# Summary Information for Investors

TAMPA ELECTRIC
H.L. Culbreath Bayside Power Station

TAMPA ELECTRIC

PEOPLES GAS

TECO COAL

TECO GUATEMALA

May 2008

## Investment Considerations

This Summary for Investors contains forward-looking statements, which are subject to the inherent uncertainties in predicting future results and conditions. Actual results may differ materially from those forecasted. The forecasted results are based on the company's current expectations and assumptions, and the company does not undertake to update that information or any other information contained in this press release, except as may be required by law. Factors that could impact actual results include: regulatory actions by federal, state or local authorities; unexpected capital needs or unanticipated reductions in cash flow that affect liquidity; the availability of adequate rail transportation capacity for the shipment of TECO Coal's production; general economic conditions in Tampa Electric's service area affecting energy sales; economic conditions, both national and international, affecting the demand for TECO Coal's production; weather variations and changes in customer energy usage patterns affecting sales and operating costs at Tampa Electric and Peoples Gas and the effect of extreme weather conditions or hurricanes; commodity price and operating cost changes affecting the production levels and margins at TECO Coal, the timing of fuel cost recoveries and cash flows at Tampa Electric or natural gas demand at Peoples Gas; the ability of TECO Energy's subsidiaries to operate equipment without undue accidents, breakdowns or failures and changes in electric tariffs or contract terms affecting TECO Guatemala's operations Additional information is contained under "Risk Factors" in TECO Energy, Inc.'s Annual Report on Form 10-K for the period ended Dec. 31, 2007.

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# OVERVIEW

## Strategy Overview

We are an energy-related holding company with four businesses consisting of regulated electric and gas utility operations in Florida, Tampa Electric and Peoples Gas, respectively; TECO Coal, which owns and operates coal production facilities in the Central Appalachian coal production region; and TECO Guatemala, which is engaged in electric power generation and distribution and energy-related businesses in Guatemala.

### *Strategy*

Since 2003, after deciding to exit the merchant power business, our business strategy has been to focus on these businesses and TECO Transport, an affiliated dry-bulk shipping company, until its sale in late 2007. TECO Transport was sold to generate cash to accelerate parent company debt retirement and for investment in our Florida utilities.

With our parent level debt significantly reduced, our balance sheet much stronger, our business risk profile reduced and our credit rating improved, we remain focused on our cash priorities, which are to invest in our regulated utilities and to further reduce parent debt. Since we began our exit from the merchant power business, we have reduced parent and parent-guaranteed debt from a peak level of $2.7 billion in 2002 to $1.3 billion at the end of 2007.

Following a series of major investments in unregulated domestic power generation facilities outside Florida and smaller unregulated energy services providers in Florida in the 2000 through 2003 period, we implemented our current business strategy, which is focused on our regulated utilities. The investments in 2000 – 2003 were made in anticipation of a movement toward competitive energy markets. However, the wholesale power markets evolved in a manner that was much different than we expected at the time the investment decisions were made, and the independent power business changed dramatically. In the exiting of the merchant power business, we sold assets at prices below those we paid and recorded large write-offs. We had issued significant amounts of debt at the TECO Energy parent level to fund portions of these investments, which negatively impacted our balance sheet and credit ratings. In 2003 and 2004, we decided to divest our merchant power and unregulated energy services businesses, which was completed in 2005.

As a result of our renewed focus on our utility operations and profitable unregulated businesses and the aggressive and successful execution of our plans to exit the merchant power business, our financial position has improved and, our business risk profile has been reduced. As a result of these actions, our credit ratings were restored to investment grade at all three rating agencies.

*2007*

In 2007, we remained focused on supporting the growth of Tampa Electric and retiring parent debt. Tampa Electric has capital requirements associated with its growing customer base, environmental compliance, peaking generation and future baseload generation. To accomplish our objectives of supporting Tampa Electric's growth and reducing parent debt, in 2007 we announced our plan to sell TECO Transport. In December we completed the sale of TECO Transport. The sale allowed us to accelerate the retirement in 2007 of almost $300 million of parent debt and $111 million of parent-guaranteed debt. The accelerated debt retirement will allow us to deploy future cash generation that would otherwise have been applied solely to debt reduction to a combination of investment in Tampa Electric and continued parent debt reduction. In 2007 we made an $82 million cash equity contribution to Tampa Electric to support its capital program.

In early 2007, Tampa Electric announced that it planned to meet its 2013 baseload generation needs with a 630-megawatt integrated gasification combined cycle (IGCC) plant with an estimated cost of $2.0 billion. In mid-2007, the Florida Legislature enacted legislation that allows advanced cost recovery during the construction of an IGCC unit, similar to legislation enacted for the construction of new nuclear units in 2006. In addition, Tampa Electric was successful in obtaining $133 million of federal tax credits for clean coal technology that were expected to reduce the impact to customers. However, during the certification of need process and after filing the required environmental permit applications, it became apparent that there would be uncertainty related to carbon dioxide (CO2) regulations, particularly capture and sequestration (CCS) issues for an extended period of time. (CCS is the process of separating CO2 from a gas stream, compressing it and pumping it to a suitable geologic formation, typically deep underground, for long-term storage.) Given the significant potential for the project cost to increase and the economic risk of these factors to customers and investors, the project was deferred in October 2007. At this time, Tampa Electric plans to meet its 2013 capacity need with a natural gas-fired combined cycle plant.

