GU608-18-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, 2018

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

Name Sean P. Hillary	Title Controller	
Address P.O Box 2562	City Tampa	State FL 33601-2562
Telephone No. (813) 228-1349		PSC/AFD 020-G (12/03)

Building a better working world

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Report of Independent Auditors

To the Board of Directors of Tampa Electric Company

We have audited the accompanying financial statements of Peoples Gas System (the "Company"), a division of Tampa Electric Company, which comprise the balance sheet as of December 31, 2018, and the related statements of income and retained earnings for the year then ended and the related notes to the financial statements, included on pages 6 through 10 of the accompanying Annual Report of Natural Gas Utilities, and related notes filed with the Florida Public Service Commission as required by Rule 24-7.135 (2).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these regulatory basis financial statements in conformity with the financial reporting provisions of the Federal Energy Regulatory Commission (FERC) as set forth in its applicable Uniform System of Accounts and published accounting releases as described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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, 2018, and the results of its operations and its cash flows for the year then ended, on the basis of the financial reporting provisions of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1.

Regulatory Basis of Accounting

As described in Note 1 to the financial statements, the financial statements have been prepared by Peoples Gas System on the basis of the financial reporting provisions of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than U.S. generally accepted accounting principles, to meet the requirements of the FERC. Our opinion is not modified with respect to this matter.

Restriction on Use

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

Ernst + Young LLP

Tampa, Florida
April 30, 2019

INSTRUCTIONS FOR FILING THE ANNUAL REPORT OF NATURAL GAS UTILITIES

GENERAL INSTRUCTIONS

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

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

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

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

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

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

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

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

DEFINITIONS

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

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

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION	
01 Exact Legal Name of Respondent Peoples Gas System, a Division of Tampa Electric Company	02 Year of Report 2018
03 Previous Name and Date of Change (if name changed during year)	
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 702 N. Franklin Street Tampa, Florida 33602	
05 Name of Contact Person Sean P. Hillary	06 Title of Contact Person Controller
07 Address of Contact Person (Street, City, State, Zip Code) P.O Box 2562 Tampa, Florida 33601-2562	
08 Telephone of Contact Person, Including Area Code (813) 228 - 1349	09 Date of Report (Mo., Day, Yr) Dec. 31, 2018

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, 2018 to December 31, 2018, 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	4/29/19 **Date**
Sean P. Hillary **Name**	Controller **Title**

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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 corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of 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.

On July 1, 2016, TECO Energy and Emera completed the Merger contemplated by the Merger Agreement entered into on September 4, 2015. As a result of the Merger, the Merger Sub Company merged with and into TECO Energy with TECO Energy continuing as the surviving corporation and becoming a wholly owned indirect subsidiary of Emera. The acquisition method of accounting was not pushed down to TECO Energy or its subsidiaries, including TEC (PGS).

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, 2018

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 Peoples Gas System	T. Szelistowski	$ 320,000
Vice President Marketing and Sales, PGS	J. Wehle	$ 125,895
Vice President Gas Operations, PGS	R. Wall	$ 231,000
Vice President Business Development, PGS	T. O'Connor	$ 186,000
Vice President Customer Experience	M. Whiting	$ 73,080
Controller, PGS - effective 5/7/2018	S. Hillary	$ 117,038

Salaries for the year represent the Peoples Gas System share 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.			

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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 were held by its parent, TECO Energy, Inc. As disclosed on page 3, on July 1, 2016, TECO Energy and Emera completed the Merger contemplated by the Merger Agreement entered into on September 4, 2015. Therefore, TEC continues to be a wholly owned subsidiary of TECO Energy and became an indirect wholly owned subsidiary of Emera as of July 1, 2016. Pursuant to the Merger Agreement, upon the closing of the Merger, each issued and outstanding share of TECO Energy common stock was cancelled and converted automatically into the right to receive $27.55 in cash, without interest.				

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 the Commitments and Contingencies section of the included Notes to the Financial Statements - page 11-W.
5 None

Name of Respondent				For the Year Ended
Peoples Gas System				Dec. 31, 2018

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	1,620,123,096	1,769,037,358
3	Construction Work in Progress (107)	12	22,182,235	32,694,181
4	TOTAL Utility Plant Total of lines 2 and 3)		1,642,305,331	1,801,731,539
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	719,063,088	758,129,250
6	Net Utility Plant (Total of line 4 less 5)		923,242,243	1,043,602,289
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)	-	1,715,679	1,195,218
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)		1,715,679	1,195,218
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	9,677,349	8,481,815
19	Special Deposits (132-134)	-	25,000	25,000
20	Working Funds (135)	-	2,950	2,950
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	29,589,589	29,542,589
24	Other Accounts Receivable (143)	-	4,383,605	2,653,972
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	(302,187)	(248,774)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Associated Companies (146)	-	1,710,034	713,313
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)	-	1,887,695	2,073,130
32	Merchandise (155)	-		
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-	(2)	-
36	Prepayments (165)	18	1,546,852	619,354
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	12,037,763	12,353,298
41	Miscellaneous Current and Accrued Assets (174)	-		
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		60,558,648	56,216,647
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	1,046,301	2,027,978
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	65,563,696	60,717,021
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-		
50	Temporary Facilities (185)	-		
51	Miscellaneous Deferred Debits (186)	19	5,867,410	4,935,022
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	48,257,584	53,579,534
56	Unrecovered Purchased Gas Costs (191)	-	2,834,666	2,412,177
57	TOTAL Deferred Debits (Total of lines 44 through 56)		123,569,657	123,671,733
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		1,109,086,227	1,224,685,887

Name of Respondent			For the Year Ended
Peoples Gas System			Dec. 31, 2018

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)	-	275,550,169	320,550,169
5	Retained Earnings (215, 216)	10	117,313,123	115,286,558
6	Other Comprehensive Income (219)		(508,061)	(373,251)
7	Unappropriated Undistributed Subsidiary Earnings (216.1)	10	1,266,989	746,529
8	(Less) Reacquired Capital Stock (217)	-		
9	TOTAL Proprietary Capital (Total of lines 2 through 8)		393,622,220	436,210,005
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	261,764,680	311,764,680
15	Unamortized Premium on Long-Term Debt (225)	21		
16	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21	(386,686)	(887,127)
17	TOTAL Long-Term Debt (Total of lines 11 through 16)		261,377,994	310,877,553
18	OTHER NONCURRENT LIABILITIES			
19	Obligations Under Capital Leases - Noncurrent (227)	-		
20	Accumulated Provision for Property Insurance (228.1)	-	35,999	(3,038,523)
21	Accumulated Provision for Injuries and Damages (228.2)	-	2,684,165	2,621,406
22	Accumulated Provision for Pensions and Benefits (228.3)	-	24,177,690	28,853,681
23	Accumulated Miscellaneous Operating Provisions (228.4)	-	47,680	64,342
24	Accumulated Provision for Rate Refunds (229)	-		
25	TOTAL Other Noncurrent Liabilities (Total of lines 19 through 24)		26,945,534	28,500,906
26	CURRENT AND ACCRUED LIABILITIES			
27	Notes Payable (231)	-	5,000,000	53,651,643
28	Accounts Payable (232)	-	35,329,912	47,736,415
29	Notes Payable to Associated Companies (233)	-	52,684,300	-
30	Accounts Payable to Associated Companies (234)	-	8,001,424	9,568,954
31	Customer Deposits (235)	-	26,514,398	26,414,686
32	Taxes Accrued (236)	-	9,211,123	6,451,122
33	Interest Accrued (237)	-	1,610,110	1,628,035
34	Dividends Declared (238)	-		
35	Matured Long-Term Debt (239)	-		
36	Matured Interest (240)	-		
37	Tax Collections Payable (241)	-	737,297	761,687
38	Miscellaneous Current and Accrued Liabilities (242)	22	35,093,010	33,627,468
39	Obligations Under Capital Leases-Current (243)	-		
40	Derivative Liabilities (245)		181,065	-
41	TOTAL Current and Accrued Liabilities (Total of lines 27 through 40)		174,362,639	179,840,010
42	DEFERRED CREDITS			
43	Customer Advances for Construction (252)	-	9,607,066	10,634,955
44	Other Deferred Credits (253)	22	2,441,204	3,830,518
45	Other Regulatory Liabilities (254)	22	94,566,713	94,011,638
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	146,162,857	160,780,302
50	TOTAL Deferred Credits (Total of lines 43 through 49)		252,777,840	269,257,413
51	TOTAL Liabilities and Other Credits (Total of lines 9, 17, 25, 41 and 50)		1,109,086,227	1,224,685,887

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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	469,284,692	417,590,367
3	Operating Expenses			
4	Operation Expenses (401)	27-29	289,398,744	250,803,146
5	Maintenance Expenses (402)	27-29	10,555,307	8,527,883
6	Depreciation Expense (403)	15-16	47,624,850	44,247,186
7	Amortization & Depletion of Utility Plant (404-405)	-	1,955,299	1,892,256
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)	-	16,291,532	6,752,822
12	(Less) Regulatory Credits (407.4)	-	(5,990,191)	(7,389,998)
13	Taxes Other Than Income Taxes (408.1)	23	39,329,667	35,888,280
14	Income Taxes - Federal (409.1)	-	3,725,719	2,622,877
15	- Other (409.1)	-	48,784	(23,468)
16	Provision for Deferred Income Taxes (410.1)	24	10,723,227	22,604,092
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)	-	1,698,216	1,442,424
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		412,113,867	364,631,798
23	Net Utility Operating Income (Total of line 2 less 22)			
24	(Carry forward to page 9, line 25)		57,170,825	52,958,569

Name of Respondent			For the Year Ended
Peoples Gas System			Dec. 31, 2018

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)		57,170,825	52,958,569
26	**Other Income and Deductions**			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-	-	400
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-	61,384	66,844
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	3,512,795	3,145,062
35	Interest and Dividend Income (419)	-	16,213	170,434
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-	58,593	41,375
38	Gain on Disposition of Property (421.1)	-	2,140,586	2,140,586
39	TOTAL Other Income (Total of lines 29 through 38)		5,789,571	5,564,701
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	448,733	267,276
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		448,733	267,276
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-	(61,296)	4,227
48	Income Taxes - Other (409.2)	-	(16,988)	703
49	Provision for Deferred Income Taxes (410.2)	24	(768)	7
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)		(79,052)	4,937
54	Net Other Income and Deductions (Total of lines 39,44,53)		5,419,890	5,292,488
55	**Interest Charges**			
56	Interest on Long-Term Debt (427)	-	13,418,348	13,240,293
57	Amortization of Debt Discount and Expense (428)	21	301,402	544,140
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	1,171,565	1,441,524
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		14,891,315	15,225,957
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		47,699,400	43,025,100
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)		47,699,400	43,025,100

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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		118,072,051
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)		44,186,606
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(50,246,426)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		3,512,795
15	FAS 133 Other Comprehensive Income		134,810
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		115,659,836
	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)		115,659,836

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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
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
AOCI	accumulated other comprehensive income
APBO	accumulated postretirement benefit obligation
ARO	asset retirement obligation
ASC	Accounting Standards Codification
BACT	Best Available Control Technology
CAD	Canadian dollars
CAIR	Clean Air Interstate Rule
CCRs	coal combustion residuals
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
ECRC	environmental cost recovery clause
EEI	Edison Electric Institute
EGWP	Employee Group Waiver Plan
Emera	Emera Inc., a geographically diverse energy and services company headquartered in Nova Scotia, Canada
EPA	U.S. Environmental Protection Agency
ERISA	Employee Retirement Income Security Act
EROA	expected return on plan assets
EUSHI	Emera US Holdings Inc., a wholly owned subsidiary of Emera, which is the sole shareholder of TECO Energy's common stock
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
GHG	greenhouse gas(es)
HAFTA	Highway and Transportation Funding Act
IGCC	integrated gasification combined-cycle
IOU	investor owned utility
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association
ITCs	investment tax credits
KW	kilowatt(s)
kWac	kilowatt on an alternating current basis
MAP-21	Moving Ahead for Progress in the 21st Century Act
MBS	mortgage-backed securities
MD&A	the section of this report entitled Management's Discussion and Analysis of Financial Condition and Results of Operations
Merger	Merger of Merger Sub Company with and into TECO Energy, with TECO Energy as the surviving corporation
MGP	manufactured gas plant
Merger Agreement	Agreement and Plan of Merger dated September 4, 2015, by and among TECO Energy, Emera and Merger Sub Company
Merger Sub Company	Emera US Inc., a Florida corporation
MMA	The Medicare Prescription Drug, Improvement and Modernization Act of 2003
MMBTU	one million British Thermal Units
MRV	market-related value
MW	megawatt(s)
MWH	megawatt-hour(s)

Term	Meaning
NAESB	North American Energy Standards Board
NAV	net asset value
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
OCI	other comprehensive income
OPC	Office of Public Counsel
OPEB	other postretirement benefits
OTC	over-the-counter
PBGC	Pension Benefit Guarantee Corporation
PBO	postretirement benefit obligation
PGA	purchased gas adjustment
PGS	Peoples Gas System, the gas division of Tampa Electric Company
PPA	power purchase agreement
PRP	potentially responsible party
R&D	research and development
REIT	real estate investment trust
RFP	request for proposal
ROE	return on common equity
Regulatory ROE	return on common equity as determined for regulatory purposes
ROW	rights-of-way
S&P	Standard and Poor's
SCR	selective catalytic reduction
SEC	U.S. Securities and Exchange Commission
SO_2	sulfur dioxide
SoBRAs	solar base rate adjustments
SERP	Supplemental Executive Retirement Plan
STIF	short-term investment fund
Tampa Electric	Tampa Electric, the electric division of Tampa Electric Company
TEC	Tampa Electric Company
TECO Energy	TECO Energy, Inc., the direct parent company of Tampa Electric Company
TSI	TECO Services, Inc.
U.S. GAAP	generally accepted accounting principles in the United States
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, (8) the presentation of plant leased to others under capital leases, and (9) 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 PGS's Financial Statements contained herein.

TAMPA ELECTRIC COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Description of Business

TEC has two operating segments. Its Tampa Electric division provides retail electric services in West Central Florida, and PGS, its natural gas division, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. TEC's significant accounting policies are as follows:

Principles of Consolidation and Basis of Presentation

TEC maintains its accounts in accordance with recognized policies prescribed or permitted by the FPSC and the FERC. These policies conform with U.S. GAAP in all material respects. The use of estimates is inherent in the preparation of financial statements in accordance with U.S. GAAP. Actual results could differ from these estimates.

TEC is a wholly owned subsidiary of TECO Energy, Inc. and contains electric and natural gas divisions. Intercompany balances and transactions within the divisions have been eliminated in consolidation.

On July 1, 2016, TECO Energy and Emera completed the Merger contemplated by the Merger Agreement entered into on September 4, 2015, and TECO Energy became a wholly owned indirect subsidiary of Emera. Therefore, TEC became an indirect, wholly owned subsidiary of Emera as of July 1, 2016. The acquisition method of accounting was not pushed down to TECO Energy or its subsidiaries, including TEC.

Cash Equivalents

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

Property, Plant and Equipment

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

As 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. 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 other property dispositions, the cost and accumulated depreciation are removed from the balance sheet and a gain or loss is recognized.

Property, plant and equipment consisted of the following assets:

(millions)	*Estimated Useful Lives*	*December 31, 2018*	*December 31, 2017*
Electric generation	21-56 years	$ 5,038	$ 4,766
Electric transmission	28-77 years	880	859
Electric distribution	14-56 years	2,568	2,437
Gas transmission and distribution	16-77 years	1,678	1,534
General plant and other	8-43 years	613	579
Total cost		10,777	10,175
Less accumulated depreciation		(3,214)	(2,994)
Construction work in progress		673	263
Total property, plant and equipment, net		$ 8,236	$ 7,444

Depreciation

The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 3.5%, 3.7% and 3.5% for 2018, 2017 and 2016, respectively. Construction work in progress is not depreciated until the asset is placed in service. Total depreciation expense for the years ended December 31, 2018, 2017 and 2016 was $345 million, $332 million and $304 million, respectively. See **Note 3** for information regarding agreements approved by the FPSC that, among other things, reduced PGS's annual depreciation expense by $16 million beginning in 2016 and an additional $10 million beginning January 1, 2019.

