,915 | 5,315,814 | 7,932 | 7,975 |
| 9 | 481 General Service 1 | 19,193,488 | 22,178,163 | 17,155,060 | 19,621,773 | 4,855 | 5,376 |
| 10 | 481 General Service 2 | 11,683,827 | 12,896,070 | 11,667,160 | 12,704,967 | 720 | 804 |
| 11 | 481 General Service 3 | 3,558,393 | 4,087,769 | 3,714,469 | 4,212,349 | 56 | 62 |
| 12 | 481 General Service 4 | 310,975 | 997,067 | 351,126 | 1,094,135 | 4 | 7 |
| 13 | 481 General Service 5 | 421,766 | 615,306 | 495,414 | 748,889 | 4 | 6 |
| 14 | 481 Natural Gas Vehicle Sales | 15,401 | 5,902 | 14,070 | 4,158 | 4 | 4 |
| 15 | Interruptible Sales Service | | | | | | |
| 16 | 481 Small Interruptible Service | 477,949 | 315,993 | 688,913 | 435,580 | 1 | 2 |
| 17 | 481 Interruptible Lg. Vol - 1 | 155,851 | 746,315 | 318,219 | 1,337,214 | | - |
| 18 | 481 Interruptible Lg. Vol - 2 | (445,410) | (254,315) | 466,382 | 1,486,267 | | - |
| 19 | Off System Sales Service | | | | | | |
| 20 | 481 Mutually Beneficial | 474,817 | 7,612,745 | 1,099,120 | 23,117,980 | | 2 |
| 21 | 481 Off System Sales | 56,185,141 | 66,062,715 | 141,968,790 | 200,845,820 | 10 | 15 |
| 22 | Firm Transportation Service | | | | | | |
| 23 | 489 Res-General Svc 1 | 544,288 | 473,349 | 1,488,558 | 1,275,088 | 296 | 271 |
| 24 | 489 Res-General Svc 2 | 1,192,742 | 1,121,277 | 4,440,048 | 4,190,480 | 211 | 192 |
| 25 | 489 Res-General Svc 3 | 761,672 | 785,342 | 3,280,142 | 3,068,030 | 42 | 38 |
| 26 | 489 Commercial Street Lighting | 124,936 | 130,600 | 623,467 | 651,731 | 29 | 29 |
| 27 | 489 Natural Gas Vehicles | 37,645 | 40,665 | 151,937 | 164,039 | 10 | 11 |
| 28 | 489 Small General Service | 1,955,134 | 1,657,401 | 3,159,895 | 2,667,782 | 2,666 | 2,274 |
| 29 | 489 General Service 1 | 19,257,291 | 17,563,498 | 53,705,645 | 48,962,264 | 9,832 | 8,988 |
| 30 | 489 General Service 2 | 29,587,544 | 28,365,675 | 108,722,906 | 104,263,685 | 5,840 | 5,592 |
| 31 | 489 General Service 3 | 17,226,956 | 16,759,780 | 76,392,673 | 73,695,444 | 754 | 732 |
| 32 | 489 General Service 4 | 8,510,547 | 7,876,893 | 50,961,955 | 47,150,553 | 140 | 132 |
| 33 | 489 General Service 5 | 12,197,407 | 11,599,632 | 102,283,444 | 96,772,000 | 124 | 123 |
| 34 | Interruptible Transportation Serv. | | | | | | |
| 35 | 489 Small Interruptible Transp | 5,593,267 | 5,060,875 | 56,712,218 | 65,091,754 | 33 | 30 |
| 36 | 489 Interruptible Transp LG - 1 | 9,370,268 | 6,343,449 | 226,399,502 | 182,942,150 | 16 | 15 |
| 37 | 489 Interruptible Transp LG - 2 | 8,164,887 | 10,513,365 | 731,784,796 | 899,506,735 | 6 | 8 |
| 38 | 482 Other Sales to Public Authorities | | 0 | | | | |
| 39 | 484 Flex Rate - Refund | | 0 | | | | |
| 40 | TOTAL Sales to Ultimate Consumers | 340,320,919 | 354,749,592 | 1,668,560,468 | 1,863,670,044 | 347,352 | 342,895 |
| 41 | 483 Sales for Resale | 1,243,213 | 1,152,148 | 3,397,931 | 3,356,530 | 15 | 14 |
| 42 | Off-System Sales | | 0 | | | | |
| 43 | TOTAL Nat. Gas Service Revenues | 341,564,132 | 355,901,740 | | | Notes | |
| 44 | TOTAL Gas Service Revenues | 341,564,132 | 355,901,740 | | | | |
| 45 | Other Operating Revenues | | | | | | |
| 46 | 485 Intracompany Transfers | | | | | | |
| 47 | 487 Forfeited Discounts | 871,547 | 659,483 | | | | |
| 48 | 488 Misc. Service Revenues | 4,822,636 | 4,649,532 | | | | |
| 49 | 488 | | | | | | |
| 50 | 488 Individual Transp Charge | 545,616 | 545,616 | | | | |
| 51 | 489 Rev. from Trans. of Gas of Others | | | | | | |
| 52 | not included in above rate schedules) | | | | | | |
| 53 | 493 Rent from Gas Property | 418,002 | 743,573 | | | | |
| 54 | 494 Interdepartmental Rents | | | | | | |
| 55 | 495 Other Gas Revenues | | | | | | |
| 56 | Gross Recpts Tax/Franch Fee Coll | 20,551,528 | 20,371,878 | | | | |
| 57 | Reconnect for Cause | | | | | | |
| 58 | Collection in lieu of disconnect | | | | | | |
| 59 | Returned Check | | | | | | |
| 60 | Other | 13,575,449 | 5,856,328 | | | | |
| 61 | 495.1 Overrecoveries Purchased Gas | | | | | | |
| 62 | TOTAL Other Operating Revenues | 40,784,778 | 32,826,410 | | | | |
| 63 | TOTAL Gas Operating Revenues | 381,105,697 | 387,576,002 | | | | |
| 64 | (Less) 496 Provision for Rate Refunds | | | | | | |
| 65 | TOTAL Gas Operating Revenues | | | | | | |
| 66 | Net of Provision for Refunds | 381,105,697 | 387,576,002 | | | | |
| 67 | Sales for Resale | 1,243,213 | 1,152,148 | | | | |
| 68 | Other Sales to Public Authority | | | | | | |
| 69 | Interdepartmental Sales | | | | | | |
| 70 | TOTAL | 382,348,910 | 388,728,150 | | | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