We continue to support IGCC as a critical component of future generation capacity in Florida and the nation, and believe the technology offers fuel diversity, is the most environmentally responsible way to utilize coal, and provides the best platform to capture and then sequester CO2. Once public policy issues regarding long-term CCS are resolved, demonstration projects can be conducted that will lead to a better understanding of the science, technologies and economics of sequestration.

## *Sale of TECO Transport*

In December 2007 TECO Transport Corporation was sold to an investment group led by an affiliate of Greenstreet Equity Partners, L.P., a Miami-based private equity firm founded by Steven Green, the former U.S. Ambassador to Singapore, and Jeffrey Safchik, for $405 million of gross proceeds, subject to a working capital adjustment.

Net proceeds from the sale, taking into consideration transaction-related costs and state and federal taxes, were approximately $375 million. TECO Energy recorded a pretax gain of $221.3 million, which is net of transaction-related costs.

## *2008 Earnings Outlook*

We estimate our 2008 earnings per share to be in a range of $0.95 to $1.10, compared to our 2007 non-GAAP results of $1.07, which excluded charges, gains and synthetic fuel results. This forecast is for earnings from continuing operations, excluding any charges or gains that might occur. We expect our two Florida utilities to produce net income that is essentially unchanged from 2007 results. We expect somewhat higher results from TECO Coal, compared to 2007 results excluding synthetic fuel, and we expect lower results at TECO Guatemala in 2008 after a very strong 2007. In 2008, we expect the loss of earnings from TECO Transport will be partially offset by lower parent interest expense following the $297 million early debt retirement we accomplished with the proceeds from the sale of TECO Transport. In addition, we expect lower interest expense from the $300 million of TECO Energy notes that were retired at maturity in May 2007. In all, we expect $30 million lower pretax interest expense at TECO Energy parent and TECO Finance in 2008 compared to 2007 as a result of our aggressive liability management actions. These forecasted results are based on our current assumptions described in each operating company discussion, which are subject to risks and uncertainties.

Our priority for using cash is to invest in the regulated utilities. We are targeting a total of $350 million of equity contributions to Tampa Electric, well above the previously announced plan of $190 million, as the utility enters a period of increased capital spending.

Capital expenditures increased in 2007, primarily at Tampa Electric for equipment to control $NO_x$ emissions, to comply with the Florida Public Service Commission (FPSC)-mandated transmission and distribution system storm hardening requirements, distribution system reliability improvement, and heat rate and capacity factor improvements to our coal-fired units. We also invested in new mining equipment and continued development of lower cost mines at TECO Coal. We forecast capital expenditures to increase further in the 2008 through 2012 period at Tampa Electric to meet customer growth and generation plant maintenance, for peak load and baseload generating capacity expansion, for distribution system improvements to provide higher reliability, for its portion of transmission system expansion and upgrades in the Central Florida area to meet the new National Electric Reliability Council (NERC) reliability standards, for modest distribution system expansion at Peoples Gas, and for the normal maintenance capital at TECO Coal.

## Year-to-Date 2008 Highlights

- Guidance range of $0.95-$1.10 earnings per share.

- In January 2008, Tampa Electric announced that it had successfully completed its Chicago Climate Exchange Phase I greenhouse gas reduction commitment of 4 percent below the average of the years 1998-2001.

- In March 2008, Fitch updated TECO Energy's and TECO Finance's senior unsecured rating to BBB- reflecting parent debt repayment. From November 2007 through March 2008, our ratings were upgraded by all three agencies.

- Dividend rate increase of 2.6% to $0.80 per share annually.

## 2007 Highlights

- Achieved significant credit ratings improvements with upgrades from S&P and Moody's; Fitch placed our ratings on review for upgrade.
- In April, Tampa Electric Company began commercial operation of Polk Units 4 & 5.
- In May, announced quarterly dividend increase of 2.6% per share to $0.78/share annually.
- In June, phase one of the installation of the Selective Catalytic Reduction (SCR) equipment was completed at Big Bend Power Station.
- In August, Tampa Electric set a new power demand record of 4,265 megawatts, breaking the previous record of 4,233 megawatts in August, 2006.
- In December, TECO Energy announced the sale of TECO Transport Corporation to an investment group led by an affiliate of Greenstreet Equity Partners, L.P., a Miami-based private equity firm founded by Steven Green, the former U.S. Ambassador to Singapore, and Jeffrey Safchik, for $405 million, subject to the final adjustment of net working capital.
- Achieved per share results of $1.07 (non-GAAP excluding synfuel, charges and gains) at the top of our guidance range of $0.97-$1.07.
- Retired $765 million of parent and parent guaranteed debt.
- Tax credit program for the production of synthetic fuel ended December 31, 2007.

## Credit Ratings of Senior Unsecured Debt at Mar. 31, 2008

| | *Standard & Poor's* | *Moody's* | *Fitch* |
|---|---|---|---|
| **Tampa Electric Company** | BBB- | Baa2 | BBB+ |
| **TECO Energy/TECO Finance** | BB+ | Baa3 | BBB- |

In December 2007, upon completion of the sale of TECO Transport, Moody's Investor Service upgraded the rating on TECO Energy's senior unsecured debt to investment grade at Baa3. Standard & Poor's upgraded TECO Energy's corporate credit rating to BBB- in November 2007, the same as Tampa Electric Company's corporate credit rating. Fitch placed TECO Energy's ratings on review for possible upgrade in October 2007.