Tampa Electric and PGS compute depreciation and amortization using the following methods:

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

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. In 2018, 2017 and 2016, the rate was 6.46%. Total AFUDC for the years ended December 31, 2018, 2017 and 2016 was $15 million, $2 million and $36 million, respectively. The increase in 2018 is a result of the construction of solar projects and the repowering of Big Bend Unit 1 with natural gas combined-cycle technology. The decrease in 2017 is a result of the Polk Power Station conversion project, which was completed in January 2017.

Inventory

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

Regulatory Assets and Liabilities

Tampa Electric and PGS are subject to accounting guidance for the effects of certain types of regulation (see **Note 3**).

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 enacted 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. See **Note 4** for additional details, including the impacts of tax reform.

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. As of December 31, 2018 and 2017, ITCs were $74 million and $22 million, respectively. The increase is due to solar projects placed in service in 2018.

Revenue Recognition

Regulated electric revenue

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

Regulated gas revenue

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

Other

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

Revenues and Cost Recovery

Revenues include amounts resulting from cost-recovery clauses which provide for monthly billing charges to reflect increases or decreases in 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.

Receivables and Allowance for Uncollectible Accounts

Receivables from contracts with customers, which consist of services to residential, commercial, industrial and other customers, were $226 million and $229 million as of December 31, 2018 and 2017, respectively. An allowance for uncollectible accounts is established based on TEC's collection experience. Circumstances that could affect Tampa Electric's and PGS's estimates of uncollectible receivables include, but are not limited to, customer credit issues, the level of fuel prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible.

The regulated utilities accrue base revenues for services rendered but unbilled to provide for matching of revenues and expenses (see **Note 3**). As of December 31, 2018 and 2017, unbilled revenues of $67 million and $66 million, respectively, are included in the "Receivables" line item on TEC's Consolidated Balance Sheets.

Accounting for Franchise Fees and Gross Receipts Taxes

Tampa Electric and PGS are allowed to recover certain costs incurred on a dollar-for-dollar basis from customers through rates approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. Franchise fees and gross receipt taxes payable by Tampa Electric and PGS are included as an expense on the Consolidated Statements of Income in "Taxes, other than income". These amounts totaled $120 million, $113 million and $117 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Deferred Credits and Other Liabilities

Other deferred credits primarily include accrued postretirement and pension liabilities (see **Note 5**), MGP environmental remediation liability (see **Note 8**), asset retirement obligations (see **Note 12**), and a reserve for auto, general and workers' compensation liability claims.

TECO Energy and its subsidiaries, including TEC, have a self-insurance program supplemented by excess insurance coverage for the cost of claims whose ultimate value exceeds the company's retention amounts. TEC estimates its liabilities for auto, general and workers' compensation using discount rates mandated by statute or otherwise deemed appropriate for the circumstances. Discount rates used in estimating these other self-insurance liabilities at December 31, 2018 and 2017 ranged from 4.00% to 4.01% and 2.74% to 4.00%, respectively.

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. For interest rate swaps that settle coincident with the debt issuance, the cash inflows and outflows are treated as premiums or discounts and included in the financing section of the Consolidated Statements of Cash Flows. See **Note 13** for further information regarding derivatives.

Reclassifications

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

2. New Accounting Pronouncements

Change in Accounting Policy

The new U.S. GAAP accounting policies that are applicable to, and adopted by TEC in 2018, are described as follows:

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The standard allows reclassification from accumulated other comprehensive income to retained earnings for certain tax effects resulting from the US Tax Cuts and Jobs Act that would otherwise be stranded in accumulated other comprehensive income. This guidance is effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2018, with early adoption permitted. TEC early adopted the standard in June 2018 and elected to not reclassify tax effects resulting from the US Tax Cuts and Jobs Act stranded in accumulated other comprehensive income to retained earnings as amounts were not material. TEC utilizes a portfolio approach to determine the timing and extent to which stranded income tax effects from items that were previously recorded in accumulated other comprehensive income are released.

Revenue from Contracts with Customers

On January 1, 2018, TEC adopted ASU 2014-09, *Revenue from Contracts with Customers* and all the related amendments, which created a new, principle-based revenue recognition framework. The standard has been codified as ASC Topic 606. The core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to. The guidance requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and related cash flows arising from contracts with customers. This guidance is effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017.

TEC adopted ASC 606 using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting practices. The adoption of ASC 606 resulted in no adjustments to TEC's opening retained earnings as of the adoption date. The impact of the adoption of the new standard was immaterial to TEC's net income and is expected to be immaterial on an ongoing basis.

Recognition and Measurement of Financial Assets and Financial Liabilities

On January 1, 2018, TEC adopted ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities* and all of the related amendments. The standard provides guidance for the recognition, measurement, presentation and disclosure of financial assets and liabilities. This guidance is effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017. There was no impact on the consolidated financial statements as a result of the adoption of this standard.

Clarifying the Definition of a Business

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*. The standard provides guidance to assist entities with evaluating when a set of transferred assets and activities is a business. This guidance is effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2017 and is required to be applied prospectively. TEC adopted ASU 2017-01 effective January 1, 2018. There was no impact on the consolidated financial statements as a result of the adoption of this standard.

Future Accounting Pronouncements

TEC considers the applicability and impact of all ASUs issued by FASB. The following updates have been issued by FASB, but have not yet been adopted by TEC. Any ASUs not included below were assessed and determined to be either not applicable to TEC or have insignificant impact on the consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard, codified as ASC Topic 842, increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet for leases with terms of more than 12 months. Under the previous guidance, operating leases are not recorded as assets and liabilities on the balance sheet. The effect of leases on the Consolidated Statements of Income and the Consolidated Statements of Cash Flows is largely unchanged. The guidance will require additional disclosures regarding key information about leasing arrangements. This guidance is effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2018. Early adoption is permitted and is required to be applied using a modified retrospective approach. TEC will not early adopt the standard.

In January 2018, the FASB issued an amendment to ASC Topic 842 that permits companies to elect to not evaluate existing land easements under the new standard if the land easements were not previously accounted for under existing lease guidance. TEC will make this election. In July 2018, the FASB issued an amendment to ASC Topic 842 that permits companies to elect not to restate their comparative periods in the period of adoption when transitioning to the standard. TEC will make this election. Additionally, TEC will elect the options that allow it to not reassess whether any expired or existing contracts contain leases, carry forward existing lease classification, use hindsight to determine the lease term for existing leases and not separate lease components from non-lease components for all lessee and lessor arrangements.

Over the past several years, TEC developed and executed a project plan which included holding training sessions with key stakeholders throughout the organization, gathering detailed information on existing lease arrangements, evaluating implementation alternatives and calculating the lease asset and liability balances associated with individual contractual arrangements. TEC has implemented additional processes and controls to facilitate the identification, tracking and reporting of potential leases based on the requirements of the standard. Updates to systems are not required as a result of implementation of this standard. The adoption of this standard will affect TEC's financial position by increasing assets and liabilities related to operating leases by approximately $20 million, with no impact to TEC's Consolidated Statements of Income. There will be no significant changes to TEC's accounting for lessor arrangements as a result of the adoption of the standard. TEC is in the process of assessing the disclosure requirements and continues to monitor FASB amendments to ASC Topic 842.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. The standard provides guidance regarding the measurement of credit losses for financial assets and certain other instruments that are not accounted for at fair value through net income, including trade and other receivables, debt securities, net investment in leases, and off-balance sheet credit exposures. The new guidance requires companies to replace the current incurred loss impairment methodology with a methodology that measures all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance expands the disclosure requirements regarding credit losses, including the credit loss methodology and credit quality indicators.

This guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2019. Early adoption is permitted for annual reporting periods, including interim periods after December 15, 2018 and will be applied using a modified retrospective approach. TEC is currently evaluating the impact of adoption of this standard on its consolidated financial statements.

Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities,* which amends the hedge accounting recognition and presentation requirements in ASC Topic 815. This standard improves the transparency and understandability of information about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and simplifies the application of hedge accounting. The standard will make more financial and nonfinancial hedging strategies eligible for hedge accounting, amends the presentation and disclosure requirements for hedging activities and changes how entities assess hedge effectiveness. This guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2018, with early adoption permitted, and is required to be applied using a modified retrospective approach. The adoption of this standard will have no impact on TEC's consolidated financial statements.

Cloud Computing

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* The standard allows entities who are customers in hosting arrangements that are service contracts to apply the existing internal-use software guidance to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The guidance specifies classification for capitalizing implementation costs and related amortization expense within the financial statements and requires additional disclosures. The guidance will be effective for annual reporting periods, including interim reporting within those periods, beginning after December 15, 2019. Early adoption is permitted and can be applied either retrospectively or prospectively. TEC is currently evaluating the transition methods and the impact of the adoption of this standard on the consolidated financial statements.

3. Regulatory

Tampa Electric's retail business and PGS are regulated separately by the FPSC. 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. The FPSC sets rates based on a cost of service methodology which allows utilities to collect total revenues (revenue requirements) equal to their cost of providing service, plus a reasonable return on invested capital.

Tampa Electric Base Rates-2013 Agreement

Tampa Electric's results for 2017 and 2016 reflect the stipulation and settlement agreement entered into on September 6, 2013, which resolved all matters in Tampa Electric's 2013 base rate proceeding.

This agreement provided for an additional $110 million in base revenue effective the date that the expansion of Tampa Electric's Polk Power Station went into service, which was January 16, 2017. The agreement provided for Tampa Electric's allowed regulatory ROE to be a mid-point of 10.25% with a range of plus or minus 1%. The agreement provided that Tampa Electric could not file for additional base rate increases to be effective sooner than January 1, 2018, unless its earned ROE were to fall below 9.25% before that time. If its earned ROE were to rise above 11.25%, any party to the agreement other than Tampa Electric could seek a review of its base rates. Under the agreement, the allowed equity in the capital structure is 54% from investor sources of capital and Tampa Electric began using a 15-year amortization period for all computer software.

Tampa Electric Base Rates-2017 Agreement

On September 27, 2017, Tampa Electric filed with the FPSC an amended and restated settlement agreement that replaced the existing 2013 base rate settlement agreement described above and extended it another four years through 2021. The FPSC approved the agreement on November 6, 2017.

The amended agreement provides for SoBRAs for TEC's substantial investments in solar generation. It includes the following potential revenue adjustments for the SoBRAs: $31 million for 150 MWs effective September 1, 2018, $51 million for 250 MWs effective January 1, 2019, $31 million for 150 MWs effective January 1, 2020, and an additional $10 million for 50 MWs effective on January 1, 2021. In order for each tranche of SoBRAs to take effect, Tampa Electric must show they are cost-effective and each individual project has a cost cap of $1,500/kWac. Additionally, in order to receive a SoBRA for the last tranche of 50 MWs, the first two tranches of 400 MW must be constructed at or below $1,475/kWac. The agreement includes a sharing provision that allows customers to benefit from 75% of any cost savings for projects below $1,500/kWac. Tampa Electric plans to invest approximately $850 million in these solar projects during the period from 2017 to 2021 and will accrue AFUDC during construction.

On December 12, 2017, TEC filed its first petition regarding the SoBRAs along with supporting tariffs demonstrating the cost-effectiveness of the September 1, 2018 tranche representing 145 MW and $24 million annually in estimated revenue requirements. The FPSC approved the tariffs on the first SoBRA filing on May 8, 2018 and TEC began receiving these revenues in September 2018. On June 29, 2018, TEC filed its second SoBRA petition along with supporting tariffs demonstrating the cost-effectiveness of the January 1, 2019 tranche representing 260 MW and $46 million annually in estimated revenue requirements. The FPSC approved the tariffs on the second SoBRA filing on October 29, 2018 and TEC began receiving these revenues in January 2019.

The agreement further maintains Tampa Electric's allowed regulatory ROE and allowed equity in the capital structure and extends the rate freeze date from January 1, 2018 to December 31, 2021, subject to the same ROE thresholds. The agreement further contains a provision whereby Tampa Electric agrees to quantify the impact of tax reform on net operating income and neutralize the impact of tax reform through a reduction in base revenues within 120 days of when tax reform becomes law. Additionally, any effects of tax reform between the effective date and the date the base rates are adjusted would be refunded through a one-time clause refund in 2019. See "Tampa Electric Tax Reform and Storm Settlement" below for information regarding the impact of tax reform. An asset optimization provision that allows Tampa Electric to share in the savings for optimization of its system once certain thresholds are achieved is also included, and Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2022 and that it will make no investments in gas reserves.

Tampa Electric Storm Restoration Cost Recovery

As a result of Tampa Electric's 2013 rate case settlement, 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 $56 million, the level of the reserve as of October 31, 2013. In the third quarter of 2017, Tampa Electric was impacted by Hurricane Irma and incurred storm restoration costs of approximately $102 million, of which $90 million was charged to the storm reserve, $3 million was charged to O&M expense and $9 million was charged to capital expenditures. At December 31, 2017, the amount of costs charged to the storm reserve regulatory liability exceeded the balance in the storm reserve by $47 million, which was recorded as a regulatory asset on the balance sheet as allowed by an FPSC order. This regulatory asset amount was eliminated in 2018 to reflect the effective recovery as discussed in Tampa Electric Tax Reform and Storm Settlement below. Tampa Electric petitioned the FPSC on December 28, 2017 for recovery of estimated Hurricane Irma storm costs plus approximately $10 million in restoration costs from prior named storms and to replenish the balance in the reserve to the $56 million level that existed as of October 31, 2013. An amended petition was filed with the FPSC on January 30, 2018. See the Regulatory Assets and Liabilities table below.

Tampa Electric Tax Reform and Storm Settlement

On March 1, 2018, the FPSC approved a settlement agreement filed by Tampa Electric that addressed both the recovery of storm costs and the return of tax reform benefits to customers (see **Note 4**) while keeping customer rates stable in 2018. Beginning on April 1, 2018, the agreement authorized Tampa Electric to net the estimated amount of storm cost recovery against Tampa Electric's estimated 2018 tax reform benefits. As a result, during 2018, Tampa Electric recorded O&M expense and a reduction of the storm reserve regulatory asset of $47 million and O&M expense and an increase in the storm reserve regulatory liability of $56 million to reflect effective recovery of the storm costs due to the allowed netting of storm cost recovery with tax reform benefits. Tampa Electric's final storm costs subject to netting will be determined in a separate regulatory proceeding in 2019. Any difference will be trued up and returned to customers in 2020. On August 20, 2018, the FPSC approved lowering base rates by $103 million annually beginning on January 1, 2019 as a result of lower tax expense.

PGS Base Rates and Impact of Tax Reform

PGS's base rates were established in May 2009 and reflect an allowed ROE range of 9.75% to 11.75% with base rates set at the middle of the range of 10.75%. The allowed equity in capital structure is 54.7% from all investor sources of capital.

On June 28, 2016, PGS filed its depreciation study with the FPSC seeking approval for new depreciation rates. On December 15, 2016, PGS and OPC filed a settlement with the FPSC (which was approved by the FPSC on February 7, 2017) agreeing to new depreciation rates that reduce annual depreciation expense by $16 million, accelerate the amortization of the regulatory asset associated with environmental remediation costs as described below, include obsolete plastic pipe replacements through the existing cast iron and bare steel replacement rider, and decrease the bottom of the ROE range from 9.75% to 9.25%. The settlement agreement provided that the bottom of the range will remain until the earlier of new base rates established in PGS's next general base rate proceeding or December 31, 2020, the top of the range will continue to be 11.75%, and the ROE of 10.75% will continue to be used for the calculation of return on investment for clauses and riders. No change in customer rates resulted from this agreement.

As part of the settlement, PGS and OPC agreed that at least $32 million of PGS's regulatory asset associated with the environmental liability for current and future remediation costs related to former MGP sites, to the extent expenses are reasonably and prudently incurred, will be amortized over the period 2016 through 2020. At least $21 million of that amount would be amortized over a two-year recovery period beginning in 2016. In 2017 and 2016, PGS recorded $5 million and $16 million, respectively, of this amortization expense. This additional amortization expense in 2017 and 2016 was offset by the decrease in depreciation expense as discussed above.

The 2017 PGS settlement agreement did not contain a provision for tax reform. In 2018, the FPSC approved a settlement agreement filed authorizing the utility to accelerate the remaining amortization of PGS's regulatory asset associated with the MGP environmental liability in 2018 up to the $32 million to net it against the estimated 2018 tax reform benefits. Therefore, PGS recorded amortization expense and a regulatory asset reduction of $11 million in 2018.