| Line No. | Account | Amount for Current Year | Amount for Previous Year |
|---|---|---|---|
| 1 | **1. Production Expenses** | | |
| 2 | A. TOTAL Manufactured Gas Production (Total of Accounts 700-742) | | - |
| 3 | B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769) | | - |
| 4 | C. TOTAL Products Extraction (Total of Accounts 770 through 791) | | - |
| 5 | D. TOTAL Exploration and Development (Total of Accts. 795 through 798) | | - |
| 6 | E. Other Gas Supply Expenses | | |
| 7 | Operation | | |
| 8 | 800 Natural Gas Well Head Purchases | | |
| 9 | 800.1 Natural Gas Well Head Purchases, Intracompany Transfers | | |
| 10 | 801 Natural Gas Field Line Purchases | 94,079,815 | 114,784,090 |
| 11 | 802 Natural Gas Gasoline Plant Outlet Purchases | | |
| 12 | 803 Natural Gas Transmission Line Purchases | | |
| 13 | 804 Natural Gas City Gate Purchases | 49,880,425 | 47,185,937 |
| 14 | 804.1 Liquefied Natural Gas Purchases | | |
| 15 | 805 Other Gas Purchases | | |
| 16 | 805.1 Purchased Gas Cost Adjustments - Debit/(Credit) | (1,372,488) | (2,508,809) |
| 17 | TOTAL Purchased Gas (Total of Lines 8 to 16) | 142,587,752 | 159,461,218 |
| 18 | 806 Exchange Gas | | |
| 19 | Purchased Gas Expenses | | |
| 20 | 807.1 Well Expenses--Purchased Gas | | |
| 21 | 807.2 Operation of Purchased Gas Measuring Stations | | |
| 22 | 807.3 Maintenance of Purchased Gas Measuring Stations | | |
| 23 | 807.4 Purchased Gas Calculations Expenses | | |
| 24 | 807.5 Other Purchased Gas Expenses | | |
| 25 | TOTAL Purchased Gas Expenses (Total of lines 20 through 24) | | |
| 26 | 808.1 Gas Withdrawn from Storage--Debit | 963,087 | 443,163 |
| 27 | (Less) 808.2 Gas Delivered to Storage--Credit | - | (1,406,250) |
| 28 | 809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit | | |
| 29 | (Less) 809.2 Deliveries of Natural Gas for Processing--Credit | | |
| 30 | Gas Used in Utility Operations--Credit | | |
| 31 | 810 Gas Used for Compressor Station Fuel--Credit | | |
| 32 | 811 Gas Used for Products Extraction--Credit | | |
| 33 | 812 Gas Used for Other Utility Operations--Credit | (99,686) | (109,918) |
| 34 | TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33) | (99,686) | (109,918) |
| 35 | 813 Other Gas Supply Expenses | | |
| 36 | TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35) | 143,451,153 | 158,388,213 |
| 37 | TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36) | 143,451,153 | 158,388,213 |
| 38 | **2. Natural Gas Storage, Terminaling and Processing Expenses** | | |
| 39 | A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837) | - | - |
| 40 | B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9) | - | - |
| 41 | C. TOTAL Liquefied Nat Gas Terminaling & Processing Expenses (Total of Accounts 844.1 through 847.8) | | |
| 42 | TOTAL Natural Gas Storage (Total of lines 39, 40, and 41) | - | - |
| 43 | **3. Transmission Expenses** | | |
| 44 | TOTAL Transmission Expenses (Total of Accounts 850 through 867) | - | - |
| 45 | | | |
| 46 | | | |
| | | | |

| Name of Respondent | | For the Year Ended |
|---|---|---|
| Peoples Gas System | | Dec. 31, 2013 |