In March 2008, Fitch updated TECO Energy's and TECO Finance's senior unsecured rating to BBB- reflecting parent debt repayment. All three rating agencies have assigned stable outlooks to our ratings. Moody's has assigned a positive outlook to Tampa Electric Company's ratings, while Standard & Poor's and Fitch reflect a stable outlook.

All three credit rating agencies assign Tampa Electric Company's senior unsecured debt investment grade ratings. The ratings assigned to senior unsecured debt of TECO Energy and TECO Finance by Moody's and Fitch are investment grade, but below investment grade by Standard & Poor's. Standard & Poor's, Moody's and Fitch describe credit ratings in the BBB or Baa category as representing adequate capacity for payment of financial obligations. The lowest investment grade credit ratings for Standard & Poor's is BBB-, for Moody's is Baa3 and for Fitch is BBB-.

A credit rating agency rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Any future downgrades in credit ratings may affect our ability to borrow and may increase financing costs, which may decrease earnings.

## Financial Summary

| | Without Synfuel Impacts 12 months ended Dec 30 | |
|---|---|---|
| | **2007** | **2006** |
| **Net Income ($millions)** | | |
| Net Income | $ 413.2 | $ 246.3 |
| Discontinued operations | 14.3 | 1.9 |
| Net Income from continuing operations | 398.9 | 244.4 |
| Charges and (gains) | 122.6 | 10.8 |
| Non-GAAP results | 276.3 | 233.6 |
| Synfuel fuel impact | 52.6 | 32.1 |
| Non-GAAP results excluding synfuel | $ 223.7 | $ 201.5 |
| | | |
| Shares Outstanding | 209.1 | 207.9 |
| | | |
| **Earnings Per Share ($/share)** | | |
| Net Income | $ 1.98 | $ 1.19 |
| Discontinued operations | 0.07 | 0.01 |
| Net Income from continuing operations | 1.91 | 1.18 |
| Charges and (gains) | 0.59 | 0.05 |
| Non-GAAP results | 1.32 | 1.13 |
| Synfuel fuel impact | 0.25 | 0.16 |
| Non-GAAP results excluding synfuel | $ 1.07 | $ 0.97 |

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## Financial Summary - continued

| 12 months ended Dec 30, Results Reconciliation (in millions) | Net Income ($millions) 12 months ended Dec 30, | | Earnings Per Share ($/share) 12 months ended Dec 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| GAAP net income (loss) | 413.2 | 246.3 | 1.98 | 1.19 |
| Exclude discontinued operations | (14.3) | (1.9) | (0.07) | (0.01) |
| GAAP net income (loss) from continuing operations | 398.9 | 244.4 | 1.91 | 1.18 |
| Exclude TECO Transport gain on sale | (149.4) | - | (0.72) | - |
| Add TECO Transport transaction-related cost | 16.3 | - | 0.08 | - |
| Exclude TECO Transport depreciation benefits | (9.7) | - | (0.05) | - |
| Add parent debt extinguishment | 20.2 | - | 0.10 | - |
| Add TECO Transport storm costs net of insurance | - | 3.0 | - | 0.02 |
| Exclude Dell & McAdams valuation/(gain) on sale, net | - | (8.1) | - | (0.04) |
| Exclude gain on sale of unused steam turbines | - | (5.7) | - | (0.03) |
| Total charges and (gains) | (122.6) | (10.8) | (0.59) | (0.05) |
| Non-GAAP results from continuing operations (1) | 276.3 | 233.6 | 1.32 | 1.13 |
| Subtract synfuel benefit | (52.6) | (32.1) | (0.25) | (0.16) |
| Non-GAAP results excluding synthetic fuel | 223.7 | 201.5 | 1.07 | 0.97 |

(1) A non-GAAP financial measure is a numerical measure that includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable GAAP measure.

# Operating Company Results
## Twelve months ended December 31, 2007

**TECO Energy, Inc.**

$3.5 Billion Revenues* | $6.8 Billion Assets

| | Tampa Electric | Peoples Gas | ***TECO Coal | TECO Guatemala |
|---|---|---|---|---|
| Revenues ** | $2.2 Billion | $599.7 Million | $544.5 Million | $8.0 Million |
| Net Income from Continuing Operations ** | $150.3 Million | $26.5 Million | $90.9 Million | $44.7 Million |
| Assets/Investments ** | $4.8 Billion | $761.4 Million | $501.2 Million | $435.3 Million |

*Results include the sale of TECO Transport **Unconsolidated
***Results include effects of synfuel of $52.6 million in 2007

## Environmental Highlights

TECO Energy companies are committed to protecting the environment, as evidenced by a wide variety of projects and affiliations. (See TECO Energy's Corporate Social Responsibility Report available on the website at www.tecoenergy.com under the Sustainability tab for more information).

**Tampa Electric**

Polk Power Station has been recognized as the best example of IGCC technology in the United States and the cleanest coal-burning generating plant in North America. Tampa Electric is a leader in operations and maintenance experience and enhancement techniques for clean-coal burning technology. Operational improvements and the low cost of fuel make the Polk IGCC the most economical unit on Tampa Electric's system and it dispatches ahead of the Big Bend coal-fired units.

Tampa Electric is installing selective catalytic reduction (SCR) for NOx control on the four coal fired units at Big Bend Station.

- By 2010, the SCR projects will result in the phased reduction of NOx by 60,000 tons per year system-wide from 1998 levels.

In total, Tampa Electric's emission reduction initiatives will result in the reduction of $SO_2$, NOx and PM emissions by 90%, 90%, and 74%, respectively, below 1998 levels. With these improvements in place, Tampa Electric's facilities will meet the same standards required of new power generating facilities and help to significantly enhance the quality of the air in the community.