In accordance with the settlement agreement, PGS will reduce its base rates by $12 million for the impact of tax reform and reduce depreciation rates by $10 million beginning in January 2019. PGS is permitted to initiate a general base rate proceeding in 2020 if it forecasts that ROE will fall below its allowed range.

Regulatory Assets and Liabilities

Tampa Electric and PGS apply the FASB's accounting standards for regulated operations. Regulatory assets generally represent incurred costs that have been deferred, as their future recovery in customer rates is probable. Regulatory liabilities generally represent obligations to make refunds to customers from previous collections for costs that are not likely to be incurred or the advance recovery of expenditures for approved costs.

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

Regulatory Assets and Liabilities

(millions)	*December 31, 2018*	*December 31, 2017*
Regulatory assets:		
Regulatory tax asset (1)	$ 56	$ 45
Cost-recovery clauses (2)	55	13
Environmental remediation (3)	23	33
Postretirement benefits (4)	295	272
Storm reserve (5)	3	47
Other	26	23
Total regulatory assets	458	433
Less: Current portion	88	77
Long-term regulatory assets	$ 370	$ 356
Regulatory liabilities:		
Regulatory tax liability (6)	$ 715	$ 730
Cost-recovery clauses (2)	17	32
Storm reserve (7)	56	0
Accumulated reserve—cost of removal (8)	513	518
Other	9	5
Total regulatory liabilities	1,310	1,285
Less: Current portion	44	58
Long-term regulatory liabilities	$ 1,266	$ 1,227

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

(2) These assets and liabilities are related to FPSC clauses and riders. They are recovered or refunded through cost-recovery mechanisms approved by the FPSC on a dollar-for-dollar basis in the next year.

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

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

(5) See Tampa Electric Storm Restoration Cost Recovery discussion above for information regarding the storm reserve regulatory asset. The Tampa Electric regulatory asset reflected at December 31, 2017 was effectively recovered in 2018. Additionally, in October 2018, Hurricane Michael impacted PGS's Panama City division and the cost of restoration exceeded PGS's storm reserve balance. The balance at December 31, 2018 reflects PGS's storm reserve costs expected to be recovered in 2019. The regulatory assets were included in rate base and earned a rate of return as permitted by the FPSC.

(6) The regulatory tax liability is primarily related to the revaluation of TEC's deferred income tax balances recorded on December 31, 2017 at the lower income tax rate. The liability related to the revaluation of the deferred income tax balances will be amortized and returned to customers through rate reductions or other revenue offsets based on IRS regulations and a settlement agreement for tax reform benefits approved by the FPSC. See **Note 4** to the **TEC Consolidated Financial Statements** for further information.

(7) See Tampa Electric Storm Restoration Cost Recovery discussion above for information regarding this reserve. The regulatory liability is being replenished to the FPSC-allowed storm reserve balance of $56 million.

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

4. Income Taxes

On December 22, 2017, the U.S. Tax Cuts and Jobs Act of 2017 (the Act) was signed into legislation. The Act includes a broad range of tax reform proposals affecting businesses, effective January 1, 2018 which provide a corporate federal tax rate reduction from 35% to 21%, 100% asset expensing, limitation of interest deduction, the repeal of section 199 domestic production deduction and the preservation of the existing normalization rules. The Act also provides that regulated electric and gas companies are exempt from the 100% asset expensing and interest expense deduction limitation. In accordance with U.S. accounting standards, TEC is required to revalue its deferred income tax assets and liabilities based on the new 21% federal tax rate. Additionally, under FPSC rules TEC is required to adjust deferred income tax assets and liabilities for changes in tax rates with a corresponding regulatory liability for the excess deferred taxes generated by the tax rate differential. See **Note 3**.

At December 31, 2017, TEC provisionally revalued all deferred tax assets and liabilities, $194 million and $1,019 million, respectively, based on the rates at which they are expected to reverse in the future, which is 21% for federal tax purposes. At December 31, 2017, as a result of tax reform, Tampa Electric recorded a change in net deferred taxes with an offset to a regulatory tax liability in the amount of $755 million, subject to refund to customers over time as required by order of the FPSC. Provisional amounts primarily related to the uncertainty of the application of 100% asset expensing rules after September 27, 2017, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. On August 3, 2018, the U.S Department of Treasury in conjunction with the IRS issued proposed regulations clarifying the immediate expensing depreciation provisions enacted by the Act related to whether regulated utility property acquired after September 27, 2017 and placed in service by December 31, 2017 qualifies for 100% expensing. At December 31, 2018, the amounts recorded are no longer provisional, however, TEC does not expect any material impact resulting from the proposed regulations.

FERC Consideration of the TCJA

On November 15th, FERC issued a policy statement, Docket No. PL19-2-000, requiring companies to disclose the following items related to the accounting and rate treatment of excess and deficient Accumulated Deferred Income Taxes (ADIT) that resulted from the U.S. Federal Income Tax rate change from 35% to 21%, as enacted by the TCJA on December 22, 2017 and made effective January 1, 2018.

Peoples Gas System remeasured all ADIT balances in accounts 190, 282 and 283 at December 31, 2017 and recorded the excess deferred taxes in account 282 and its corresponding gross-up to account 283. As the excess ADIT reverse through the amortization period shown in the table below, the regulatory liability will reverse with an offset to the income statement account 411.1 - provision for deferred income taxes – credit. The liability related to the revaluation of the deferred income tax balances will be amortized and returned to customers through rate reductions or other revenue offsets based on IRS regulations and a settlement agreement for the tax reform benefits approved by the FPSC.

The accounts that increased and (decreased) due to the remeasurement of accumulated deferred income taxes as a result of the decrease in the federal income tax rate are reflected below. These include the provision to return adjustments recorded in 2018 as part of the 2017 tax return filing:

(millions)

254	282	283
$ 91	$ (68)	$ (23)

The estimated amortization period based on FPSC, IRS regulations, and the account that the amortization will be reported is reflected below:

(millions)			Debit/(Credit)	
As of December 31,	**2018**	**2017**	411.1	**Amortization Period**
Protected	$ 86	$ 88	$ (2)	Estimated 41 years under ARAM
Unprotected	(18)	(20)	2	10 years per FPSC
	$ 68	$ 68	$ 0	

In the table above, ARAM refers to the Average Rate Assumption Method.

Income Tax Expense

Effective July 1, 2016 and due to the Merger with Emera, TEC is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. Prior to the Merger, TEC was included in the filing of a consolidated federal income tax return with TECO Energy and its subsidiaries. TEC's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with respective tax sharing agreements of TECO Energy and EUSHI. To the extent that TEC's cash tax positions are settled differently than the amount reported as realized under the tax sharing agreement, the difference is accounted for as either a capital contribution or a distribution.

In 2018, 2017 and 2016, TEC recorded net tax provisions of $81 million, $197 million and $152 million, respectively.

Income tax expense consists of the following components:

Income Tax Expense (Benefit)

(millions) *For the year ended December 31,*	*2018*	*2017*	*2016*
Current income taxes			
Federal	$ 72	$ (1)	$ 53
State	10	6	12
Deferred income taxes			
Federal	(13)	170	76
State	13	23	11
Investment tax credits amortization	(1)	(1)	0
Total income tax expense	$ 81	$ 197	$ 152

For the three years presented, the overall effective tax rate differs from the U.S. federal statutory rate as presented below:

Effective Income Tax Rate

(millions) *For the year ended December 31,*	*2018*	*2017*	*2016*
Income before provision for income taxes	$ 422	$ 513	$ 438
Federal statutory income tax rates	21%	35%	35%
Income taxes, at statutory income tax rate	89	180	153
Increase (decrease) due to			
State income tax, net of federal income tax	19	19	15
Excess deferred tax amortization	(24)	0	0
AFUDC-equity	(2)	(1)	(8)
Tax credits	(2)	(3)	(7)
Other	1	2	(1)
Total income tax expense on consolidated statements of income	$ 81	$ 197	$ 152
Income tax expense as a percent of income from continuing operations, before income taxes	19.2%	38.4%	34.8%

Deferred Income Taxes

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:

(millions) *As of December 31,*	2018	2017
Deferred tax liabilities (1)		
Property related	$ 969	$ 919
Pension and postretirement benefits	105	100
Total deferred tax liabilities	1,074	1,019
Deferred tax assets (1)		
Loss and credit carryforwards (2)	146	91
Medical benefits	24	24
Insurance reserves	17	(5)
Pension and postretirement benefits	63	57
Capitalized energy conservation assistance costs	16	13
Other	9	14
Total deferred tax assets	275	194
Total deferred tax liability, net	$ 799	$ 825

(1) Certain property related assets and liabilities have been netted.
(2) Deferred tax assets for net operating loss and tax credit carryforwards have been reduced by unrecognized tax benefits of $8 million.

At December 31, 2018, TEC had cumulative unused federal and Florida NOLs for income tax purposes of $340 million and $274 million, respectively, expiring between 2033 and 2037. TEC has unused general business credits of $78 million, expiring between 2028 and 2038. As a result of the Merger with Emera, TECO Energy's NOLs and credits will be utilized by EUSHI, in accordance with the benefits-for-loss allocation which provide that tax attributes are utilized by the consolidated tax return group of EUSHI.

Unrecognized Tax Benefits

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

The following table provides details of the change in unrecognized tax benefits as follows:

(millions)	2018	2017	2016
Balance at January 1,	$ 8	$ 7	$ 0
Increases due to tax positions related to current year	0	1	7
Balance at December 31	$ 8	$ 8	$ 7

As of December 31, 2018 and 2017, TEC's uncertain tax positions for federal R&D tax credits were $8 million for both years, all of which was recorded as a reduction of deferred income tax assets for tax credit carryforwards. TEC believes that the total unrecognized tax benefits will decrease and be recognized within the next twelve months due to the ongoing audit examination of TECO Energy's consolidated federal income tax return for the short tax year ending June 30, 2016. TEC had $8 million of unrecognized tax benefits at December 31, 2018 and 2017, that, if recognized, would reduce TEC's effective tax rate.

TEC recognizes interest accruals related to uncertain tax positions in "Other income" or "Interest expense", as applicable, and penalties in "Operation and maintenance expense" in the Consolidated Statements of Income. In 2018, 2017 and 2016, TEC did not recognize any pre-tax charges (benefits) for interest. Additionally, TEC did not have any accrued interest at December 31, 2018, 2017 and 2016. No amounts have been recorded for penalties.

The IRS concluded its examination of TECO Energy's 2015 consolidated federal income tax return in March 2017 with no changes required. The U.S. federal statute of limitations remains open for the year 2015 and forward. The short tax year ending

June 30, 2016 is currently under examination by the IRS under its Compliance Assurance Program (CAP). Prior to July 1, 2016, TEC was included in a consolidated U.S. federal income tax return with TECO Energy and subsidiaries. Due to the Merger with Emera, TECO Energy was only able to participate in the CAP through its short tax year ending June 30, 2016. Florida's statute of limitations is three years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by Florida's tax authorities include 2005 and forward as a result of TECO Energy's consolidated Florida net operating loss still being utilized.

5. Employee Postretirement Benefits

Pension Benefits

TEC is a participant in the comprehensive retirement plans of TECO Energy, including a qualified, non-contributory defined benefit retirement plan that covers substantially all employees. Benefits are based on 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.

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

Other Postretirement Benefits

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

Obligations and Funded Status

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

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

TECO Energy Obligations and Funded Status	Pension Benefits		Other Benefits [2]	
(millions)	*2018*	*2017*	*2018*	*2017*
Change in benefit obligation				
Net benefit obligation at beginning of year	$ 812	$ 770	$ 193	$ 175
Service cost	21	20	2	2
Interest cost	29	31	7	7
Plan participants' contributions	0	0	4	3
Plan curtailment	0	(1)	0	0
Plan settlement	(7)	(26)	0	0
Benefits paid	(55)	(51)	(19)	(16)
Actuarial loss (gain)	(50)	69	(14)	22
Net benefit obligation at end of year	$ 750	$ 812	$ 173	$ 193

Change in plan assets								
Fair value of plan assets at beginning of year	$	766	$	649	$	0	$	0
Actual return on plan assets		(63)		122		0		0
Employer contributions		10		46		0		0
Employer direct benefit payments		8		27		15		13
Plan participants' contributions		0		0		4		3
Plan settlement		(7)		(26)		0		0
Benefits paid		(54)		(51)		(19)		(16)
Direct benefit payments		(1)		(1)		0		0
Fair value of plan assets at end of year (1)	$	659	$	766	$	0	$	0

(1) The MRV of plan assets is used as the basis for calculating the EROA component of periodic pension expense. MRV reflects the fair value of plan assets adjusted for experience gains and losses (i.e. the differences between actual investment returns and expected returns) spread over five years.
(2) Represent amounts for TECO Energy's Florida-based other postretirement benefit plan.

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

TECO Energy	Pension Benefits				Other Benefits (1)			
Funded Status								
(millions)		*2018*		*2017*		*2018*		*2017*
Benefit obligation (PBO/APBO)	$	750	$	812	$	173	$	193
Less: Fair value of plan assets		659		766		0		0
Funded status at end of year	$	(91)	$	(46)	$	(173)	$	(193)

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

The accumulated benefit obligation for TECO Energy consolidated defined benefit pension plans was $705 million at December 31, 2018 and $762 million at December 31, 2017.

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

TEC	Pension Benefits				Other Benefits			
Amounts recognized in balance sheet								
(millions)		*2018*		*2017*		*2018*		*2017*
Accrued benefit costs and other current liabilities	$	(5)	$	(7)	$	(10)	$	(10)
Deferred credits and other liabilities		(68)		(30)		(137)		(154)
	$	(73)	$	(37)	$	(147)	$	(164)

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

TEC	Pension Benefits				Other Benefits			
Amounts recognized in regulatory assets								
(millions)		*2018*		*2017*		*2018*		*2017*
Net actuarial loss (gain)	$	251	$	215	$	45	$	70
Prior service cost (credit)		0		1		0		(13)
Amount recognized	$	251	$	216	$	45	$	57

Assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Benefits	
	2018	*2017*	*2018*	*2017*
Discount rate	4.33%	3.62%	4.38%	3.70%
Rate of compensation increase-weighted average	3.75%	3.32%	3.75%	3.31%
Healthcare cost trend rate				
Immediate rate	n/a	n/a	6.31%	6.58%
Ultimate rate	n/a	n/a	4.50%	4.50%
Year rate reaches ultimate	n/a	n/a	2038	2038

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 PBO	$ 5	$ (4)

The discount rate assumption used to determine the December 31, 2018 and 2017 benefit obligation was based on a cash flow matching technique that matches yields from high-quality (AA-rated, non-callable) corporate bonds to TECO Energy's projected cash flows for the plans to develop a present value that is converted to a discount rate assumption.

Amounts recognized in Net Periodic Benefit Cost, OCI and Regulatory Assets
TECO Energy

	Pension Benefits			Other Benefits [1]		
	2018	*2017*	*2016*	*2018*	*2017*	*2016*
(millions)						
Service cost	$ 21	$ 20	$ 19	$ 2	$ 2	$ 2
Interest cost	29	31	31	7	7	7
Expected return on plan assets	(49)	(48)	(46)	0	0	0
Amortization of:						
Actuarial loss	19	17	16	1	0	0
Prior service (benefit) cost	0	0	0	(2)	(2)	(2)
Curtailment loss (gain)	0	0	1	0	0	0
Settlement loss	2 [3]	7 [2]	1	0	0	0
Net periodic benefit cost	$ 22	$ 27	$ 22	$ 8	$ 7	$ 7
New prior service cost	$ 0	$ 0	$ 1	$ 0	$ 0	$ 0
Net loss (gain) arising during the year	62	(5)	47	(14)	22	5
Amounts recognized as component of net periodic benefit cost:						
Amortization or curtailment recognition of prior service (benefit) cost	0	0	0	2	2	2
Amortization or settlement of actuarial gain (loss)	(20)	(24)	(17)	(1)	0	0
Total recognized in OCI and regulatory assets	$ 42	$ (29)	$ 31	$ (13)	$ 24	$ 7
Total recognized in net periodic benefit cost, OCI and regulatory assets	$ 64	$ (2)	$ 53	$ (5)	$ 31	$ 14

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

(2) Represents TECO Energy's SERP settlement charge as a result of retirements that occurred subsequent to the Merger with Emera. The charge did not impact TEC's financial statements.

(3) Represents TECO Energy's SERP and Restoration settlement charges as a result of the retirement of certain executives. These charges did impact TEC's financial statements.