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

| Line No. | Account | Amount for Current Year | Amount for Previous Year |
|---|---|---|---|
| 47 | **4. Distribution Expenses** | | |
| 48 | Operation | | |
| 49 | 870 Operation Supervision and Engineering | 762,940 | 588,771 |
| 50 | 871 Distribution Load Dispatching | 488,616 | 397,059 |
| 51 | 872 Compressor Station Labor and Expenses | 130 | 16,383 |
| 52 | 873 Compressor Station Fuel and Power | 2,054 | 294 |
| 53 | 874 Mains and Services Expenses | 7,102,956 | 6,342,292 |
| 54 | 875 Measuring and Regulating Station Expenses--General | 117,805 | 210,507 |
| 55 | 876 Measuring and Regulating Station Expenses--Industrial | 27,155 | 36,183 |
| 56 | 877 Measuring and Regulating Station Expenses--City Gate Check Station | 71,304 | 43,445 |
| 57 | 878 Meter and House Regulator Expenses | 3,862,412 | 3,693,019 |
| 58 | 879 Customer Installations Expenses | 1,762,054 | 2,246,928 |
| 59 | 880 Other Expenses | 1,800,871 | 1,432,414 |
| 60 | 881 Rents | 161,328 | 172,594 |
| 61 | TOTAL Operation (Total of lines 49 through 60) | 16,159,625 | 15,179,889 |
| 62 | Maintenance | | |
| 63 | 885 Maintenance Supervision and Engineering | 3,121 | 2,291 |
| 64 | 886 Maintenance of Structures and Improvements | 226,621 | 260,870 |
| 65 | 887 Maintenance of Mains | 3,728,532 | 2,572,683 |
| 66 | 888 Maintenance of Compressor Station Equipment | 665 | 21,143 |
| 67 | 889 Maintenance of Meas. and Reg. Sta. Equip.--General | 623,521 | 499,667 |
| 68 | 890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial | 620,682 | 496,381 |
| 69 | 891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station | 810,206 | 577,440 |
| 70 | 892 Maintenance of Services | 1,203,296 | 764,718 |
| 71 | 893 Maintenance of Meters and House Regulators | 565,588 | 676,048 |
| 72 | 894 Maintenance of Other Equipment | 74,491 | 73,420 |
| 73 | TOTAL Maintenance (Total of Lines 63 through 72) | 7,856,723 | 5,944,661 |
| 74 | TOTAL Distribution Expenses (Total of Lines 61 and 73) | 24,016,348 | 21,124,550 |
| 75 | **5. Customer Accounts Expenses** | | |
| 76 | Operation | | |
| 77 | 901 Supervision | | |
| 78 | 902 Meter Reading Expenses | 1,266,090 | 1,536,901 |
| 79 | 903 Customer Records and Collection Expenses | 6,297,443 | 6,024,249 |
| 80 | 904 Uncollectible Accounts | 655,237 | 728,908 |
| 81 | 905 Miscellaneous Customer Accounts Expenses | | |
| 82 | TOTAL Customer Accounts Expenses (Total of Lines 77 through 81) | 8,218,770 | 8,290,058 |
| 83 | **6. Customer Service and Informational Expenses** | | |
| 84 | Operation | | |
| 85 | 907 Supervision | | |
| 86 | 908 Customer Assistance Expenses | 8,316,261 | 6,233,102 |
| 87 | 909 Informational and Instructional Expenses | 1,116,170 | 1,081,549 |
| 88 | 910 Miscellaneous Customer Service and Informational Expenses | | |
| 89 | TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88) | 9,432,431 | 7,314,651 |
| 90 | **7. Sales Expenses** | | |
| 91 | Operation | | |
| 92 | 911 Supervision | | |
| 93 | 912 Demonstrating and Selling Expenses | 7,537,623 | 6,916,536 |
| 94 | 913 Advertising Expenses | 886,648 | 534,373 |
| 95 | 916 Miscellaneous Sales Expenses | (159,892) | 100,091 |
| 96 | TOTAL Sales Expenses (Total of lines 92 through 95) | 8,264,379 | 7,551,000 |
| 97 | | | |
| | | | |

| Name of Respondent | | | For the Year Ended |
|---|---|---|---|
| Peoples Gas System | | | Dec. 31, 2013 |