Tampa Electric has engaged in numerous other activities and projects to protect the environment:

- Stewardship programs to protect and restore important environmental sites.
- Recapture of coal combustion by products for use in manufacturing processes.
- Recycling programs.
- Green Energy and Energy Conservation programs.

**Peoples Gas System**

- Peoples Gas offers energy conservation rebates to both residential and commercial customers as incentives to increase the conservation of energy resources with the installation of new energy efficient natural gas appliances.

**TECO Coal**

- TECO Coal is engaged in various community programs of environmental stewardship.

**TECO Guatemala**

- San Jose, Central America’s first coal-fired power plant, complies with the 1998 World Bank Environmental Guidelines for Thermal Power Plants and Guatemalan Environmental Guidelines.

# REGULATED COMPANIES

# Florida Operations

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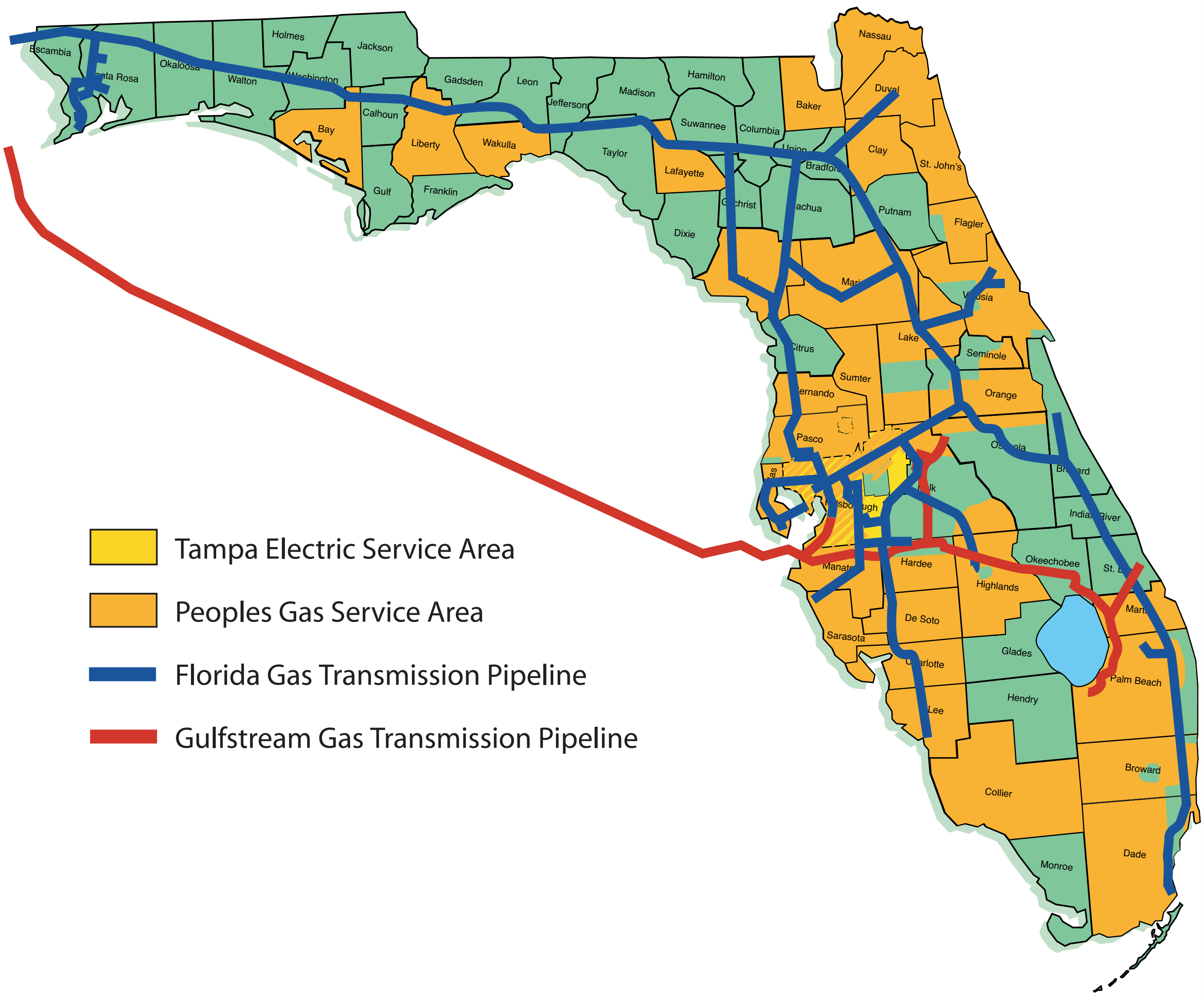

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Tampa Electric Company, incorporated in 1899, is TECO Energy's principal subsidiary. Tampa Electric, the electric division, serves over 666,000 customers in its 2,000-square-mile West Central Florida service territory, including Hillsborough County and parts of Pasco, Pinellas and Polk counties.

## Strengths

- The Tampa Bay area has a service-oriented economy that provides services that are not as sensitive to an economic slowdown as some areas that are more manufacturing oriented.
- Florida's population continues to grow; U.S. Census Bureau data shows 194,000 new residents in the most recent 12-month period (July, 2007).
- Tampa Electric is widely recognized as one of the cleanest utilities in the nation utilizing coal with no nuclear generation.
- Tampa Electric has long been a leader in helping customers save energy and money through conservation measures.
- 85% of base revenues are from residential and commercial customers.