TEC's portion of the net periodic benefit costs for pension benefits was $16 million, $14 million and $13 million for 2018, 2017 and 2016, respectively. TEC's portion of the net periodic benefit costs for other benefits was $8 million, $6 million and $6 million for 2018, 2017 and 2016, respectively. TEC's portion of net periodic benefit costs for pension and other benefits is included as an expense on the Consolidated Statements of Income in "Operations & maintenance".

The estimated net loss 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 is $12 million. There are no prior service credits to be amortized from regulatory assets into net periodic benefit cost in 2019 for the other postretirement benefit plan.

TEC's postretirement benefit plans were not explicitly impacted by the Merger. However, as a result of the Merger, TECO Energy remeasured its postretirement benefits plans on the Merger effective date, July 1, 2016. As a result of the remeasurements, TEC's net periodic benefit cost increased by $1 million for pension benefits for the six months ended December 31, 2016. Additionally, a curtailment loss for the SERP of $1 million was recognized by TECO Energy in 2016 as a result of retirements due to the Merger. In addition, TECO Energy recognized a settlement charge related to the SERP of $7 million in 2017 due to retirements that have occurred as a result of the Merger. TEC was not impacted by the curtailment loss or settlement charge.

TEC recognized a settlement charge in 2018 relating to the retirement of an executive in the SERP plan. TEC expects to recognize a settlement charge of approximately $1 million in 2019 related to the retirement of a SERP participant. TEC expects to recognize settlement charges of approximately $1 million in 2019 related to the retirement of Restoration plan participants.

Assumptions used to determine net periodic benefit cost for years ended December 31:

	Pension Benefits			Other Benefits		
	2018	*2017*	*2016*	*2018*	*2017*	*2016*
Discount rate	3.62%	4.11%	4.69%	3.70%	4.28%	4.67%/3.85%
Expected long-term return on plan assets	6.85%	7.00%	7.00%	N/A	N/A	N/A
Rate of compensation increase	3.32%	2.57%	2.59%	3.31%	2.48%	2.50%
Healthcare cost trend rate						
Initial rate	n/a	n/a	n/a	6.58%	6.83%	7.05%
Ultimate rate	n/a	n/a	n/a	4.50%	4.50%	4.50%
Year rate reaches ultimate	n/a	n/a	n/a	2038	2038	2038

The discount rate assumption used to determine the benefit cost for 2018, 2017 and from the Merger date to December 31, 2016 was based on the same technique that was used to determine the December 31, 2018 and 2017 benefit obligation as discussed above. The discount rate assumption used to determine the January 1, 2016 through June 30, 2016 benefit cost was based on a cash flow matching technique developed by outside actuaries and a review of current economic conditions. This technique constructed 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 calculated all possible bond portfolios that produce adequate cash flows to pay the yearly benefits and then selected the portfolio with the highest yield and used that yield as the recommended discount rate. The change in the discount rate approach was a result of the Merger and done to align methodologies with Emera. The change in discount rate resulting from the different methodology used to select a discount rate did not have a material impact on TEC's financial statements and provides consistency with Emera's method for selecting a 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 December 31, 2018, TECO Energy's pension plan's actual earned losses were approximately 8%.

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 a less than $1 million effect on net periodic benefit cost.

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.

TECO Energy	**2018 Target Allocation**	**Actual Allocation, End of Year**	
Asset Category		*2018*	*2017*
Equity securities	47%-53%	46%	51%
Fixed income securities	47%-53%	54%	49%
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 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). Investments are valued using quoted market prices on an exchange when available. Such investments are classified Level 1. In some cases where a market exchange price is available but the investments are traded in a secondary market, acceptable practical expedients are used to calculate fair value.

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

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

Pension Plan Investments

TECO Energy *(millions)*	At Fair Value as of December 31, 2018				
	Level 1	**Level 2**	**Level 3**	**NAV** [(1)]	**Total**
Cash	$ (3)	$ 0	$ 0	$ 0	$ (3)
Accounts receivable	10	0	0	0	10
Accounts payable	(51)	0	0	0	(51)
Short-term investment funds (STIFs)	17	0	0	0	17
Common stocks	32	0	0	0	32
Real estate investment trusts (REITs)	3	0	0	0	3
Mutual funds	97	0	0	0	97
Municipal bonds	0	1	0	0	1
Government bonds	0	59	0	0	59
Corporate bonds	0	55	0	0	55
Collateralized mortgage obligations (CMOs)	0	1	0	0	1
Long Futures	6	0	0	0	6
Swaps	0	3	0	0	3
Purchase options (swaptions)	0	1	0	0	1
Written options (swaptions)	0	(1)	0	0	(1)
Investments not utilizing the practical expedient	111	119	0	0	230
Common and collective trusts [(1)]	0	0	0	330	330
Mutual fund [(1)]	0	0	0	99	99
Total investments	$ 111	$ 119	$ 0	$ 429	$ 659

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

TECO Energy *(millions)*	**At Fair Value as of December 31, 2017**				
	Level 1	**Level 2**	**Level 3**	**NAV (1)**	**Total**
Cash	$ 3	$ 0	$ 0	$ 0	$ 3
Accounts receivable	14	0	0	0	14
Accounts payable	(43)	0	0	0	(43)
STIFs	14	0	0	0	14
Common stocks	44	0	0	0	44
REITs	4	0	0	0	4
Mutual funds	196	0	0	0	196
Municipal bonds	0	2	0	0	2
Government bonds	0	55	0	0	55
Corporate bonds	0	45	0	0	45
MBS	0	(1)	0	0	(1)
CMOs	0	1	0	0	1
Swaps	0	4	0	0	4
Purchase options (swaptions)	0	1	0	0	1
Written options (swaptions)	0	(2)	0	0	(2)
Investments not utilizing the practical expedient	232	105	0	0	337
Common and collective trusts (1)	0	0	0	326	326
Mutual fund (1)	0	0	0	103	103
Total investments	$ 232	$ 105	$ 0	$ 429	$ 766

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

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

- Cash collateral is valued at cash posted due to its short-term nature.
- The STIF is valued at net asset value (NAV). The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make the STIF a level 1 asset.
- The primary pricing inputs in determining the fair value of the Common stocks and REITs are closing quoted prices in active markets.
- The primary pricing inputs in determining the level 1 mutual funds are the mutual funds' NAVs. The funds are registered open-ended mutual funds and the NAVs are validated with purchases and sales at NAV. Since the fair values are determined and published, they are considered readily-determinable fair values and therefore Level 1 assets.
- The primary pricing inputs in determining the fair value of Municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of Government bonds are the U.S. treasury curve, CPI, and broker quotes, if available. The primary pricing inputs in determining the fair value of Corporate bonds are the U.S. treasury curve, base spreads, YTM, and benchmark quotes. CMOs are priced using to-be-announced (TBA) prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information.
- Swaps are valued using benchmark yields, swap curves, and cash flow analyses.
- Options are valued using the bid-ask spread and the last price.
- The primary pricing input in determining the fair value of the mutual fund utilizing the practical expedient is its NAV. It is an unregistered open-ended mutual fund. The fund holds primarily corporate bonds, debt securities and other similar instruments issued by U.S. and non-U.S. public- or private-sector entities. The fund may purchase or sell securities on a when-issued basis. These transactions are made conditionally because a security has not yet been issued in the market, although it is authorized. A commitment is made regarding these transactions to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. Since this mutual fund is a closed-end mutual fund and the prices are not published to an external source, it uses NAV as a practical expedient. The redemption frequency is daily. The redemption notice period is the same day. There were no unfunded commitments as of December 31, 2018.
- The common collective trusts are private funds valued at NAV. The NAVs are calculated based on bid prices of the underlying securities. Since the prices are not published to external sources, NAV is used as a practical expedient. Certain

funds invest primarily in equity securities of domestic and foreign issuers while others invest in long duration U.S. investment-grade fixed income assets and seeks to increase return through active management of interest rate and credit risks. The redemption frequency of the funds ranges from daily to weekly and the redemption notice period ranges from 1 business day to 30 business days. There were no unfunded commitments as of December 31, 2018.

- Discounted notes are valued at amortized cost.
- Treasury bills are valued using benchmark yields, reported trades, broker dealer quotes, and benchmark securities.
- Futures are valued using futures data, cash rate data, swap rates, and cash flow analyses.

Additionally, the non-qualified SERP had $14 million and $17 million of assets as of December 31, 2018 and 2017, respectively. Since the plan is non-qualified, its assets are included in the "Deferred charges and other assets" line item in TEC's Consolidated Balance Sheets rather than being netted with the related liability. The non-qualified trust holds investments in a money market fund. The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make it a level 1 asset. The SERP was fully funded as of December 31, 2018 and 2017.

Other Postretirement Benefit Plan Assets

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

Contributions

The qualified pension plan's actuarial value of assets, including credit balance, was 112.5% of the Pension Protection Act funded target as of January 1, 2018 and is estimated at 110.6% of the Pension Protection Act funded target as of January 1, 2019.

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. TEC's contribution is first set equal to its service cost. If a contribution in excess of service cost for the year is made, TEC's portion is based on TEC's proportion of the TECO Energy unfunded liability. TECO Energy made contributions to this plan in 2018, 2017 and 2016, which met the minimum funding requirements for 2018, 2017 and 2016. TEC's portion of the contribution in 2018 was $8 million and in 2017 was $36 million. These amounts are reflected in the "Other" line on the Consolidated Statements of Cash Flows. TEC estimates its portion of the 2019 contribution to be $15 million. TEC estimates its portion of annual contributions from 2020 to 2023 will range from $14 million to $17 million per year based on current assumptions. The amounts TECO Energy expects to contribute are in excess of the minimum funding required under ERISA guidelines.

TEC's portion of the contributions to the SERP in 2018, 2017 and 2016 was zero. Since the SERP is fully funded, TECO Energy does not expect to make significant contributions to this plan in 2019. TEC made SERP payments of approximately $7 million from the trust in 2018 and expects to make a SERP payment of approximately $5 million from the trust in 2019.

The other postretirement benefits are funded annually to meet benefit obligations. TECO Energy's contribution toward health care coverage for most employees who retired after the age of 55 between January 1, 1990 and June 30, 2001 is limited to a defined dollar benefit based on service. TECO Energy's contribution toward pre-65 and post-65 health care coverage for most employees retiring on or after July 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2019, TEC expects to make a contribution of about $10 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
2019	$ 57	$ 12
2020	55	12
2021	59	12
2022	60	12
2023	60	12
2024-2028	333	59

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. Effective January 1, 2017, the employer matching contributions increased from 70% to 75% with an additional incentive match of up to 25% of eligible participant contributions based on the achievement of certain operating company financial goals. During the period of January 2015 to December 2016, the employer matching contributions were 70% of eligible participant contributions with additional incentive match of up to 30% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended December 31, 2018, 2017 and 2016, TEC's portion of expense totaled $11 million, $11 million and $8 million, respectively, related to the matching contributions made to this plan.

6. Short-Term Debt

Credit Facilities

	December 31, 2018			December 31, 2017		
(millions)	Credit Facilities	Borrowings Outstanding [1]	Letters of Credit Outstanding	Credit Facilities	Borrowings Outstanding [1]	Letters of Credit Outstanding
5-year facility [2]	$ 325	$ 131	$ 1	$ 325	$ 5	$ 1
3-year accounts receivable facility [3]	150	90	0	150	0	0
1-year term facility [4]	0	0	0	300	300	0
Total	$ 475	$ 221	$ 1	$ 775	$ 305	$ 1

(1) Borrowings outstanding are reported as notes payable.
(2) This 5-year facility matures March 22, 2022.
(3) This 3-year facility matures March 22, 2021.
(4) This 1-year facility was repaid on October 11, 2018.

At December 31, 2018, these credit facilities required commitment fees ranging from 12.5 to 35.0 basis points. The weighted-average interest rate on borrowings outstanding under the credit facilities at December 31, 2018 and 2017 was 3.14% and 2.07%, respectively.

Tampa Electric Company Accounts Receivable Facility

On March 23, 2018, TEC amended its $150 million accounts receivable collateralized borrowing facility in order to extend the scheduled termination date to March 22, 2021, by entering into a Second Amended Loan and Servicing Agreement, among TEC, certain lenders and the program agent (the Loan Agreement). Throughout the term of the facility, TEC will pay program and liquidity fees, which total 70 basis points at December 31, 2018. Interest rates on the borrowings are 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 either The Bank of Tokyo-Mitsubishi UFJ, Ltd.'s prime rate, the federal funds rate, or the London interbank deposit rate, plus a margin. In the case of default, as defined under the terms of the Loan Agreement, TEC has pledged as collateral a pool of receivables equal to the borrowings outstanding. TEC continues to service, administer and collect the pledged receivables, which are classified as receivables on the balance sheet. As of December 31, 2018, TEC was in compliance with the requirements of the Loan Agreement.

Tampa Electric Company Credit Facility

On March 22, 2017, TEC amended its $325 million bank credit facility, entering into a Fifth Amended and Restated Credit Agreement. The amendment extended the maturity date of the credit facility from December 17, 2018 to March 22, 2022 (subject to further extension with the consent of each lender); provides for an interest rate based on either the London interbank deposit rate, Wells Fargo Bank's prime rate, or the federal funds rate, plus a margin; 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; continues to allow TEC to request the lenders to increase their commitments under the credit facility by up to $175 million in the aggregate; includes a $50 million letter of credit facility; and 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, and Tampa Electric could cause the lien associated with this indenture to be released at any time.

Tampa Electric Company 4.3% Notes due 2048

On June 7, 2018, TEC completed a sale of $350 million aggregate principal amount of 4.3% unsecured notes due June 15, 2048. Until December 15, 2047, TEC may redeem all or any part of the Notes at its option at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed or (ii) the sum of the present value of the remaining payments of principal and interest on the Notes to be redeemed, discounted at an applicable treasury rate (as defined in the indenture), plus 20 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after December 15, 2047, TEC may, at its option, redeem the Notes, in whole or in part, at 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption.

Tampa Electric Company 4.45% Notes due 2049

On October 4, 2018, TEC completed a sale of $375 million aggregate principal amount of 4.45% unsecured notes due June 15, 2049. Until December 15, 2048, TEC may redeem all or any part of the Notes at its option at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed or (ii) the sum of the present value of the remaining payments of principal and interest on the Notes to be redeemed, discounted at an applicable treasury rate (as defined in the indenture), plus 20 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after December 15, 2048, TEC may, at its option, redeem the Notes, in whole or in part, at 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption.

Purchase in Lieu of Redemption of Revenue Refunding Bonds

At December 31, 2018 and 2017, $233 million of tax-exempt bonds purchased in lieu of redemption were held by the trustee at the direction of Tampa Electric to provide an opportunity to evaluate refinancing alternatives including $20 million variable-rate bonds due 2020, $52 million term-rate refunding bonds due 2025, $75 million term-rate bonds due 2030, and $86 million term-rate refunding bonds due 2034.

8. 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 business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss.

Superfund and Former Manufactured Gas Plant Sites

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 MGP sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of December 31, 2018, TEC has estimated its ultimate financial liability to be $28 million, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under "Deferred credits and other liabilities" on the Consolidated Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs 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 for long-term leases (primarily for land, building space, vehicles and office equipment), long-term service agreements and capital projects, including Tampa Electric's solar projects (see **Note 3**) and the modernization of the Big Bend power station. Rental expense for these leases included in "Operations & maintenance expense" on the Consolidated Statements of Income for the years ended December 31, 2018, 2017 and 2016, totaled $2 million, $2 million and $2 million, respectively. In addition, TEC has payment obligations under contractual agreements for fuel, fuel transportation and power purchases that are recovered from customers under regulatory clauses. The following is a schedule of future payments under minimum lease payments with non-cancelable lease terms in excess of one year and other net purchase obligations/commitments at December 31, 2018:

(millions)	*Transportation*	*Capital Projects*	*Fuel and Gas Supply*	*Long-term Service Agreements*	*Operating Leases*	*Demand Side Management*	*Total*
Year ended December 31:							
2019	$ 194	$ 298	$ 257	$ 7	$ 2	$ 5	$ 763
2020	175	89	106	6	2	1	379
2021	141	33	3	6	2	0	185
2022	133	8	3	7	2	0	153
2023	108	2	1	11	2	0	124
Thereafter	1,013	6	0	78	34	0	1,131
Total future minimum payments	$ 1,764	$ 436	$ 370	$ 115	$ 44	$ 6	$ 2,735

Financial Covenants

TEC must meet certain financial tests, including a debt to capital ratio, as defined in the applicable debt agreements. TEC has certain restrictive covenants in specific agreements and debt instruments. At December 31, 2018 and 2017, TEC was in compliance with all required financial covenants.