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

| Line No. | Account | Amount for Current Year | Amount for Current Year |
|---|---|---|---|
| 98 | **8. Administrative and General Expenses** | | |
| 99 | Operation | | |
| 100 | 920 Administrative and General Salaries | 9,152,019 | 5,845,898 |
| 101 | 921 Office Supplies and Expenses | 5,566,456 | 12,521,525 |
| 102 | (Less) (922) Administrative Expenses Transferred--Credit | (3,837,996) | (4,284,230) |
| 103 | 923 Outside Services Employed | 1,034,663 | 1,246,381 |
| 104 | 924 Property Insurance | 175,047 | 139,301 |
| 105 | 925 Injuries and Damages | 1,900,282 | 3,231,688 |
| 106 | 926 Employee Pensions and Benefits | 12,212,796 | 10,615,197 |
| 107 | 927 Franchise Requirements | | |
| 108 | 928 Regulatory Commission Expenses | 71,302 | 171,125 |
| 109 | (Less) (929) Duplicate Charges--Credit | | |
| 110 | 930.1 General Advertising Expenses | | |
| 111 | 930.2 Miscellaneous General Expenses | 11,576,829 | 5,743,532 |
| 112 | 931 Rents | 421,788 | 442,628 |
| 113 | TOTAL Operation (Total of lines 100 through 112) | 38,273,186 | 35,673,045 |
| 114 | Maintenance | | |
| 115 | 935 Maintenance of General Plant | 236,032 | 211,268 |
| 116 | TOTAL Administrative and General Expense (Total of lines 113 and 115) | 38,509,218 | 35,884,313 |
| 117 | | | |
| 118 | TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116) | 231,892,299 | 238,552,785 |
| 119 | | | |
| 120 | | | |

**NUMBER OF GAS DEPARTMENT EMPLOYEES**

1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

| | | |
|---|---|---|
| 1 | | |
| 2 | 1. Payroll Period Ended (Date) | 12/31/2013 |
| 3 | 2. Total Regular Full-Time Employees | 551 |
| 4 | 3. Total Part-Time and Temporary Employees | 2 |
| 5 | 4. Total Employees | 553 |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1, 808.1, 808.2)

1. Provide totals for the following accounts:
   - 800 - Natural Gas Well Head Purchases
   - 800.1- Natural Gas Well Head Purchases Intracompany Transfers
   - 801 - Natural Gas Field Line Purchases
   - 802 - Natural Gas Gasoline Plant Outlet Purchases
   - 803 - Natural Gas Transmission Line Purchases
   - 804 - Natural Gas City Gate Purchases
   - 804.1- Liquefied Natural Gas Purchases
   - 805 - Other Gas Purchases
   - 805.1- Purchases Gas Cost Adjustments
   - 808.1- Gas Withdrawn from Storage-Debit
   - 808.2 Gas Delivered to Storage-Credit

The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.

2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.
3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).
4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)

| Line No. | Account Title (a) | Gas Purchased-Therms (14.73 psia 60 F) (b) | Cost of Gas (In dollars) (c) | Average Cost Per Therm (To nearest .01 of a cent) (d) |
|---|---|---|---|---|
| 1 | 801 - Natural Gas Field Line Purchases | | $94,079,815 | |
| 2 | 808.1 - Gas Withdrawn from Storage-Debit | | $963,087 | |
| 3 | 808.2 - Gas Delivered to Storage-Credit | | $0 | |
| 4 | 804 - Natural Gas City Gate Purchases-Commodity | | $49,880,358 | |
| 5 | 805.1 - Purchased Gas Cost Adjustments | | ($1,372,488) | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |
| 11 | TOTAL (Total of lines 1 through 10) | 246,864,936 | $143,550,772 | 58.15 |

**Notes to Gas Purchases**

## GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.
4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

| Line No. | Purpose for Which Gas Was Used (a) | Account Charged (b) | Therms of Gas Used (c) | Natural Gas Amount of Credit (d) |
|---|---|---|---|---|
| 1 | 812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.) | | | |
| 2 | | | | |
| 3 | Operations Expense | 880 | 22,975 | 18,049 |
| 4 | | | | |
| 5 | Transportation Clearing Account CNG | 184 | 25,996 | 20,426 |
| 6 | | | | |
| 7 | Other Income Deductions | 426 | 18,059 | 13,268 |
| 8 | | | | |
| 9 | Administrative Use | 921 | 3 | 2 |
| 10 | | | | |
| 11 | Sales Tax Account | 241 | N/A | (2,485) |
| 12 | | | | |
| 13 | Gas Lost - Damaged Facilities | 143 | N/A | 50,428 |
| 14 | | | | |
| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | TOTAL | | 67,033 | 99,689 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## REGULATORY COMMISSION EXPENSES (Account 928)