## Outlook

- Expect continued slower customer and energy sales growth.
    - Expect 2008 customer growth of slightly below 1%
    - Housing market not expected to start recovering until 2009.
        - Significant inventory to be absorbed
        - 2007 building permits were 40% below 2006.
- Expect long-term customer and energy sales growth about 2%
    - Resumption of growth depends on economic conditions and a return to a more normal housing market.
- Energy sales growth expected to track customer growth.

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## Electric operations

### Installed Capacity

At Dec. 31, 2007, Tampa Electric had five electric generating plants and five combustion turbine units in service with a total net winter generating capability of 4,602 megawatts. These plants, the fuel they use and their capabilities are:

| ***Plant*** | ***Fuel*** | ***MW*** |
|---|---|---|
| Big Bend | Coal | 1,605 |
| Bayside | Natural gas | 1,837 |
| Polk Unit 1 | Coal / oil gasification | 255 |
| Polk Unit 2 | Natural gas / Oil | 184 |
| Polk Unit 3 | Natural gas / Oil | 184 |
| Polk Unit 4 | Natural gas / Oil | 184 |
| Polk Unit 5 | Natural gas / Oil | 183 |
| Phillips | Diesel or #2 oil | 35 |
| Big Bend peaking units | Diesel or #2 oil | 129 |
| City of Tampa | Natural gas or #2 oil | 6 |
| System total | | 4,602 |

### Demand

- Summer peaks are brought on by air conditioning. An all-time summer instantaneous peak load record of 4,352 MW was set in August, 2007.

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## Competitive position

- No large contractual commitments to high-cost purchased power.

- Customer per employee ratio has increased from 190 customers/employee in 1997 to 263 customers/employee as of December 31, 2007, an improvement of 38%.

## Retail energy sales growth

| | *December 31,, 2007 12 Months Ended Growth* | | *5-Year Avg. Historical Annual Growth* | |
|---|---|---|---|---|
| | *Customers* | *kWh Sales** | *Customers* | *kWh Sales** |
| Residential | 2.0% | 1.7% | 2.5% | 2.0% |
| Commercial | 1.0% | 2.9% | 1.9% | 2.3% |
| Industrial | 0.6% | 3.8% | 9.9% | (1.9)% |
| Other retail | 4.2% | 5.8% | 3.6% | 4.1% |
| Total retail | 1.9% | 2.7% | 2.5% | 1.7% |

***Not weather adjusted**

## Customer growth and sales outlook

- Tampa Electric expects full-year customer growth to be only slightly above the first quarter's 0.6% growth level. This is a significant reduction from prior Tampa Electric customer growth projections for 2008, and it reflects the impact of the economic and housing market slowdowns in Florida.

- As the housing market recovers and the housing inventory is absorbed, Tampa Electric expects the rate of customer growth to increase in 2009, and for customer growth to return to about the 2% level in 2010.

- The company anticipates that weather-normalized energy sales will grow at levels consistent with customer growth.

- The near-term forecast reflects the current depressed Florida and Tampa area housing markets and the significant slowing of the Florida economy in early 2008. The longer-term forecast assumes a return to more normal customer growth in 2010 with a recovery in the housing market and a strengthening of the local economy.

- Tampa Electric forecasts that winter peak demand growth will average about 100 MW per year after a return to more normal growth in 2010; however, spinning reserve requirements cause Tampa Electric to add approximately 120 MW of generating capacity annually.

- In response to the slower near-term customer growth, Tampa Electric continues to evaluate the build versus buy option and final timing of generating capacity additions beyond 2010.

- The housing market in the Tampa area continued to soften in 2007 and is expected to remain weak in 2008 before starting to recover either late in 2008 or early 2009. The number of existing homes for sale and unsold new homes has increased significantly, driven by excess builder inventory, the curtailment of speculative investing, rising levels of foreclosures and sub-prime mortgage issues. The number of vacant residential units is also a factor in the lower per-residential customer usage trends.

- Residential building permit activity declined by more than 40% in 2007, compared to 2006, which is expected to reduce the excess inventory over time. Economists and real estate associations indicate that the housing market is expected to remain weak throughout 2008 and into 2009, depending on the absorption of excess inventory.

- Florida continues to experience population growth with 194,000 new residents in the most recent US Census Bureau reporting period. Forecasts by Moody's Economy.com indicate that rate of population growth is expected to slow further, but still grow, in 2008 before returning to more normal levels of about 2% annual growth in 2010.

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## Economic outlook

- In December 2007, the Florida unemployment rate stood at 4.0% (not seasonally adjusted) compared to 5.0% for the nation. The Tampa area's relatively low 4.2% unemployment rate (not seasonally adjusted) attests to the strength of its diverse economy.

***Unemployment Rate Comparison***

| | *Tampa (Not-Seasonally Adjusted)* | *Florida (Not-Seasonally Adjusted)* | *National (Seasonally Adjusted)* |
|---|---|---|---|
| 12/31/2007 | 4.2% | 4.0% | 5.0% |
| 12/31/2006 | 3.3% | 3.4% | 4.4% |
| 12/31/2005 | 3.8% | 3.9% | 4.8% |
| 12/31/2004 | 4.5% | 4.7% | 5.4% |
| 12/31/2003 | 5.3% | 5.3% | 5.7% |
| 12/31/2002 | 5.6% | 5.7% | 6.0% |

*Source: Bureau of Labor Statistics*

## Florida Electric Market

- Constructive regulatory environment:
  - * Infrastructure required to support growth.