9. Revenue

The following disaggregates TEC's revenue by major source:

(millions) *For the year ended December 31, 2018*	Tampa Electric	PGS	Eliminations	Tampa Electric Company
Electric revenue				
Residential	$ 1,067	$ 0	$ 0	$ 1,067
Commercial	582	0	0	582
Industrial	161	0	0	161
Regulatory deferrals and unbilled revenue	(2)	0	0	(2)
Other (1)	258	0	(3)	255
Total electric revenue	2,066	0	(3)	2,063
Gas revenue				
Residential	0	157	0	157
Commercial	0	151	0	151
Industrial (2)	0	21	0	21
Other (3)	0	159	(27)	132
Total gas revenue	0	488	(27)	461
Total revenue	$ 2,066	$ 488	$ (30)	$ 2,524

(1) Other includes sales to public authorities, off-system sales to other utilities and various other items.
(2) Industrial includes sales to power generation customers.
(3) Other includes off-system sales to other utilities and various other items.

Remaining Performance Obligations

Remaining performance obligations primarily represent lighting contracts and gas transportation contracts with fixed contract terms. As of December 31, 2018, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $135 million. As allowed under ASC 606, this amount excludes contracts with an original expected length of one year or less and variable amounts for which TEC recognizes revenue at the amount to which it has the right to invoice for services performed. TEC expects to recognize revenue for the remaining performance obligations through 2033.

10. Related Party Transactions

A summary of activities between TEC and its affiliates follows:

Net transactions with affiliates:

(millions)	*2018*	*2017*	*2016*
Natural gas sales to/(from) affiliates	$ (38)	$ (4)	$ 0
Services received from affiliates	65	67	66
Dividends to TECO Energy	362	292	289
Equity contributions from TECO Energy	345	190	150

Services received from affiliates primarily include shared services provided to TEC from TSI, TECO Energy's centralized services company subsidiary. Through TSI, TECO Energy provided TEC with specialized services at cost, including information technology, procurement, human resources, legal, risk management, financial, and administrative services. TSI's costs are directly charged or allocated to TEC based on FPSC-approved cost-causative allocation methods or the Modified Massachusetts Formula.

Amounts due from or to affiliates at December 31,

(millions)	*2018*	*2017*
Accounts receivable (1)	$ 3	$ 2
Accounts payable (1)	20	19
Taxes receivable (2)	1	3
Taxes payable (2)	4	2

(1) Accounts receivable and accounts payable were incurred in the ordinary course of business and do not bear interest.
(2) Taxes receivable were due from EUSHI and taxes payable were due to EUSHI. See **Note 4** for additional information.

11. Segment Information

Segments are determined based on how management evaluates, measures and makes decisions with respect to the operations of the entity. Management reports segments based on each segment's contribution of revenues, net income and total assets as required by the accounting guidance for disclosures about segments of an enterprise and related information. All significant intercompany transactions are eliminated in the Consolidated Financial Statements of TEC but are included in determining reportable segments.

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 approximately 764,000 customers in West Central Florida. Its PGS division is engaged in the purchase, distribution and marketing of natural gas for approximately 392,000 residential, commercial, industrial and electric power generation customers in the State of Florida.

(millions)	Tampa Electric	PGS	Eliminations	TEC
2018				
Revenues - external	$ 2,063	$ 461	$ 0	$ 2,524
Sales to affiliates	3	27	(30)	0
Total revenues	2,066	488	(30)	2,524
Depreciation and amortization	312	60	0	372
Total interest charges	102	16	0	118
Provision for income taxes	65	16	0	81
Net income	294	47	0	341
Total assets	8,235	1,407	(487) (1)	9,155
Capital expenditures	940	169	0	1,109
2017				
Revenues - external	$ 2,052	$ 418	$ 0	$ 2,470
Sales to affiliates	2	20	(22)	0
Total revenues	2,054	438	(22)	2,470
Depreciation and amortization	300	50	0	350
Total interest charges	104	15	0	119
Provision for income taxes	171	26	0	197
Net income	273	43	0	316
Total assets	7,635	1,284	(555) (1)	8,364
Capital expenditures	518	122	0	640
2016				
Revenues - external	$ 1,964	$ 432	$ 0	$ 2,396
Sales to affiliates	1	7	(8)	0
Total revenues	1,965	439	(8)	2,396
Depreciation and amortization	268	60	0	328
Total interest charges	91	15	0	106
Provision for income taxes	130	22	0	152
Net income	251	35	0	286
Total assets	7,357	1,191	(465) (1)	8,083
Capital expenditures	594	133	0	727

(1) Amounts relate to consolidated deferred tax reclassifications. Deferred tax assets are reclassified and netted with deferred tax liabilities upon consolidation.

12. Asset Retirement Obligations

TEC accounts for AROs at fair value at inception of the obligation if there is a legal obligation under applicable law, 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 ARO estimates are reviewed quarterly. Any updates are revalued based on current market prices.

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

(millions)	*December 31,* 2018	2017
Beginning balance	$ 47	$ 45
Additional liabilities [(1)]	18	1
Liabilities settled	0	(1)
Revisions to estimated cash flows	(3)	0
Other [(2)]	2	2
Ending balance	$ 64	$ 47

(1) Tampa Electric produces ash and other by-products, collectively known as CCRs, at its Big Bend and Polk power stations. The increase in the ARO in 2018 is to achieve compliance with the EPA's CCR rule, which contains design and operating standards for CCR management units, due to the closure of a CCR management facility in 2018. Tampa Electric submitted a petition to the FPSC in December 2018 for recovery of the costs associated with this ongoing project and the petition is currently under review.

(2) Includes 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 optimize the utilization of Tampa Electric's physical natural gas storage capacity and PGS's firm transportation capacity on interstate pipelines.

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 customers and to optimize the utilization of its physical natural gas storage capacity and firm transportation capacity on interstate pipelines.

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.

On November 6, 2017, the FPSC approved an amended and restated settlement agreement filed by Tampa Electric, which replaces the 2013 base rate settlement agreement and includes a provision for a five-year moratorium on hedging of natural gas purchases ending on December 31, 2022 (see **Note 3**). TEC was hedging its exposure to the variability in future cash flows until November 30, 2018 for financial natural gas contracts. TEC had zero derivative assets and liabilities on its Consolidated Balance Sheets as of December 31, 2018 and it had $1 million of derivative liabilities as of December 31, 2017.

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 and to measure those instruments at fair value. TEC also applies the accounting standards for regulated operations to financial instruments used to hedge the purchase of natural gas and optimize natural gas storage capacity 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 these activities on the fuel recovery clause. As a result, these changes are not recorded in OCI or net income (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 December 31, 2018, all of TEC's physical contracts qualify for the NPNS exception, which has been elected.

TEC is exposed to credit risk by entering into derivative instruments with counterparties to limit its exposure to the commodity price fluctuations associated with natural gas and to optimize the value of natural gas storage capacity. 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 December 31, 2018, 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 standardized master arrangements in the electric and gas industry. 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 generally do not require a nonperformance risk adjustment 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.

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 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.

14. Fair Value Measurements

Items Measured at Fair Value on a Recurring Basis

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

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

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

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

There were no Level 3 assets or liabilities for the periods presented.

As of December 31, 2018 and 2017, the fair value of TEC's short-term debt was not materially different from the carrying value due to the short-term nature of the instruments and because the stated rates approximate market rates. The fair value of TEC's short-term debt is determined using Level 2 measurements.

See **Note 5** and **Consolidated Statements of Capitalization** for information regarding the fair value of the pension plan investments and long-term debt, respectively.

15. Variable Interest Entities

A VIE is an entity that a company has a controlling financial interest in, and that controlling interest is determined through means other than a majority voting interest. 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.

Tampa Electric entered into PPAs with wholesale energy providers in Florida, which expired in December 2018. These agreements ranged in size from 121 MW to 250 MW of available capacity, were with similar entities and contained similar provisions. In the first quarter of 2019, Tampa Electric entered into a PPA with a wholesale energy provider in Florida with up to 360 MW of available capacity. 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 variable interests. These risks include: operating and maintenance, regulatory, credit, commodity/fuel and energy market risk. Tampa Electric reviewed these risks and determined that the owners of these entities retain the majority of these risks over the expected life of the underlying generating assets, have the power to direct the most significant activities, and have the obligation or right to absorb losses or benefits. As a result, Tampa Electric is not the primary beneficiary and is not required to consolidate any of these entities. Tampa Electric purchased $15 million, $16 million and $62 million under these PPAs for the three years ended December 31, 2018, 2017 and 2016, respectively.

TEC does not provide any material financial or other support to any of the VIEs it is involved with, nor is TEC under any obligation to absorb losses associated with these VIEs. Excluding the payments for energy under these contracts, TEC's involvement with these VIEs does not affect its Consolidated Balance Sheets, Statements of Income or Cash Flows.

16. Stock-Based Compensation

Performance Share Unit Plan

Emera has a performance share unit (PSU) plan, and TEC employees started participating in the plan in 2017. The PSU liability is marked-to-market at the end of each period based on the common share price in CAD at the end of the period. Emera common shares are traded on the Toronto Stock Exchange under the symbol EMA.

Under the PSU plan, executive and senior employees are eligible for long-term incentives payable through the PSU plan. PSUs are granted annually for three-year overlapping performance cycles, resulting in a cash payment. PSUs are granted based on the average of Emera's stock closing price for the fifty trading days prior to a given calculation date. Dividend equivalents are awarded and are paid in the form of additional PSUs, also referred to as the Dividend Reinvestment Plan (DRIP). The PSU value varies according to the Emera common share market price and corporate performance.

PSUs vest at the end of the three-year cycle and will be calculated and approved by the Emera Management Resources and Compensation Committee early in the following year. The value of the payout considers actual service over the performance cycle and will be pro-rated in the case of termination, disability or death.

A summary of the activity related to TEC employee PSUs is presented in the following table:

	Number of Units (Thousands)	Weighted Average Grant Date Fair Value (Per Unit)	Aggregate Intrinsic Value (Millions)
Outstanding as of December 31, 2017	133	$ 45.11	$ 6
Granted including DRIP	130	47.98	6
Exercised	(4)	38.85	(1)
Forfeited	(1)	45.41	0
Outstanding as of December 31, 2018	258	$ 46.68	$ 11

Compensation cost recognized for the PSU plan for the years ended December 31, 2018 and 2017 was $4 million and $2 million, respectively. Tax benefits related to this compensation cost for share units realized for the years ended December 31, 2018 and 2017 were $1 million and $1 million, respectively. As of December 31, 2018 and 2017, there was $6 million and $4 million, respectively, of unrecognized compensation cost related to non-vested PSUs that is expected to be recognized over a weighted-average period of two years

17. Difference between Uniform System of Accounts and GAAP

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

- the balance sheet classification of cost of removal collections from customers,
- the balance sheet classification of plant leased to others under capital leases,
- the balance sheet classification of ASC 740-10-45 deferred income tax credits, and
- the income statement classification of buy for resale transactions.

This is a comprehensive basis of accounting consistent with the FERC Uniform System of Accounts for Natural Gas Companies, 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, 2018

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)	1,571,168,666	1,571,168,666
4	101.1 Property Under Capital Leases	-	-
5	102 Plant Purchased or Sold	-	-
6	106 Completed Construction not Classified	178,863,957	178,863,957
7	103 Experimental Plant Unclassified	-	-
8	104 Leased to Others	12,033,286	12,033,286
9	105 Held for Future Use	1,939,552	1,939,552
10	114 Acquisition Adjustments	5,031,897	5,031,897
11	TOTAL Utility Plant (Total of lines 3 through 10)	1,769,037,358	1,769,037,358
12	107 Construction Work in Progress	32,694,181	32,694,181
13	Accum. Provision for Depreciation, Amortization, & Depletion	758,129,250	758,129,250
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	1,043,602,289	1,043,602,289
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	751,930,130	751,930,130
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)	751,930,130	751,930,130
22	Leased to Others		
23	108 Depreciation	1,490,782	1,490,782
24	111 Amortization and Depletion	-	-
25	TOTAL Leased to Others (Total of lines 23 and 24)	1,490,782	1,490,782
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	4,708,338	4,708,338
32	TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31)	758,129,250	758,129,250

Annual Status Report

Analysis of Plant in Service Accounts

Company: Peoples Gas System

For the Year Ended December 31, 2018

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	-	-	-	-	-	-	-
30300	Misc Intangible Plant	0	815,325	-	-	-	-	-	815,325
30301	Custom Intangible Plant	6.7	26,943,069	2,588,549	-	-	-	-	29,531,618
37402	Land Rights	1.3	6,235,307	1,459,656	-	-	-	-	7,694,963
39002	Structures & Improve Leases	2.5	134,160	-	-	-	-	-	134,160
	Subtotal		34,140,481	4,048,205	-	-	-	-	38,188,686
Depreciable Assets:									
37400	Land Distribution	0	15,540,121	5,083	-	-	-	-	15,545,204
37500	Structures & Improvements	2.5	22,924,034	482,178	(2,640)	-	-	-	23,403,572
37600	Mains Steel	2.2	435,034,216	25,280,301	(812,701)	-	-	-	459,501,816
37602	Mains Plastic	2.4	466,106,667	48,275,193	(316,879)	-	-	-	514,064,981
37800	Meas & Reg Station Eqp Gen	3.3	15,978,768	1,504,918	(38,873)	-	-	-	17,444,813
37900	Meas & Reg Station Eqp City	3.3	50,506,376	9,239,995	(16,369)	-	-	-	59,730,002
38000	Services Steel	3.7	51,061,949	2,016,713	(416,204)	-	-	-	52,662,458
38002	Services Plastic	3.3	294,719,123	45,169,534	(531,881)	-	-	-	339,356,776
38100	Meters	5.9	65,321,721	3,793,111	(620,815)	-	-	-	68,494,017
38200	Meter Installations	4.5	55,662,326	5,119,569	(225,374)	-	-	-	60,556,521
38300	House Regulators	3.6	15,753,260	600,707	(64,155)	-	-	-	16,289,812
38400	House Regulator Installs	4.4	22,036,985	1,767,520	(63,894)	-	-	-	23,740,611
38500	Meas & Reg Station Eqp Ind	3.1	9,636,296	394,882	(1,181)	-	-	-	10,029,997
38700	Other Equipment	6.3	7,633,730	1,330,746	-	-	-	-	8,964,476
39000	Structures & Improvements	2.5	28,184	-	-	-	-	-	28,184
39100	Office Furniture	6.7	1,672,553	518,003	-	-	-	-	2,190,556
39101	Computer Equipment	12.3	3,196,634	81,380	-	-	-	-	3,278,014
39102	Office Equipment	6.7	1,329,489	16,932	-	-	-	-	1,346,421
39201	Vehicles up to 1/2 Tons	11.4	8,737,738	303,622	(410,072)	-	-	-	8,631,288
39202	Vehicles from 1/2 - 1 Tons	13	7,595,788	2,092,636	(542,596)	-	-	-	9,145,828
39204	Trailers & Other	4	1,247,323	37,767	(1,397)	-	-	-	1,283,693
39205	Vehicles over 1 Ton	7.5	1,925,155	130,826	(65,865)	-	-	-	1,990,116
39300	Stores Equipment	3.9	1,283	-	-	-	-	-	1,283
39400	Tools, Shop & Garage Equip	6.7	6,551,095	431,092	-	-	-	-	6,982,187
39401	CNG Stations	5	21,182	-	-	(8,287)	-	-	12,895
39500	Laboratory Equipment	5	-	-	-	-	-	-	-
39600	Power Operated Equipment	6.3	2,769,205	212,537	(46,265)	8,287	-	-	2,943,764
39700	Communication Equipment	8.2	3,707,442	238,711	-	-	-	-	3,946,153
39800	Miscellaneous Equipment	6	279,238	3,626	(4,362)	-	-	-	278,502
39900	Other Tangible Property	0	-	-	-	-	-	-	-