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
3. The totals of columns (c), (f), (h), and (i) must agree with the totals shown at the bottom of page 19 for Account 186
4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than $25,000) may be grouped.

| Line No. | Description (Name of regulatory commission, the docket number, and a description of the case.) (a) | Total Expenses to Date (b) | Deferred in Account 186 Beginning of Year (c) | Expenses Incurred During Year: Charged Currently to: Account No. (d) | Expenses Incurred During Year: Charged Currently to: Amount (e) | Expenses Incurred During Year: Deferred to Account 186 (f) | Amortized During Year: Contra Account (g) | Amortized During Year: Amount (h) | Deferred in Account 186 End of Year (i) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Florida Public Service Commission | | | | | | | | |
| 2 | Docket 080318-GU - rate case. | | | | | | | | |
| 3 | Four year amortization of $684,500 | | | | | | | | |
| 4 | beginning June 2009 | 1,395,491 | 71,302 | | | | 928 | 71,302 | - |
| 5 | | | | | | | | | |
| 6 | | | | | | | | | |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | | | | | | | | | |
| 10 | | | | | | | | | |
| 11 | | | | | | | | | |
| 12 | | | | | | | | | |
| 13 | | | | | | | | | |
| 14 | | | | | | | | | |
| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | TOTAL | | | | | | | | |

## MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

| Line No. | Description (a) | Amount (b) |
|---|---|---|
| 1 | Industry Association Dues | 442,756 |
| 2 | Experimental and General Research Expenses:<br>Gas Technology Research | 500,000 |
| 3 | Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent. | |
| 4 | Other expenses (items of $5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than $5,000 may be grouped by classes if the number of items so grouped is shown.) | |
| 5 | | |
| 6 | Economic Development | 43,030 |
| 7 | | |
| 8 | Tampa Electric Company Intercompany Charges - General* | 6,196,151 |
| 9 | | |
| 10 | TECO Energy Intercompany Charges - General* | 3,037,226 |
| 11 | | |
| 12 | Software/Hardware Maintenance* | 870,239 |
| 13 | | |
| 14 | Other | 487,426 |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | *Prior to July 2012, a portion of these costs were classified as 921 | |
| 19 | | |
| 20 | TOTAL | 11,576,829 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## DISTRIBUTION OF SALARIES AND WAGES

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

| Line No. | Classification (a) | Direct Payroll Distribution (b) | Allocation of Payroll Charged for Clearing Accounts (c) | Total (d) |
|---|---|---|---|---|
| 1 | **Electric** | | | |
| 2 | TOTAL Operation and Maintenance - Electric | | | |
| 3 | **Gas** | | | |
| 4 | Operation | | | |
| 5 | Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 6 | Transmission | | | |
| 7 | Distribution | 10,952,325 | | |
| 8 | Customer Accounts | 3,561,149 | | |
| 9 | Customer Service and Informational | 205,763 | | |
| 10 | Sales | 2,738 | | |
| 11 | Administrative and General | 7,728,569 | | |
| 12 | TOTAL Operation (Total of lines 5 through 11) | 22,450,543 | | |
| 13 | Maintenance | | | |
| 14 | Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 15 | Transmission | | | |
| 16 | Distribution | 3,270,194 | | |
| 17 | Administrative and General | 15,111 | | |
| 18 | TOTAL Maintenance (Total of lines 14 through 17) | 3,285,305 | | |
| 19 | Total Operation and Maintenance | | | |
| 20 | Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing | | | |
| 21 | Transmission (Enter Total of lines 6 and 15) | | | |
| 22 | Distribution (Total of lines 7 and 16) | 14,222,519 | | |
| 23 | Customer Accounts (Transcribe from line 8) | 3,561,149 | | |
| 24 | Customer Service and Informational (Transcribe from line 9) | 205,763 | | |
| 25 | Sales (Transcribe from line 10) | 2,738 | | |
| 26 | Administrative and General (Total of lines 11 and 17) | 7,743,680 | | |
| 27 | TOTAL Operation and Maint. (Total of lines 20 through 26) | 25,735,848 | | 25,735,848 |
| 28 | **Other Utility Departments** | | | |
| 29 | Operation and Maintenance | | | |
| 30 | TOTAL All Utility Dept. (Total of lines 2, 27, and 29) | 25,735,848 | - | 25,735,848 |
| 31 | **Utility Plant** | | | |
| 32 | Construction (By Utility Departments) | | | |
| 33 | Electric Plant | | | |
| 34 | Gas Plant | 5,359,089 | | 5,359,089 |
| 35 | Other | | | |
| 36 | TOTAL Construction (Total of lines 33 through 35) | 5,359,089 | - | 5,359,089 |
| 37 | Plant Removal (By Utility Department) | | | |
| 38 | Electric Plant | | | |
| 39 | Gas Plant | 872,410 | | 872,410 |
| 40 | Other | | | |
| 41 | TOTAL Plant Removal (Total of lines 38 through 40) | 872,410 | - | 872,410 |
| 42 | | | | |
| 43 | Other Accounts (Specify): | | | |
| 44 | | | | |
| 45 | | | | - |
| 46 | Accounts Receivable - Associated Companies | 1,284,180 | | 1,284,180 |
| 47 | Other Work in Progress | | | - |
| 48 | Merchandise / Jobbing | 16,356 | | 16,356 |
| 49 | Miscellaneous | 231 | | 231 |
| 50 | | | | |
| 51 | | | | |
| 52 | | | | |
| 53 | TOTAL Other Accounts | 1,300,766 | - | 1,300,766 |
| 54 | TOTAL SALARIES AND WAGES | 33,268,114 | - | 33,268,114 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than $25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.
   (a) Name of person or organization rendering services,
   (b) description of services received,
   (c) basis of charges,
   (d) total charges for the year, detailing account charged.
2. For any services which are of a continuing nature, give the date and term of contract.
3. Designate with an asterisk associated companies.