- Tampa Electric energy market:
  - * Since 2005, trends have changed in residential per-customer usage resulting from:
    - o Housing market conditions. Unoccupied inventory homes use minimum energy and reduce per-customer average.
    - o Increased percentage of multi-family residential construction of smaller, energy efficient homes.
    - o Price elasticity from higher costs for all forms of energy.
    - o Improved appliance efficiency due to the 2005 Energy Policy Act (EPACT).

## Regulatory Environment

### Current Regulatory Environment

- Tampa Electric has not sought a base rate increase since 1992. Since that last rate proceeding it has earned within its allowed return on equity (ROE) range while adding more than 200,000 customers and making significant investments in facilities and infrastructure, including baseload and peaking generating capacity additions to reliably serve its growing customer base. Tampa Electric expects a continued high level of capital investment and higher levels of non-fuel operations and maintenance expenditures. Based on our current lower forecast for energy sales growth, the expected higher O&M costs and ongoing higher levels of capital investment, we expect Tampa Electric's ROE to go well below the bottom of the range on a forecasted basis for the full year 2008. This is expected to cause a need for base rate relief for Tampa Electric in 2009. Tampa Electric experienced slower customer energy sales growth in 2007 than it has in many years and we expect that trend to continue in 2008.
- The current allowed ROE midpoint is 11.75%, with an allowed ROE band of +/- 100 basis points.
- Tampa Electric recovers the cost of fuel and purchased power through cost recovery clauses that are adjusted on an annual basis. Included in the fuel adjustment filing for rates effective in 2008 was approximately $17.7 million of overestimated 2007 fuel and purchased power expense as well as approximately $2.4 million for previously unrecovered 2006 actual fuel and purchased power expense.
- In December 1999, the Florida Department of Environmental Protection (DEP) approved a comprehensive 10-year environmental plan which included FPSC approval of projects required by the DEP and EPA, the repowering of Gannon Station to natural gas, NOx control at Big Bend Station in 2010 and beyond and emission reduction initiatives. (See TECO Energy's Corporate Social Responsibility Report available on the website at www.tecoenergy.com under the Sustainability tab for more information).
- The FPSC has determined that it is appropriate for Tampa Electric to recover the operating costs of, and earn a return on, the investment in the SCRs to be installed on all four of the units at the Big Bend Station and pre-SCR projects on Big Bend Units 1-3 (which are early plant improvements to reduce NOx emissions prior to installing the SCRs) through the Environmental Cost Recovery Clause (ECRC). The first SCR (Big Bend 4) entered into service May, 2007. Cost recovery for the

capital investment and operating cost started with the 2007 ECRC, which was approved in November 2006. The second SCR (Big Bend 3) is scheduled to enter service in May 2008. Cost recovery for the capital investment and operating costs is included in the 2008 ECRC.

- The SCRs on Big Bend Units 1 and 2 have in-service dates for Unit 2 by May 1, 2009 and Unit 1 by May 1, 2010.

**Coal Transportation Contract**

- Following a Request for Proposal (RFP) process in 2003, Tampa Electric executed a new five-year contract with TECO Transport, effective Jan. 1, 2004, for waterborne coal transportation and storage services at market rates supported by the results of the RFP and an independent expert in maritime transportation matters. The prudence of the RFP process and final contract were questioned in 2003.

- Following hearings in 2004, a final order on the matter was issued, which reduced the annual amount Tampa Electric can recover from its customers through the fuel adjustment clause for the water transportation services for coal and petroleum coke provided by TECO Transport. For the past three years, Tampa Electric has had about a $10 million after-tax water-borne transportation cost disallowance each year. That contract is set to expire at the end of 2008 and is expected to be replaced with a new contract or contracts for the delivery of coal to our power plants, and those new contracts should be effective in January 2009. At that time, the disallowance will cease.

- Tampa Electric issued an RFP on October 1, 2007 for solid fuel transportation services. Proposals were received from various bidders in mid-December 2007 and Tampa Electric worked with a third-party consultant to complete the evaluation of the bids. Tampa Electric notified the winning bidders in March and has commenced contract negotiations. Adherence to the schedule set forth in the RFP will facilitate having a new contract for these services in place at the expiration of the current contract. The FPSC October 2004 order established the parameters for a bid process that would be acceptable to it. Tampa Electric structured the RFP with input from the FPSC staff to comply with the Commission order.

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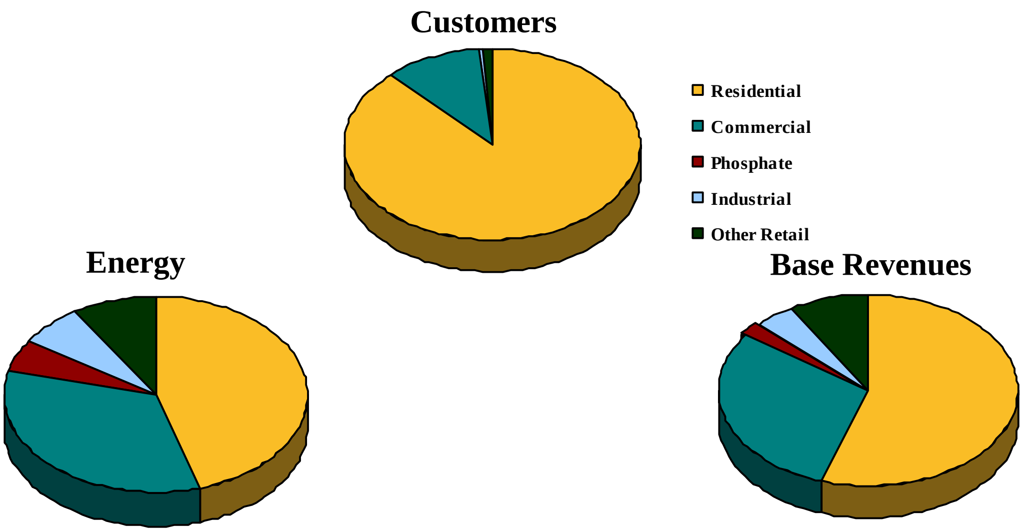
## Tampa Electric Customer Mix