Annual Status Report

Analysis of Plant in Service Accounts

Company: Peoples Gas System

For the Year Ended December 31, 2018

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
Capital Recovery Schedules:									
Total Account 101 and 106*			1,601,118,362	153,095,787	(4,181,523)	-	-	-	1,750,032,626
10400	Lease to Others	0.0	12,033,286	-	-	-	-	-	12,033,286
10500	Property Held for Future Use	0.0	1,939,552	-	-	-	-	-	1,939,552
11400	Acquisition Adjustment	3.0	5,031,897	-	-	-	-	-	5,031,897
	Subtotal		19,004,735	-	-	-	-	-	19,004,735
Total Utility Plant **			1,620,123,097	153,095,787	(4,181,523)	-	-	-	1,769,037,361

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

Note: ** The total of 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, 2018

Acct. No.	Account Description	Beginning Balance*	Depreciation Accruals	Retirements	Cost of Removal	Salvage	Reclass.	Adjustments	Transfers	Ending Balance*
Amortizable General Plant Assets:										
30100	Organization	-	-	-	-	-	-	-	-	-
30200	Franchise & Consents	-	-	-	-	-	-	-	-	-
30300	Misc Intangible Plant	733,228	32,613	-	-	-	-	-	-	765,841
30301	Custom Intangible Plant	11,146,184	1,825,419	-	-	-	-	-	-	12,971,603
37402	Land Rights	704,677	93,914	-	-	-	-	-	-	798,591
39002	Structures & Improve Leases	16,685	3,354	-	-	-	-	-	-	20,039
	Subtotal 108 - 404 *	12,600,774	1,955,300	-	-	-	-	-	-	14,556,074
Items necessary to reconcile the total amortization accrual amount to Acct. 404.3, Amortization Expense, shown on Line 7, Page 8.										
Depreciable Assets:										
37400	Land Distribution	(15,464)	-	-	-	-	-	-	-	(15,464)
37500	Structures & Improvements	5,421,818	577,257	(2,640)	-	-	-	-	-	5,996,435
37600	Mains Steel	193,448,262	9,794,595	(812,701)	(3,257,889)	(2,721)	-	-	-	199,169,546
37602	Mains Plastic	187,641,436	11,583,734	(316,879)	(1,448,986)	(21,180)	-	-	-	197,438,125
37800	Meas & Reg Station Eqp Gen	2,797,448	550,001	(38,873)	(109,871)	-	-	-	-	3,198,705
37900	Meas & Reg Station Eqp City	9,030,127	1,799,800	(16,369)	-	-	-	-	-	10,813,558
38000	Services Steel	39,357,533	1,917,184	(416,204)	(1,583,618)	342	-	-	-	39,275,237
38002	Services Plastic	167,678,368	10,276,452	(531,881)	(2,282,616)	(6,106)	-	-	-	175,134,217
38100	Meters	20,465,724	3,939,128	(620,815)	(973)	8,730	-	-	-	23,791,794
38200	Meter Installations	29,438,925	2,598,983	(225,374)	(114,263)	-	-	-	-	31,698,271
38300	House Regulators	6,856,176	574,925	(64,155)	1	-	-	-	-	7,366,947
38400	House Regulator Installs	11,450,472	1,008,772	(63,894)	(109,386)	-	-	-	-	12,285,964
38500	Meas & Reg Station Eqp Ind	5,948,046	300,753	(1,181)	-	-	-	-	-	6,247,618
38700	Other Equipment	2,945,624	522,035	-	-	-	-	-	-	3,467,659
39000	Structures & Improvements	12,092	705	-	-	-	-	-	-	12,797
39100	Office Furniture	906,919	123,835	-	-	-	-	-	-	1,030,754
39101	Computer Equipment	2,511,003	400,123	-	-	-	-	-	-	2,911,126
39102	Office Equipment	453,515	89,402	-	-	-	-	-	-	542,917
39201	Vehicles up to 1/2 Tons	3,983,149	993,850	(410,072)	(12,393)	101,224	-	-	-	4,655,758
39202	Vehicles from 1/2 - 1 Tons	3,646,544	1,084,809	(542,596)	(23,478)	92,728	-	-	-	4,258,007
39204	Trailers & Other	299,171	51,130	(1,397)	-	-	-	-	-	348,904
39205	Vehicles over 1 Ton	887,562	148,918	(65,865)	-	1,536	-	-	-	972,151
39300	Stores Equipment	280	50	-	-	-	-	-	-	330
39400	Tools, Shop & Garage Equip	2,018,393	451,209	-	-	-	-	-	-	2,469,602
39401	CNG Stations	(15,197)	623	-	-	-	(449)	-	-	(15,023)
39500	Laboratory Equipment	-	-	-	-	-	-	-	-	-
39600	Power Operated Equipment	1,424,367	178,443	(46,265)	-	8,604	449	-	-	1,565,598
39700	Communication Equipment	2,254,899	318,245	-	-	-	-	-	-	2,573,144
39800	Miscellaneous Equipment	166,973	16,772	(4,362)	-	-	-	-	-	179,383
39900	Other Tangible Property	-	-	-	-	-	-	-	-	-

Annual Status Report

Analysis of Entries in Accumulated Depreciation & Amortization

Company: Peoples Gas System

For the Year Ended December 31, 2018

Acct. No. Account Description	Beginning Balance*	Depreciation Accruals	Retirements	Cost of Removal	Salvage	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
	-	-	-	-	-	-	-	-	-
Capital Recovery Schedules:									
Subtotal 108-403 *	713,614,939	51,257,033	(4,181,523)	(8,943,472)	183,157	-	-	-	751,930,134
Items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on Line 6, Page 8.									
10400 Lease to Others	888,957	601,824	-	-	-	-	-	-	1,490,781
10500 Property Held for Future Use	-	-	-	-	-	-	-	-	-
11400 Acquisition Adjustment	4,559,192	149,146	-	-	-	-	-	-	4,708,338
Subtotal	5,448,149	750,970	-	-	-	-	-	-	6,199,119
Total Accumulated Reserve**	719,063,088	52,008,003	(4,181,523)	(8,943,472)	183,157	-	-	-	758,129,253

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

Note: ** The total of 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, 2018

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	Cast Iron/Bare Steel Main Replacements	2,516,056	22,430,916
2	Miami - Pompano Beach Bare Steel Main Repl	2,918,749	650,570
3	Tampa - Bare Steel Repl Church Swann Azeele	2,162,203	160,000
4	Cathodic Protection	82,067	-
5	CNG Fueling Stations	81,258	-
6	Orlando - City Refuse CNG Station Upgrade	1,040,643	92,000
7	Distribution System Improvements	1,123,987	4,177,033
8	Improvements to Property	170,193	323,213
9	Gas Main Replacements	1,421,561	6,577,129
10	Tampa - Orient Road Replace 6" Steel	743,313	186,770
11	Governmental/Municipal Improvements	562,504	4,531,287
12	Gas Service Lines	202,999	-
13	Problematic Plastic Pipe Replacements	384,895	11,840,399
14	Transportation Vehicles	864,161	176,853
15	**TOTAL (Continued on 17b)**	14,274,589	51,146,170

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, 2018

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	New Revenue Gas Main Extensions	4,861,305	31,930,112
2	Jacksonville - Clay County Expansion - Oakleaf	1,096,759	1,031,070
3	Jacksonville - Silverleaf - 6" Steel Main	978,491	1,085,639
4	Ocala - Golden Ocala Expansion - 6" PE	532,609	1,532,865
5	Measuring & Regulating Station & Equipment	878,100	6,871,217
6	Jacksonville - JEA Northside - Rebuild Station	2,038,176	75,089
7	Miami/Dade - Upgrade Coconut Creek Gate	1,801,063	746,379
8	Ocala - Wildwood/Sabal Gate Station	807,399	-
9	Office Equipment - Software	429,862	2,243,890
10	Software - Gas Management - Quorum w CRM	2,180,265	15,271,237
11	Software - Barcoding - GPS - GIS	2,224,252	407,639
12	Software - PragmaCAD System Upgrade Project	504,618	948,243
13	Tools Testing and Measuring Equipment	86,693	257,513
14			
15	**TOTAL (including pg 17)**	32,694,181	113,547,063

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		
2	(These costs are allocated to WIP as outlined		
3	in instruction 3 above)	8,671,083	166,193,754
4			
5	Corporate G&A	5,999,987	174,864,837
6			
7			
8			
9			
10			
11			
12	TOTAL		

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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	75,428
2	Line of Credit	265,712
3	Health Savings Account (H.S.A.)	204,400
4	Software/Technology Maint.	73,814
5		
6		
7		
8	TOTAL	619,354

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1						
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		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
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, 2018

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	Cast Iron Bare Steel Replacement Rider	1,030,552	-	407	1,030,552	-
2						
3	Competitive Rate Adjustment	2,885,478	2,842,457	142/4XX	2,680,537	3,047,398
4						
5	FAS 158 - Current portion	1,086,987	-	242	22,495	1,064,492
6						
7	Current Derivative Asset - Regulatory	181,065	13,305,410	245	13,486,475	-
8						
9	Energy Conservation (ECCR)	2,498,428	3,967,307	407	2,138,234	4,327,501
10						
11	FAS 158 - Non-current portion	25,198,875	7,757,321	228	3,283,263	29,672,933
12						
13	Environmental MGP - Current	2,643,027	9,018,215	232/407	11,661,242	0
14						
15	Environmental MGP - Non-Current	-	701,012	232/407	6,058,410	(5,357,398)
16						
17	Environmental Liability	30,039,284	55,925,750	242	58,002,939	27,962,095
18						
19						
20	TOTAL	65,563,696	93,517,472		98,364,147	60,717,021

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)	Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1						
2	Deferred Debit SERP Trust	2,366,610	-	228	283,302	2,083,308
3						
4	Contract Amortization (167 months)	2,784,431	-	495	215,569	2,568,862
5						
6	Voluntary MGP clean up tax credit	500,000	-	131	500,000	-
7						
8	Hurricane Michael Related Costs	0	3,170,623	182	3,132,023	38,600
9						
10						
11						
12						
13						
14						
15						
16	Misc. Work in Progress	244,253				244,253
17	Deferred Regulatory Comm. Expenses					
18	TOTAL	5,895,294				4,935,023

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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

Long Term Debt 6.10%	Due 5/2018		(50,000,000)
		Total Retired	(50,000,000)

Securities Issued

Long Term Debt 4.30%	Due 6/2048		75,000,000
Long Term Debt 4.45%	Due 6/2049		25,000,000
		Total Issued	$100,000,000

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					-	
13						-

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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 PD0020	05/15/07	05/15/37	60,000,000	6.15	3,690,000	60,000,000
6	Note Issued by Tampa Electric PD0018	05/15/08	05/15/18	50,000,000	6.10	1,143,750	0
7	Note Issued by Tampa Electric PD0019	12/09/10	05/15/21	46,764,680	5.40	2,525,293	46,764,680
8	Note Issued by Tampa Electric PD0025	06/05/12	06/15/42	50,000,000	4.10	2,050,000	50,000,000
9	Note Issued by Tampa Electric PD0026	09/28/12	09/15/22	25,000,000	2.60	650,000	25,000,000
10	Note Issued by Tampa Electric PD0027	05/15/14	05/15/44	10,000,000	4.35	435,000	10,000,000
11	Note Issued by Tampa Electric PD0028	05/20/15	05/20/45	20,000,000	4.20	840,000	20,000,000
12	Note Issued by Tampa Electric PD0034	06/07/18	06/15/48	75,000,000	4.30	1,818,541	75,000,000
13	Note Issued by Tampa Electric PD0035	10/04/18	06/15/49	25,000,000	4.45	265,764	25,000,000
14							
15							
16							
17							
18							
19							
20	TOTAL			361,764,680		13,418,348	311,764,680

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	36-Note/Tampa Electric 6.15%	60,000,000	347,571	05-2007	05-2037	224,761	(11,586)	213,175
7	37-Note/Tampa Electric 6.10%	50,000,000	378,502	05-2008	05-2018	14,195	(14,195)	0
8	39-Note/Tampa Electric 4.10%	50,000,000	513,521	06-2012	06-2042	417,950	(17,117)	400,833
9	40-Note/Tampa Electric 2.60%	25,000,000	196,352	12-2012	09-2022	93,268	(19,635)	73,633
10	27-Note/Tampa Electric 4.35%	10,000,000	108,129	05-2014	05-2044	95,064	(3,604)	91,460
11	28-Note/Tampa Electric 4.20%	20,000,000	220,028	05-2015	05-2045	201,064	(7,334)	193,730
12	34-Note/Tampa Electric 4.30%	75,000,000	823,199	06-2018	06-2048	-	(16,008)	(16,008)
13	35-Note/Tampa Electric 4.45%	25,000,000	249,993	10-2018	06-2049	-	(2,038)	(2,038)
14					Acct 428		(91,517)	
15	2018 Charges to 181							
16	34-Note/Tampa Electric 4.30%	75,000,000	819,661	06-2018	06-2048		823,199	823,199
17	35-Note/Tampa Electric 4.45%	25,000,000	244,500	10-2018	06-2049		249,994	249,993
18						1,046,302		2,027,977

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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							
2	blank						
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	36-Note/Tampa Electric 6.15%	60,000,000	340,200	05-2007	05-2037	219,996	(11,340)	208,656
3	39-Note/Tampa Electric 4.10%	50,000,000	138,000	06-2012	06-2042	112,317	(4,600)	107,717
4	40-Note/Tampa Electric 2.60%	25,000,000	30,500	12-2012	09-2022	14,487	(3,050)	11,437
5	27-Note/Tampa Electric 4.35%	10,000,000	6,700	05-2014	05-2044	5,891	(223)	5,668
6	28-Note/Tampa Electric 4.20%	20,000,000	37,200	05-2015	05-2045	33,995	(1,240)	32,755
7	34-Note/Tampa Electric 4.30%	75,000,000	402,000	06-2018	06-2048		(7,816)	(7,816)
8	35-Note/Tampa Electric 4.45%	25,000,000	127,750	10-2018	06-2049		(1,040)	(1,040)
9					Acct 428		(29,309)	
10	34-Note/Tampa Electric 4.30%	75,000,000	402,000	06-2018	06-2048		402,000	402,000
11	35-Note/Tampa Electric 4.45%	25,000,000	127,750	10-2018	06-2049		127,750	127,750
12						386,686		887,127
13	Unamortized Debt Disc/Prem - OCI							
14	(6.10% & 4.20% Interest Rate Settlements)							
15	37-Note/Tampa Electric 6.10%	50,000,000	3,935,734	05-2008	05-2018	147,591	(147,591)	-
16	28-Note/Tampa Electric 4.20%	20,000,000	(347,040)	05-2015	05-2045	(317,156)	11,568	(305,588)
17	39-Note/Tampa Electric 4.10%	50,000,000	1,326,300	06-2012	06-2042	1,079,460	(44,210)	1,035,250
18	27-Note/Tampa Electric 4.35%	10,000,000	10,356	05-2014	05-2044	9,105	(345)	8,760

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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	3,300,000
3		
4	SERP Liability FAS 158 - Current	259,763
5		
6	FAS 106 Liability FAS 158 - Current	872,517
7		
8	Manufactured Gas Plant Estimated Environmental Liability	27,962,095
9		
10	Current - Long Term Incentive	1,205,445
11		
12	Other	27,648
13	TOTAL	33,627,468

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	951,948	CWIP	7,946,466	9,415,824	2,421,306
2						
3	MacDill Deferred Credit	122,460	CWIP	45,206	37	77,291
4						
5	Deferred Billing Credit-JEA	187,917	488	205,000	205,000	187,917
6						
7	Long term incentive	1,179,674	242/926	1,205,445	1,168,702	1,142,931
8						
9	Other	(795)		63,379	65,247	1,073
10						
11	TOTAL	2,441,204		9,465,496	10,854,810	3,830,518

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	FAS 106 Tax	89,215,248	282 283	849,536	2,322,268	90,687,980
3						
4	Gas Technology Research	1	930	389,286	400,000	10,715
5						
6	Property Sale-Gain Amortization	5,351,464	421.1	2,140,586	-	3,210,878
7	(4 year amort.)					
8	Cast Iron Bare Steel Rider	-	407	818,915	920,980	102,065
9						
10						
11						
12						
13						
14						
15	TOTAL	94,566,713		4,198,323	3,643,248	94,011,638