| | Description | | Amount |
|---|---|---|---|
| 1 | Arcadis US Inc. | 182-environmental services | 175,833 |
| 2 | Bajocuva PA | 925-legal services | 1,221,899 |
| 3 | Baker & Hosteleter LLP | 182/923-legal services | 397,714 |
| 4 | Bracewell & Giuliani LLP | 182/923-legal services | 43,922 |
| 5 | Brandmark Advertising, Inc. | 912-advertising services | 216,822 |
| 6 | Brown and Caldwell Inc. | 182-engineering services | 39,238 |
| 7 | C Edward Mills | 921/923-consulting services | 107,462 |
| 8 | CDM Smith Inc | 182-engineering services | 97,569 |
| 9 | Celeritas Works LLC | 925-consulting services | 37,500 |
| 10 | Certified Testing Laboratories | various-engineering services | 51,357 |
| 11 | CGI Technologies and Solutions | various-engineering services | 48,657 |
| 12 | Daniels Engineering, Inc. | various-engineering services | 82,779 |
| 13 | Durrance and Associates, PA | 925-consulting services | 41,212 |
| 14 | Eric B Stallings | various-engineering services | 43,381 |
| 15 | FGE Engineering, Inc. | 880/various-engineering services | 657,836 |
| 16 | Fowler, White, Boggs PA | 925-legal services | 339,342 |
| 17 | George Young | various-engineering services | 68,922 |
| 18 | John D Cerrato | various-engineering services | 139,365 |
| 19 | Keith & Associates | 925-consulting services | 50,420 |
| 20 | Lau, Lane, Pieper, Conley & McCreadie PA | 925-legal services | 43,595 |
| 21 | Macfarlane Ferguson | 182/923-legal services | 536,829 |
| 22 | Magnolia River Services | various-engineering services | 97,772 |
| 23 | Mai Engineering Services, Inc. | various-engineering services | 201,398 |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | Continued on 33b | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |

## PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.
(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.
(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities: and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $25,000 may be grouped by classes within the above accounts.
(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

| | Item | Amount |
|---|---|---|
| 1 | | |
| 2 | Account 426.1 - Donations | 255,095 |
| 3 | Account 426.4 - Lobbying | 69,919 |
| 4 | | 325,014 |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | Account 431 - Other Interest Expense | |
| 11 | Intercompany Interest | 271 |
| 12 | AR Facility | 388 |
| 13 | Customer Deposits | 973,920 |
| 14 | Miscellaneous | 7,794 |
| 15 | Cast Iron Bare Steel Rider | 107 |
| 16 | PGA True - Up | - |
| 17 | | 982,480 |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than $25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.
   (a) Name of person or organization rendering services,
   (b) description of services received,
   (c) basis of charges,
   (d) total charges for the year, detailing account charged.
2. For any services which are of a continuing nature, give the date and term of contract.
3. Designate with an asterisk associated companies.

| | Description | | Amount |
|---|---|---|---|
| 1 | Marketing Talent | 909/921-advertising services | 322,037 |
| 2 | NDT & Inspections Inc. | various-engineering services | 77,773 |
| 3 | Neil Thomson | 182-environmental services | 35,706 |
| 4 | Pricewaterhouse Coopers | 923-accounting services | 315,250 |
| 5 | Raymond Ross | various-construction management | 55,665 |
| 6 | Smoak & Chistolini LLC | 925-legal services | 91,328 |
| 7 | Southern Cathodic Protection | 887-engineering services | 411,205 |
| 8 | Structure Consulting Group | 107/923-software consulting services | 370,330 |
| 9 | Tanktek Inc. DBA Enviro Tek Inc. | various | 390,946 |
| 10 | Tampa Electric* | 930- various | 8,687,887 |
| 11 | Teco Energy* | 930- various | 5,253,315 |
| 12 | Teco Partners* | 912/107-marketing | 7,381,178 |
| 13 | Trimble Navigation LTD | 107/921-software consulting services | 160,106 |
| 14 | William J Greer | various-construction management | 26,245 |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
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| 28 | | | |
| 29 | | | |
| 30 | | | |

## PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.
(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.
(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities: and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $25,000 may be grouped by classes within the above accounts.
(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

| | Item | Amount |
|---|---|---|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
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| 22 | | |
| 23 | | |
| 24 | | |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

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

**For the current year, reconcile the gross operating revenues as reported on Page 26 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).**

| | (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|---|
| Line No. | Description | Gross Operating Revenues per Page 26 | Interstate and Sales for Resale Adjustments | Adjusted Intrastate Gross Operating Revenues | Intrastate Gross Operating Revenues per RAF Return | Difference (d) - (e) |
| 1 | Total Sales to Ultimate Customers (480-482, 484) | 225,796,335 | | 225,796,335 | 225,796,335 | - |
| 2 | Sales for Resale (483) | 1,243,213 | | 1,243,213 | 1,243,213 | - |
| 3 | Total Natural Gas Service Revenues | 227,039,548 | | 227,039,548 | 227,039,548 | - |
| 4 | Total Other Operating Revenues (485-495) | 155,309,362 | | 155,309,362 | 155,309,362 | - |
| 5 | Total Gas Operating Revenues | 382,348,910 | | 382,348,910 | 382,348,910 | - |
| 6 | Provision for Rate Refunds (496) | | | | | |
| 7 | Wholesale Sales & Wholesale Transport Adj. | | | | (1,243,213) | 1,243,213 |
| 8 | Mutually Beneficial Wholesale Adjustment | | | | (474,817) | 474,817 |
| 9 | Unbilled Revenue Adjustment | | | | 222,446 | (222,446) |
| 10 | Off System Sales for Resale Adjustment | | | | (50,627,779) | 50,627,779 |
| 11 | **Total Gross Operating Revenues** | 382,348,910 | | 382,348,910 | 330,225,547 | 52,123,363 |

Notes:

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

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## CORPORATE STRUCTURE

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

Effective Date: Dec. 31, 2013

- TECO Energy, Inc.
  - TECO Services, Inc.
  - Tampa Electric Company
    - TEC Receivables Corp.
    - TECO Partners, Inc.
  - TECO Investments, Inc.
  - TECO Finance, Inc.
  - TECO Oil & Gas, Inc.
  - TECO Diversified, Inc.
    - TECO Coal Corporation
      - Bear Branch Coal Company
      - Raven Rock Development Corporation
      - Clintwood Elkhorn Mining Company
      - Gatliff Coal Company
      - Pike-Letcher Land Company
      - Premier Elkhorn Coal Company
      - Rich Mountain Coal Company
      - Perry County Coal Company
        - Ray Coal Company
          - Whitaker Coal Company
    - TECO Coalbed Methane Florida, Inc.
    - TECO Properties Corporation
    - TECO Solutions, Inc.
    - TECO Gemstone, Inc.
  - Peoples Gas System (Florida), Inc.
  - TECO Energy Foundation, Inc.
  - TECO Pipeline Holding Company, LLC
    - SeaCoast Gas Transmission, LLC
  - TECO EnergySource, Inc.
  - TECO Wholesale Generation, Inc.
    - TECO Guatemala, Inc.
      - TECO Guatemala Holdings, LLC
        - TECO Guatemala Holdings II, LLC
  - TECO Clean Advantage Corporation

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of $300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

(a) Enter name of affiliate.
(b) Give description of type of service, or name the product involved.
(c) Enter contract or agreement effective dates.
(d) Enter the letter "p" if the service or product is purchased by the Respondent: "s" if the service or product is sold by the Respondent.
(e) Enter utility account number in which charges are recorded.
(f ) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