| *12 Months ended December 31, 2007 (thousands)* | | | | | |
|---|---|---|---|---|---|
| | *Average Customers* | *MWH Sales* | *Sales %* | *Revenue %* | *Base revenue/ MWH* |
| Residential | 586.8 | 8,871 | 45.4 | 55.1 | $50 |
| Commercial | 70.9 | 6,542 | 33.5 | 29.8 | 37 |
| Phosphate | --- | 1,050 | 5.4 | 1.9 | 15 |
| Industrial | 1.5 | 1,316 | 6.7 | 4.6 | 28 |
| Other Retail | 7.2 | 1,754 | 9.0 | 8.6 | 40 |
| Total retail | 666.4 | 19,533 | 100.0 | 100.0 | $42 |

- Average residential and commercial customer usage is growing, with average annual kWh sales growth of 2.0 % and 2.3 % respectively over the last five years.

- In 2007, average annual customer growth of 1.9% (almost 18,000 new customers) was partially offset by mild weather and 0.3% lower average residential per-customer energy usage.

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## Capital Spending Plans

Tampa Electric is in a period of increased capital spending for infrastructure to reliably serve its growing customer base and to address the needs for future baseload and peaking generating capacity additions. In addition to the capital spending to comply with the storm hardening plan and the need for additional generating capacity, Tampa Electric expects to make additional capital investments for its pro rata portion of state-wide transmission system improvements in Florida and to meet the new NERC reliability standards. It also expects to invest additional amounts in its transmission and distribution system to improve reliability and reduce customer outages.

- $2.9 billion estimated 2008-2012
  - Five peaking CTs in 2009 and 2010 – committed
  - Peaking CTs and NGCC baseload capacity after 2010- proposed
  - $320 million average annual recurring capital investments including:
    - Generally higher costs for materials and contractors.
    - Approximately $30 million in 2008 and 2009 for generating units during Selective Catalytic Reduction (SCR) equipment installation.
    - $19 million for T&D storm hardening.
    - $33 million for high-voltage transmission upgrades statewide.
    - $40 million for T&D system reliability.
    - $30 million for CT repair and refurbishment.

TECO TAMPA ELECTRIC

## Hardening Transmission & Distribution Facilities Initiatives

Due to extensive storm damage to utility facilities during the 2004 and 2005 hurricane seasons and the resulting outages utility customers experienced throughout the state, in 2006 the FPSC issued an order requiring all investor owned utilities (IOUs) to implement a 10-point storm preparedness plan designed to improve the statewide electric infrastructure to better withstand severe storms and expedite recovery from future storms. In addition to a wood pole inspection program instituted separately, the plans address vegetation management, audits of pole attachments, transmission structure inspections and hardening, data gathering and analysis, natural disaster planning, coordination with local governmental agencies and collaborative research. In October 2006, the FPSC approved Tampa Electric's plan to comply with the directive. Tampa Electric is implementing its 2008-2010 Storm Hardening Plan and estimates that the average incremental non-fuel operations and maintenance expense of this plan to be approximately $19 million annually.

The FPSC also modified its rule regarding the design standards for new and replacement transmission and distribution line construction, including certain critical circuits in a utility's system. Beyond employing accepted engineering practices and complying with the applicable edition of the National Electric Safety Code (NESC), the new design standard requires adoption of the NESC extreme wind loading standards for distribution facilities serving critical infrastructure. The new design standards also encourage the placement of new or modified facilities underground when feasible. These new requirements increase the company's capital expenditures required to expand the system to meet growing customer demand and to maintain system reliability by approximately $20 million annually.

## New Baseload Generating Capacity Needs

In August 2007, Tampa Electric reported that it planned to meet its 2013 baseload generating need with a self-build 630 megawatt coal- and petroleum coke fuel Integrated Gasification Combined Cycle (IGCC) unit. At that time, the cost estimate for this unit, Polk Unit 6, was approximately $2 billion.

On Oct. 4, 2007 Tampa Electric announced that it no longer plans to meet its need for base load generation needed in early 2013 with IGCC technology, due to the uncertainty related to carbon dioxide ($CO_2$) regulations, particularly capture and sequestration issues, and the potential for related project cost increases.

In light of the IGCC decision and the potential implications of evolving energy policy in Florida, as well as the impact of expanded energy-efficiency and conservation programs and renewable resources to meet its 2013 need for base load capacity, Tampa Electric has identified its proposed unit as a 555-MW natural gas-fired combined cycle facility with an expected in-service date of January 1, 2013 to be located at the Polk Power Station site. The capital cost is estimated to be $555 million, excluding AFUDC. In accordance with Commission rules, Tampa Electric must evaluate supply-side alternatives to its next proposed generating unit by issuing a Request for Proposal (RFP) prior to submitting a petition to the Commission to begin a determination of need proceeding for a proposed unit. Therefore, Tampa Electric issued an RFP on April 11 to solicit competitive bids to meet the company's future power need for combined cycle base load generation. Proposals in response to the company's RFP are due early June. After screenings and evaluations are completed, a short list of proposals will be evaluated further to determine the most cost-effective alternative to meet the company's load growth needs. No amounts for new base load generation or peaking capacity beyond 2010 are included in the table below.