Name of Respondent | For the Year Ended

Peoples Gas System | Dec. 31, 2018

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	10,756,796			3,365,191						14,121,987
2	Internal Revenue Service (FICA)										-
3	FL Public Service Commission						2,067,990				2,067,990
4	FL Dept of Revenue					13,993,200					13,993,200
5	Various FL Municipalities								10,282,507		10,282,507
6	Internal Revenue Svc (FUTA)				27,452						27,452
7	Internal Revenue Svc (SUTA)				26,491						26,491
8	Various FL Counties (tags)									14,391	14,391
9	Various FL Municipalities										-
10	Federal							608			608
11	Out of state franchise										-
12											-
13	Less:charged to other revenue (495)						(84,178)				(84,178)
14	Less: Charged to Construction				(881,137)						(881,137)
15	Less: Charged to clearing, jobbing, AR				(239,522)		(122)				(239,644)
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	10,756,796	-	-	2,298,475	13,993,200	1,983,690	608	10,282,507	14,391	39,329,667

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	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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	10,447,483					190	1,128,249			11,575,732
3	FAS 133	720,004						-	190	91,658	628,346
4											
5	Gas	33,205,270	3,522,824								36,728,094
6	NOL	3,490,510	473,245								3,963,755
7	Tax Credit	394,317	289,291								683,608
8	Valuation Allowance	-	-								-
9											
10											
11	TOTAL Gas (Lines 2 - 10)	48,257,584	4,285,360					1,128,249		91,658	53,579,535
12	Other (Specify)										
13	TOTAL (Account 190) (Total of lines 11 and 12)	48,257,584	4,285,360					1,128,249		91,658	53,579,535

Notes

	Federal	State	Total	
Deferred Income Tax Other Adjustments Includes:	(71,768)	(19,890)	(91,658)	FAS 133
	883,413	244,836	1,128,249	FAS 158
	-	-	-	Valuation Allowance
	-	-	-	Federal Benefit of State on Voluntary Cleanup Credit
	811,645	224,946	1,036,591	

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	213,114,753	15,333,069								228,447,822
9	Other	(66,603,644)					282	1,099,465			(67,703,109)
10	TOTAL Account 282 (Lines 7 thru 9)	146,511,109	15,333,069					1,099,465			160,744,713
11	Account 283 - Other										
12	Electric										
13	Gas	22,538,615	(325,250)				283	-		1,082,358	23,295,723
14	Other	(22,886,867)					283	373,267			(23,260,134)
15	TOTAL Account 283 - Other (Lines 12 thru 14)	(348,252)	(325,250)	-				373,267		1,082,358	35,589
16	GAS										
17	Federal Income Tax	123,648,315	10,985,990				282/283	544,087		-	134,090,218
18	State Income Tax	22,514,542	4,021,829				282/283		282/283	153,713	26,690,084
19											-
20	TOTAL Gas (Lines 17 thru 19)	146,162,857	15,007,819					544,087		153,713	160,780,302
21	OTHER										
22	Federal Income Tax										
23	State Income Tax										
24	TOTAL Other (Lines 22 and 23)	-									
25	TOTAL (Total of lines 5, 10 and 15)	146,162,857	15,007,819					1,472,732		1,082,358	160,780,302

NOTES:

	Federal	State	Total	
Deferred income tax adjustment includes:	35,932	9,959	45,891	FAS 133
	(883,413)	(244,836)	(1,128,249)	FAS 158
	1,391,568	81,164	1,472,732	FAS 109
Total 283	544,087	(153,713)	390,374	

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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)	47,699,400
2	Reconciling Items for the Year	
3	Federal Income Tax	
4	*Taxable Income Not Reported on Books*	
5	Workers Compensation	
6		
7		
8	*Deductions Recorded on Books Not Deducted for Return*	
9	Capitalized ECA Costs Tax Amortization	8,198,876
10	Federal Income Tax	3,664,423
11	Long Term Incentive	1,168,702
12	Bonus	1,487,989
13	Deferred Taxes	10,722,459
14	Environmental Disposal Costs	8,000,425
15	Cost of Removal	4,197,557
16	CI-BS Replacement	1,132,617
17	Other	2,657,229
18	*Income Recorded on Books Not Included in Return*	
19	Equity Earnings of Subsidiaries	3,512,795
20	Energy Conservation Revenue	1,829,073
21	Deferred Revenue	193,171
22		
23	*Deductions on Return Not Charged Against Book Income*	
24	Indirect Costs (263)	6,563,434
25	Depreciation - Excess Over Books	13,486,984
26	Repairs Capitalized on Books	22,079,268
27	Insurance Reserves	2,860,313
28		
29	Other	3,810,947
30		
31		
32		
33		
34	Federal Taxable Net Income	34,593,692
35	*Show Computation of Tax:*	
36	Federal Taxable Net Income	34,593,692
37	Federal Income Tax @ 21%	7,264,675
38	Prior Year True-up Provision to Actual Per Return and NOL Reclass to Deferred	(3,600,253)
39	Federal Income Tax	3,664,422
40	Federal Income Tax Allocation to Other Income	(61,296)

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:

Bangor Fiber Company
Bangor Line Co.
Bangor Var Co., Inc
BHE Holdings Inc.
Clean Power Northeast Development
Emera CNG Holdings, Inc.
Emera Energy Generation Inc.
Emera Energy Services Inc.
Emera Maine
Emera US Holdings Inc.
EUSHI Finance Assist, Inc.
EUSHI Finance, Inc.
New Mexico Gas Company, Inc.
New Mexico Gas Intermediate, Inc.
Peoples Gas System (Florida), Inc.
Rumford Power Inc.
Tampa Electric Company
TEC Receivables Corporation
TECO Clean Advantage Corporation.
TECO Coalbed Methane Florida, Inc.
TECO Diversified, Inc.
TECO Energy 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
TECO Services, Inc.
TECO Wholesale Generation, Inc.

Name of Respondent | For the Year Ended

Peoples Gas System | Dec. 31, 2018

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	148,167,051	129,957,044	71,475,315	62,506,918	347,705	335,969
4	480 Residential GS1	5,335,788	4,635,480	4,020,434	3,727,043	1,457	1,292
5	480 Residential GS2	564,899	595,983	474,348	535,463	51	62
6	480 Residential GS3	42,111	188,728	29,669	92,203	42	75
7	481 Commercial Street Lighting	36,760	38,297	34,384	37,627	-	-
8	481 Small General Service	8,343,331	7,315,348	4,959,959	4,359,827	7,350	7,339
9	481 General Service 1	17,065,166	15,860,145	13,287,393	12,935,674	3,997	3,815
10	481 General Service 2	10,265,864	9,109,654	8,863,361	8,290,261	564	517
11	481 General Service 3	3,758,066	3,647,217	3,391,467	3,525,961	44	44
12	481 General Service 4	150,519	1,038,096	193,500	1,138,607	1	2
13	481 General Service 5	1,026,954	1,210,573	973,877	1,368,428	2	2
14	481 Natural Gas Vehicle Sales	-	90	-	-	-	-
15	Interruptible Sales Service						
16	481 Small Interruptible Service	211,957	494,145	300,709	498,468	1	1
17	481 Interruptible Lg. Vol - 1	682,432	322,274	1,317,958	838,708	-	-
18	481 Interruptible Lg. Vol - 2	(76,254)	(118,972)	80,535	103,257	-	-
19	481 Interruptible Contract Service	(781,159)	(946,960)	710,233	436,160	-	-
20	481 Mutually Beneficial	361,171	1,513,817	1,048,720	4,290,020	1	2
21	481 Off System Sales	77,980,331	68,280,012	216,022,330	196,866,830	9	9
22	Firm Transportation Service						
23	489 Res-General Svc 1	753,381	693,347	2,044,076	1,844,701	388	382
24	489 Res-General Svc 2	1,583,730	1,437,277	5,712,939	5,175,993	266	247
25	489 Res-General Svc 3	707,180	658,082	2,864,705	2,646,585	43	42
26	489 Commercial Street Lighting	94,036	100,936	480,535	515,797	-	-
27	489 Natural Gas Vehicles	14,527	11,818	54,460	42,390	4	4
28	489 Small General Service	3,219,321	2,787,206	5,106,764	4,208,710	4,290	3,991
29	489 General Service 1	25,364,921	23,952,663	69,672,724	65,267,505	12,405	12,167
30	489 General Service 2	35,169,687	33,888,920	125,131,687	120,228,487	6,634	6,567
31	489 General Service 3	17,698,667	16,945,177	75,159,725	71,639,251	729	726
32	489 General Service 4	11,174,148	11,368,028	68,574,488	69,643,708	164	166
33	489 General Service 5	15,854,634	14,815,489	130,146,448	121,946,734	140	133
34	489 Interruptible Contract Serv.Trans.	11,032,565	8,799,353	909,450,924	813,990,244	11	9
35	489 Small Interruptible Transp	5,022,911	5,052,465	69,000,524	65,223,227	29	29
36	489 Interruptible Transp LG - 1	4,454,794	6,156,416	98,453,528	156,159,315	13	13
37	489 Interruptible Transp LG - 2	702,297	433,681	73,206,456	43,402,740	2	1
38	482 Other Sales to Public Authorities						
39	484 Flex Rate - Refund						
40	TOTAL Sales to Ultimate Consumers	405,981,786	370,241,829	1,962,244,175	1,843,486,842	386,342	373,606
41	483 Sales for Resale	1,512,970	1,281,662	3,821,219	3,556,009	10	9
42	Off-System Sales						
43	TOTAL Nat. Gas Service Revenues	407,494,756	371,523,491				
44	TOTAL Gas Service Revenues	407,494,756	371,523,491				
45	Other Operating Revenues						
46	485 Intracompany Transfers						
47	487 Forfeited Discounts	1,316,154	1,222,571				
48	488 Misc. Service Revenues	4,599,347	4,120,667				
49	488						
50	488 Individual Transp Charge	582,695	559,168				
51	489 Rev. from Trans. of Gas of Others						
52	not included in above rate schedules)						
53	493 Rent from Gas Property	322,953	375,105				
54	494 Interdepartmental Rents						
55	495 Other Gas Revenues						
56	Gross Recpts Tax/Franch Fee Coll	24,630,790	22,592,052				
57	Reconnect for Cause						
58	Collection in lieu of disconnect						
59	Returned Check						
60	Other	30,337,998	17,197,313				
61	495.1 Overrecoveries Purchased Gas						
62	TOTAL Other Operating Revenues	61,789,937	46,066,876				
63	TOTAL Gas Operating Revenues	467,771,722	416,308,705				
64	(Less) 496 Provision for Rate Refunds						
65	TOTAL Gas Operating Revenues						
66	Net of Provision for Refunds	467,771,722	416,308,705				
67	Sales for Resale	1,512,970	1,281,662				
68	Other Sales to Public Authority						
69	Interdepartmental Sales						
70	TOTAL	469,284,692	417,590,367				

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 2018

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	111,290,348	93,735,011
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	71,975,132	67,690,679
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases		
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)	200,242	(5,041,112)
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	183,465,722	156,384,578
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	-	684,605
27	(Less) 808.2 Gas Delivered to Storage--Credit	-	(308,183)
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	(283,714)	(233,004)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(283,714)	(233,004)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	183,182,008	156,527,996
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	183,182,008	156,527,996
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, 2018

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	818,136	933,551
50	871 Distribution Load Dispatching	457,615	409,096
51	872 Compressor Station Labor and Expenses	98,568	3,948
52	873 Compressor Station Fuel and Power	(797)	17,247
53	874 Mains and Services Expenses	7,766,366	7,760,746
54	875 Measuring and Regulating Station Expenses--General	16,629	31,643
55	876 Measuring and Regulating Station Expenses--Industrial	11,184	48,309
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	73,839	63,961
57	878 Meter and House Regulator Expenses	4,943,256	5,269,844
58	879 Customer Installations Expenses	2,072,092	1,894,354
59	880 Other Expenses	2,262,458	1,506,965
60	881 Rents	227,241	214,254
61	TOTAL Operation (Total of lines 49 through 60)	18,746,587	18,153,918
62	Maintenance		
63	885 Maintenance Supervision and Engineering	69,295	30,865
64	886 Maintenance of Structures and Improvements	182,270	176,959
65	887 Maintenance of Mains	4,917,417	2,964,203
66	888 Maintenance of Compressor Station Equipment	108,057	112,428
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	523,640	626,099
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	531,332	504,005
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	1,413,316	1,387,385
70	892 Maintenance of Services	1,744,066	1,734,767
71	893 Maintenance of Meters and House Regulators	712,532	642,622
72	894 Maintenance of Other Equipment	76,828	91,028
73	TOTAL Maintenance (Total of Lines 63 through 72)	10,278,753	8,270,361
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	29,025,340	26,424,279
75	**5. Customer Accounts Expenses**		
76	Operation		
77	901 Supervision		
78	902 Meter Reading Expenses	1,097,719	1,276,806
79	903 Customer Records and Collection Expenses	11,414,423	11,358,003
80	904 Uncollectible Accounts	1,428,849	1,607,968
81	905 Miscellaneous Customer Accounts Expenses		
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	13,940,991	14,242,777
83	**6. Customer Service and Informational Expenses**		
84	Operation		
85	907 Supervision		
86	908 Customer Assistance Expenses	17,431,652	13,413,700
87	909 Informational and Instructional Expenses	1,143,674	1,124,980
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	18,575,326	14,538,680
90	**7. Sales Expenses**		
91	Operation		
92	911 Supervision		
93	912 Demonstrating and Selling Expenses	7,738,853	7,558,948
94	913 Advertising Expenses	291,295	136,087
95	916 Miscellaneous Sales Expenses	52,025	34,950
96	TOTAL Sales Expenses (Total of lines 92 through 95)	8,082,173	7,729,985
97			

Name of Respondent		For the Year Ended
Peoples Gas System		Dec. 31, 2018

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
98	**8. Administrative and General Expenses**		
99	Operation		
100	920 Administrative and General Salaries	11,975,947	9,313,027
101	921 Office Supplies and Expenses	3,836,817	2,948,529
102	(Less) (922) Administrative Expenses Transferred--Credit	(6,000,000)	(4,699,998)
103	923 Outside Services Employed	2,216,043	1,788,486
104	924 Property Insurance	104,011	103,257
105	925 Injuries and Damages	3,847,649	2,794,514
106	926 Employee Pensions and Benefits	9,611,524	7,110,238
107	927 Franchise Requirements		
108	928 Regulatory Commission Expenses		
109	(Less) (929) Duplicate Charges--Credit		
110	930.1 General Advertising Expenses	606	13,406
111	930.2 Miscellaneous General Expenses	20,774,887	19,754,939
112	931 Rents	504,175	483,392
113	TOTAL Operation (Total of lines 100 through 112)	46,871,659	39,609,790
114	Maintenance		
115	935 Maintenance of General Plant	276,554	257,522
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	47,148,213	39,867,312
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	299,954,051	259,331,029
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)	12/31/2018
3	2. Total Regular Full-Time Employees	580
4	3. Total Part-Time and Temporary Employees	
5	4. Total Employees	
6		
7		
8		
9		
10		
11		
12		
13		

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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		$111,290,348	
2	808.1 - Gas Withdrawn from Storage-Debit			
3	808.2 - Gas Delivered to Storage-Credit			
4	804 - Natural Gas City Gate Purchases-Commodity		$71,975,132	
5	805.1 - Purchased Gas Cost Adjustments		$200,242	
6				
7				
8				
9				
10				
11	TOTAL (Total of lines 1 through 10)	352,557,213	$183,465,722	52.04

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	25,447	23,964
4				
5	Transportation Clearing Account CNG	184	4,066	3,671
6				
7	Other Income Deductions	426	24,696	22,115
8				
9	Administrative Use	921	N/A	
10				
11	Sales Tax Account	241	N/A	(1,529)
12				
13	Gas Lost - Damaged Facilities	143	N/A	235,493
14				
15				
16				
17				
18	TOTAL		54,209	283,714

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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 docke 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)	Amount (e)	Deferred to Account 186 (f)	Amortized During Year: Contra Account (g)	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 - fully amortized 2014	-	-					-	-
5	**N/A**								
6									
7									
8									
9									
10									
11									
12	TOTAL								