| Name of Affiliate (a) | Type of Service and/or Name of Product (b) | Relevant Contract or Agreement and Effective Date (c) | Total Charge for Year: "p" or "s" (d) | Total Charge for Year: Account Number (e) | Total Charge for Year: Dollar Amount (f ) |
|---|---|---|---|---|---|
| TECO Partners | Rent | | s | 146 | 210,492 |
| | G&A Allocation | | s | 146 | 287,000 |
| | Marketing Services | | p | 912 | 7,381,178 |
| | Marketing Services - Capital | | p | 107 | 500,000 |
| | Other Services | | s | 146 | 5,742 |
| Tampa Electric | Rent | | s | 146 | 72,162 |
| | Rent | | p | 931 | 108,360 |
| | Other Services | | p | 930/multi | 8,687,887 |
| | Other Services | | s | 146 | 94,743 |
| | Off System Sales | | s | 146 | 726,132 |
| | Gas Purchases | | p | 801 | 406,949 |
| | Imbalance Trade Bookouts & Overages | | s | 146 | 1,740,325 |
| | Imbalance Trade Bookouts & Overages | | p | 801 | 356,573 |
| TECO Energy | Other Services | | s | 146 | 284,994 |
| | Other Services | | p | 930/multi | 5,253,315 |
| TECO Energy Source | Other Services | | s | 146 | 22,950 |
| | Off System Sales | | s | 146 | 18,664,368 |
| | Imbalance Cashouts | | s | 146 | 41,609 |
| | Imbalance Cashouts | | p | 801 | 9,313 |
| | Gas Purchases | | p | 801 | 429,538 |
| SeaCoast Gas Transmission | Other Services | | s | 146 | 153,051 |
| | G&A Allocation | | s | 146 | 151,000 |
| | Operational Sales | | s | 146 | 256 |
| | Imbalance Cashouts | | s | 146 | 1,623 |
| | Imbalance Cashouts | | p | 801 | 165,671 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

| Name of Affiliate | Synopsis of Contract |
|---|---|
| TECO Partners | An agreement entered into between Peoples Gas (Peoples) and TECO Partners (Partners) whereby Peoples retained Partners to market and sell services for and on behalf of Peoples to present and potential customers of Peoples, including but not limited to:<br>- Energy Services<br>- Energy Conservation Program Services<br>- Promotional Services<br>Payment to Partners under the agreement is targeted at $6,500,000 annually - increasing by the previous year's CPI.<br>The agreement was entered into effective January 1, 2008 for a period of six years.<br><br>One year agreements were entered into between Peoples and TECO Partners, whereby TECO Partners lease space in various Peoples buildings in Florida. |
| Tampa Electric Company | Service agreement effective April 2013 through March 2014. Peoples Gas System contracted Tampa Electric to provide monthly gas meter reading at a price of $0.24 per reading in the Tampa division, and $0.52 per reading in the Lakeland division. For 2013, both parties mutually agree to establish the volume for April 2013 - March 2014 at 65,021 meters for Tampa, and for Lakeland a volume for April 2013 - March 2014 at 6,048 meters. An automatic review of billing volumes will occur should a 10% differential exist.<br><br>Additional terms and prices are provided for under these agreements. |

## INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF $25,000

Provide information regarding individual affiliated transactions in excess of $25,000. Recurring monthly affiliated transactions which exceed $25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

| Name of Affiliate | Description of Transaction | Dollar Amount |
|---|---|---|
| TECO Partners | | |
| | Monthly Marketing Services (costs) | 7,381,178 |
| | Monthly Marketing Services (costs) - Capital | 500,000 |
| Tampa Electric | Monthly Various Products & Services (costs) | 8,687,887 |
| | Off System Sales | 726,132 |
| | Gas Purchases | 406,949 |
| | Imbalance Trade Bookouts & Overages | 1,740,325 |
| | Imbalance Trade Bookouts & Overages (costs) | 356,573 |
| TECO Energy | Monthly Various Productes & Services (costs) | 5,253,315 |
| TECO Energy Source | Off System Sales | 18,664,368 |
| | Gas Purchases | 429,538 |
| SeaCoast Gas Transmission | Various Services | 153,051 |

| Name of Respondent | For the Year Ended |
|---|---|
| Peoples Gas System | Dec. 31, 2013 |

## ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

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

| Name of Affiliate | Description of Asset or Right | Cost/Orig. Cost | Accumulated Depreciation | Net Book Value | Fair Market Value | Purchase Price | Title Passed Yes/No |
|---|---|---|---|---|---|---|---|
| Purchases from Affiliates: | None | $ | $ | $ | $ | $ | |
| **Total** | | | | | | $ | |
| Sales to Affiliates: | None | $ | $ | $ | $ | Sales Price | |
| **Total** | | | | | | $ | |

## EMPLOYEE TRANSFERS

List employees earning more than $50,000 annually transferred to/from the utility to/from an affiliate company.

| Company Transferred From | Company Transferred To | Old Job Assignment | New Job Assignment | Transfer Permanent or Temporary and Duration |
|---|---|---|---|---|
| Tampa Electric | Peoples Gas | Director Corp. Comm. | Director Ops Compliance | Perm |
| TECO Energy | Peoples Gas | Director Business Develop | Dir. Wholesale Bus Devel | Perm |
| Tampa Electric | Peoples Gas | Accountant | Accountant | Perm |
| TECO Energy | Peoples Gas | Legal Specialist II | Distrib Easement Specialist | Perm |
| Peoples Gas | Tampa Electric | Business Analyst Senior | Business Analyst Senior | Perm |
| Peoples Gas | Tampa Electric | Administrative Specialist | Inventory Analyst Associate | Perm |