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	739,113
2	Experimental and General Research Expenses:	- -
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	Emera Energy and Subs - Management	418,947
6	Direct Software/Hardware Maintenance/Support	1,213,333
7	Registration/Report Filing Fees	1,919
8	Bank and Letter of Credit Fees	278,416
9	PGS charges to TECO Partners and SeaCoast	(230,000)
10	Tampa Electric and TECO Services - Officer, Accounting and Other support	197,370
11	New Mexico Gas Company (NMGC) - I.T. charges	89,657
12	Tampa Electric (TEC) - Telecom	533,851
13	Tampa Electric (TEC) - Facilities Charge	542,503
14	Tampa Electric Other Direct Intercompany Charges	1,483,677
15	TECO Services (TSI) - A&G Allocation	3,740,922
16	TECO Services (TSI) - Human Resources	1,071,348
17	TECO Services (TSI) - I.T.	4,932,991
18	TECO Services (TSI) - Procurement Department	619,909
19	TECO Services (TSI) - Services	590,941
20	TECO Services (TSI) - Admin, Emergency Mgmt, Accounts Payable, Corp Comm	1,411,299
21	Tampa Electric (TEC) - IT and Telecom Asset Usage	552,670
22	Associated Fringe Activity	2,305,072
23	Other	280,949
24	TOTAL	20,774,887

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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	295,014		
6	Transmission			
7	Distribution	11,739,619		
8	Customer Accounts	1,125,520		
9	Customer Service and Informational	271,947		
10	Sales	404		
11	Administrative and General	12,153,618		
12	TOTAL Operation (Total of lines 5 through 11)	25,586,122		
13	Maintenance			
14	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	-		
15	Transmission	-		
16	Distribution	5,014,023		
17	Administrative and General	6,158		
18	TOTAL Maintenance (Total of lines 14 through 17)	5,020,181		
19	Total Operation and Maintenance	30,606,303		
20	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	295,014		
21	Transmission (Enter Total of lines 6 and 15)	-		
22	Distribution (Total of lines 7 and 16)	16,753,642		
23	Customer Accounts (Transcribe from line 8)	1,125,520		
24	Customer Service and Informational (Transcribe from line 9)	271,947		
25	Sales (Transcribe from line 10)	404		
26	Administrative and General (Total of lines 11 and 17)	12,159,776		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	30,606,303		30,606,303
28	**Other Utility Departments**			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	30,606,303	-	30,606,303
31	**Utility Plant**			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	8,820,851		8,820,851
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)	8,820,851	-	8,820,851
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	2,052,616		2,052,616
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)	2,052,616	-	2,052,616
42				
43	Other Accounts (Specify):			
44				
45				-
46	Accounts Receivable - Associated Companies	2,489,151		2,489,151
47	Misc Deferred Debits/Credits	1,015,611		1,015,611
48	Merchandise / Jobbing			-
49	Reg Asset	5,787		5,787
50	Other		226,855	226,855
51				
52				
53	TOTAL Other Accounts	3,510,549	226,855	3,737,404
54	TOTAL SALARIES AND WAGES	44,990,319	226,855	45,217,174

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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	594,381
2	Atmospheric Corrosion Specialists (ACS)	various-engineering services	287,415
3	Ausley & McMullen PA	various-conservation, legal consulting	35,831
4	Ayres Associates Inc	107-capital	141,386
5	Bajocuva PA	925-legal services	310,767
6	Baker & Hostetler LLP	182/923-legal services	160,408
7	Bennet Jacobs & Adams PA	923-legal services	103,502
8	Bowman Consulting Group LTD	various-engineering services	35,795
9	Brandmark Advertising, Inc.	913-advertising services	304,831
10	Cartopac International Inc	107-capital IT project	2,345,469
11	Cleveland Integrity Services, Inc.	various-engineering services	1,522,359
12	Daniel P Yardley	921/923-consulting services	73,686
13	Daniels Engineering, Inc.	various-engineering services	348,475
14	Direct APPS Inc dba Direct Technology	908-consulting services IT project	139,357
15	Dive-tech International Inc.	various-engineering services	68,188
16	Deloitte Transactions and Business	923-business consultant	169,564
17	Ernst & Young US LLP	923-Audit	133,332
18	Geosyntec	182-environmental services	498,198
19	HBK Engineering LLC	107-capital	443,033
20	HCBeck LTD Total	various-engineering services	34,855
21	Heath Consultants	various-engineering services	892,105
22	Hunton Andrews Kurth LLP	923-business consultant	50,012
23	John D Cerrato	various-engineering services	130,244
24	Jones Day	804/multi-legal services	359,340
25	Lau, Lane, Pieper, Conley & McCreadie PA	925-legal services	392,323
26	Macfarlane Ferguson	182/923-legal services	437,678
27	Mai Engineering	various-engineering services	1,179,870
28	Magnolia River Services Inc	various-engineering/inspection svcs	8,620,887
29	Mott Macdonald Group Inc	107-capital/engineering design	111,435
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	322,154
3	Account 426.3 - Other Penalties	693
4	Account 426.4 - Lobbying	114,557
5	Account 426.5 - Other Deductions	11,329
6		448,733
7		
8		
9	Account 431 - Other Interest Expense	
10	Energy Conservation Cost Recovery Clause	-
11	Other	75
12	Credit Facility	357,237
13	Customer Deposits	652,206
14	Intercompany	20,635
15	Cast Iron Bare Steel Rider	8,027
16	PGA True - Up	133,376
17		1,171,556
18		
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Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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	continued from page 33a		
2	McKim&Creed	various-engineering services	404,393
3	McCarter & English	923/various-legal services	168,323
4	Morning Star Fleet Services	921/923-consulting services	127,312
5	Nopetro-CH4 Holdings LLC	413-lease eqmt maint.	1,117,477
6	Processmap Corporation	925-safety database	78,811
7	Project Consulting Services Inc	107-capital	255,003
8	Quorum Business Solutions	107-capital	550,566
9	Robert A. Ellis	107-capital-survey	42,605
10	Smoak & Chistolini LLC	925-legal services	94,409
11	Squire Patton Boggs LLP	923/various-legal services	85,970
12	StrategiTech, LLC	various-operations services	1,316,968
13	The Paradigm Alliance, Inc	925-pipeline awareness	379,632
14	Versa Integrity Group	107-capital	178,370
15	Vimocity LLC	923-health consultant	131,625
16	The Fiorentino Group	921/923-consulting services	25,000
17	The Goldstein Environmental Law	182/923-legal services	30,247
18	World Wide Nondestructive Testing	107/various operations services	91,408
19	Yuro and Associates LLC	various-engineering services	547,272
20	Pricewaterhouse Coopers LLP	923/107-tax reform and capital project	431,360
21	Radey Thomas Yon & Clark	923-legal support	36,908
22	Rinaldi Printing Company	925-printing-safety brochures	45,806
23	White Whale Solutions LLC	909/913-strategic ad service	61,114
24	Nova Scotia Power*	930.2/various	38,944
25	Emera Energy Inc*	930.2-labor services	53,448
26	Emera Inc.*	930.2/various-labor and corp support	76,072
27	Tampa Electric*	930.2/various	14,429,128
28	Teco Services*	930.2/various	13,132,468
29	New Mexico Gas Company*	930.2-I.T. Support services	215,833
30	Emera US Holding Inc	930.2/various - corporate support svcs	38,364
31	Emera US Sub #1*	930.2-management service	203,029
32	Teco Partners*	912/107-marketing services	8,095,112

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		
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5	Blank section - see 33a	
6		
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Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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).

Line No.	(a) Description	(b) Gross Operating Revenues per Page 26	(c) Interstate and Sales for Resale Adjustments	(d) Adjusted Intrastate Gross Operating Revenues	(e) Intrastate Gross Operating Revenues per RAF Return	(f) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	273,134,987		273,134,987	273,134,987	-
2	Sales for Resale (483)	1,512,970		1,512,970	1,512,970	-
3	Total Natural Gas Service Revenues	274,647,957		274,647,957	274,647,957	-
4	Total Other Operating Revenues (485-495)	194,636,735		194,636,735	194,636,735	-
5	Total Gas Operating Revenues	469,284,692		469,284,692	469,284,692	-
6	Revenue from Property Leased to Other (412)	-			2,685,473	(2,685,473)
7	Provision for Rate Refunds (496)	-				
8	Wholesale Sales & Wholesale Transport Adj.				(1,512,970)	1,512,970
9	Mutually Beneficial Wholesale Adjustment				(361,170)	361,170
10	Unbilled Revenue Adjustment				(315,535)	315,535
11	Off System Sales for Resale Adjustment				(56,602,358)	56,602,358
12	**Total Gross Operating Revenues**	469,284,692		469,284,692	413,178,132	56,106,560

Notes:

Column F differences are due to RAF return adjustments for exempt revenue, and addition of revenue from property leased to others (CNG station).

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

CORPORATE STRUCTURE

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

Effective Date: Dec. 31, 2018

- Emera US Holdings Inc.
  - TECO Energy, Inc.
    - TECO Services, Inc.
    - Tampa Electric Company
      - TEC Receivables Corp.
      - TECO Partners, Inc.
      - SLA 75, LLC
    - New Mexico Gas Intermediate, Inc.
      - New Mexico Gas Company, Inc.
    - TECO Finance, Inc.
    - TECO Oil & Gas, Inc.
    - TECO Diversified, Inc.
      - TECO Coalbed Methane Florida, Inc.
      - TECO Properties Corporation
        - 7116 Davis Island, LLC
      - 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, 2018

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.

			Total Charge for Year		
Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
TECO Partners, Inc	Real property sublease		s	146	224,831
	G&A Allocation		s	146	176,000
	Labor services		s	146	271,309
	Marketing		p	912	7,440,782
	Marketing Service		p	107	500,000
	Other service/labor		p	multiple	154,330
Tampa Electric Co.	Real property sublease		s	146	16,096
	Labor & Other Services		s	146	3,251,972
	Natural Gas sales		s	146	27,803,453
	Real property sublease		p	931	702,622
	Labor services		p	930.2/multi	10,530,534
	Natural Gas purchases		p	801	674,900
	Meter Reading		p	902	240,900
	IT, Telecom, Facilities		p	930.2/multi	3,657,694
TECO Energy Inc.	Labor services		s	146	31,899
TECO Services Inc.	Direct Services		p	930.2/107	2,225,959
	Overhead Allocation		p	930.2	3,740,922
	IT Services		p	930.2	4,187,745
	Other Indirect Services		p	930.2	1,054,387
	TSI Services		p	930.2	1,303,546
	Procurement Services		p	930.2	619,909
TECO Energy Source	Natural Gas Sales		s	146	62,474
	Natural Gas Purchases		p	801	10,578
SeaCoast Gas Transmission	Labor services		s	146	535,552
	G&A Allocation		s	146	54,000
	Natural Gas Purchases		p	801	465,091
New Mexico Gas Company	Labor and IT Services		p	930.2/multi	215,833
Continued on next page (36b)					

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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)
Continued from page 36a					
Emera Energy Services Inc.	Natural Gas Sales		s	146	12,967
	Natural Gas Purchases		p	801	14,005,027
Emera Energy US Sub1	Labor - Services		p	930.2	203,029
Nova Scotia Power (an Emera Company)	Corporate Support Alloc		p	930.2/Multi	38,944
Emera Inc.	Labor Services		p	930.2/Multi	19,872
	Corporate Support Alloc		p	930.2/Multi	56,200
Emera Energy Inc.	Labor Services		p	930.2	53,448
Bridgeport Energy Inc. (an Emera Company)	Labor Services		p	930.2	2,020
Emera US Holding Inc.	Corporate Support Alloc		p	930.2/Multi	38,364

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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: Energy Services, Energy Conservation Program Services, Promotional Services Payment to Partners under the agreement is targeted at $6,500,000 annually - increasing by the previous year's CPI. The agreement was entered into effective January 1, 2008 and renews annually.
Tampa Electric Company	Service agreements effective Jan 2018 through Dec 2018. Peoples Gas System contracted Tampa Electric to provide monthly gas meter reading in the Tampa division, the Lakeland division, and the Brooksville area. Amended and Restated Services Agreement effective January 1, 2013 (automatically renewed in 2018).
TECO Services, Inc.	Services Agreement effective January 1, 2014 (automatically renewed in 2018)
Emera Energy US Sub No. 1	Secondment Agreement by and among, Emera Energy US Sub No. 1 and Peoples Gas System.
New Mexico Gas Company, Inc.	Affiliate Addendum effective July 1, 2016 to Amended & Restated Service Agreement effective January 1, 2013. New Mexico Gas Company, Inc. provide selected services such as Information Technology Services to Peoples Gas.

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, Inc.	Real property sublease	224,831
	G&A Allocation	176,000
	Labor services	271,309
	Marketing	(7,940,782)
	Labor services	(154,330)
Tampa Electric Co	Labor & other services	3,251,972
	Natural Gas sales	27,803,453
	Real property sublease	(702,622)
	Labor services	(10,530,534)
	Natural Gas purchases	(674,900)
	IT, Telecom, Facilities	(3,657,694)
	Meter Reading	(240,900)
TECO Energy Inc.	Labor Services	31,899
TECO Services Inc.	Corporate Overhead/Allocation	(3,740,922)
	IT Services	(4,187,745)
	Other Indirect Services	(1,054,387)
	TSI Services	(3,529,505)
	TSI Procurement Services	(619,909)
SeaCoast Gas Transmission	Labor services	535,552
	G&A Allocation	54,000
	Natural Gas Purchases	(465,091)
TECO Energy Source	Natural Gas Sales	62,474
New Mexico Gas Company	Labor and IT Services	(215,833)
Emera Energy Services Inc.	Natural Gas Purchases	(14,005,027)
Emera Energy US Sub No. 1	Labor	(203,029)
Nova Scotia Power (an Emera Co)	Corporate Support Services Alloc	(38,944)
Emera Energy Inc	Labor Services	(53,448)
Emera US Holding	Corporate Support Services Alloc	(38,364)
Emera Inc.	Corporate Support Services Alloc	(56,200)

Name of Respondent	For the Year Ended
Peoples Gas System	Dec. 31, 2018

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		-	-	-	N/A	-	
Total						-	
Sales to Affiliates:	None	$	$	$	$	Sales Price	
None							
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
Peoples Gas	Tampa Electric	Mgr Real Estate	Dir Real Estate Services	Permanent
Peoples Gas	Tampa Electric	Program Mgr I	Business Development Mgr ETM	Permanent
Peoples Gas	Tampa Electric	Business Planning Analyst Sr	Business Planning Analyst Sr	Permanent
Peoples Gas	Tampa Electric	Credit & Collections Investigator	Settlements Accountant I	Permanent
Peoples Gas	Tampa Electric	Customer Service Professional V	B&I Account Specialist	Permanent
Peoples Gas	Tampa Electric	Business Planning Analyst Sr	Business Planning Analyst Sr	Permanent
Peoples Gas	Tampa Electric	Customer Svc Professional V	B&I Account Specialist	Permanent
Peoples Gas	Tampa Electric	Customer Svc Professional V	Residential Billing Specialist	Permanent
Peoples Gas	Tampa Electric	Customer Svc Professional V	B&I Account Specialist	Permanent
Peoples Gas	Tampa Electric	Accountant II	Accountant II	Permanent
Peoples Gas	Tampa Electric	Credit & Collections Investigator	Business Analyst Assoc EDCM	Permanent
Tampa Electric	Peoples Gas	Business Planning Analyst I	Business Planning Analyst Sr	Permanent
Tampa Electric	Peoples Gas	Gas Trader Sr	Mgr Business Development	Permanent
Tampa Electric	Peoples Gas	Mgr Bulk Fuel Origination	Gas Regulatory Manager	Permanent
Tampa Electric	Peoples Gas	Distribution Easement Tech Sr	Real Estate Rep II	Permanent
Tampa Electric	Peoples Gas	Gas Scheduler	Coord Contractor Safety & Stds	Permanent
Tampa Electric	Peoples Gas	Mgr Customer Solutions	Mgr PGS Sys Strategy Solutions & PM	Permanent
Tampa Electric	Peoples Gas	Energy Management Analyst Assoc	Distribution Easement Coord	Permanent
Tampa Electric	Peoples Gas	Customer Service Professional V	Residential Billing Specialist	Permanent
Tampa Electric	Peoples Gas	Gas Scheduler	Gas Scheduler	Permanent
Tampa Electric	Peoples Gas	Customer Service Professional V	Energy Conservation Program Coordi	Permanent
Tampa Electric	Peoples Gas	Credit & Collections Investigator	Coord Market Svcs & Transportation	Permanent
Tampa Electric	Peoples Gas	Project Manager IIIA	Construction Project Mgr I	Permanent
Tampa Electric	Peoples Gas	Earnings Analyst Sr	Earnings Analyst Sr	Permanent
TECO Services Inc	Peoples Gas	Executive Assistant III	Executive Assistant III	Permanent
TECO Services Inc	Peoples Gas	Payroll Processor II	Distribution Easement Coord	Permanent