It has also reassessed plans for meeting the 2009 – 2010 need for peaking capacity and has determined that the installation of five rapid starting combustion turbines, totaling approximately 300MW, at existing facilities is a better alternative than purchasing power. Transmission constraints in Florida have made it difficult to assure reliable delivery of purchased power to Tampa Electric's service area from other locations in the state, and transmission construction projects in the state that will address the current state-wide needs are not expected to be in service until 2011 and later. In addition, the North American Electric Reliability Council (NERC) has implemented standards, such that more generating plants in the state will be required to have the ability to restart units without importing the power needed to start up the ancillary equipment necessary to start a generating unit, commonly referred to as "Black Start" capability.

The table below sets forth TECO Energy's and Tampa Electric's revised capital spending plans, excluding the IGCC unit, but including the five peaking combustion turbines with 2009 and 2010 in service dates.

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TAMPA ELECTRIC

## Capital Expenditures

| *(millions)* | ***Actual 2007*** | *2008* | *2009* | *Forecast 2010-2012* | *2008-2012 Total* |
|---|---|---|---|---|---|
| Tampa Electric | | | | | |
| Transmission | **$19** | $55 | $70 | $187 | $312 |
| Distribution | **112** | 134 | 127 | 399 | 660 |
| Existing generation | **130** | 84 | 127 | 239 | 450 |
| Committed new generation | **12** | 108 | 118 | 7 | 233 |
| Proposed new generation | — | 11 | 124 | 741 | 876 |
| New generation | **12** | 119 | 242 | 748 | 1,109 |
| Other | **30** | 47 | 35 | 96 | 178 |
| $NO_x$ control projects | **79** | 72 | 52 | 13 | 137 |
| Other environmental | **27** | 23 | 8 | 25 | 56 |
| | **409** | 534 | 661 | 1,707 | 2,902 |
| Net cash impact of accruals and retentions. | **(40)** | 9 | — | — | 9 |
| Tampa Electric | **369** | 543 | 661 | 1,707 | 2,911 |

## Renewable Request for Proposal

Currently, Tampa Electric secures approximately 2.5 percent of its net energy for load from renewable energy sources such as municipal solid waste facilities, waste heat production facilities, biomass generation, landfill gas and photovoltaic arrays. In late June, Tampa Electric initiated a RFP process seeking 150 megawatts of renewable electrical, mechanical or thermal energy produced in Florida from a method that uses one or more of the following energy sources: hydrogen, biomass, solar energy, geothermal energy, wind energy, ocean energy, waste heat or hydroelectric power. The company received bids to supply renewable generation from solar, biomass, waste heat and solid waste sources in late August of 2007. Tampa Electric evaluated the bids and identified a short list and began final negotiations with selected suppliers in December 2007. Negotiations are on-going.

## Energy Efficiency - Demand-Side Management

In September, Tampa Electric received FPSC approval to expand its successful innovative Energy Planner Pilot Program, a residential price responsive load management that allows customers to make energy consumption decisions based on energy price signals by using a programmable thermostat. Additionally, the Commission approved the company's request to modify nine of its existing energy efficiency programs and 12 newly created programs. New offerings include a Low Income Program that provides at no cost, items to low-income families to help them conserve energy and an Energy Awareness Pilot Program that partners with area schools at the eighth grade level to teach energy efficiency at home and school. In total, the programs will result in additional winter demand savings of approximately 66 MW and 35 GWH of annual energy by 2014.

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TAMPA ELECTRIC

## Bayside Power Station

In 1999, Tampa Electric announced as a part of its consent decree, a 10-year, $1.2 billion plan, to dramatically decrease overall emissions from the company's power plants the repowering of the 1,200 megawatt Gannon Power Station from coal to natural gas. The renamed H.L. Culbreath Bayside Power Station provides 1,837 megawatts of natural gas-fueled electric energy. Unit One began commercial operation in April 2003 (793 megawatts) and Unit Two began commercial operation in January 2004 (1,048 megawatts).

The repowering with natural gas reduced H.L. Culbreath Bayside's nitrogen oxide and sulfur dioxide emissions by more than 97% each, and particulate matter emissions by more than 88% (from 1998 levels).

The project integrates seven new combustion turbines and seven heat recovery steam generators with two of the Gannon plant's existing steam turbines to reliably and cost-effectively produce 1,837 megawatts of clean power.

By using natural gas at the new H.L. Culbreath Bayside Power Station, along with high efficiency, state-of-the-art controls at its remaining coal-fired plants, Tampa Electric will be able to significantly reduce emissions and meet growing energy needs.

TECO

TAMPA ELECTRIC

## Big Bend Power Station

Big Bend Power Station has four coal-fired units with a combined output of more than 1,600 megawatts. Big Bend Power Station expanded to meet the demands of rapid growth during the 1970s and 1980s. The first unit began service in 1970; the second and third generating units were added in 1973 and 1976; and the fourth unit was added in 1985. With the capacity provided by three combustion turbines that serve as peaking units, combined output from Big Bend Power Station is 2,000 megawatts when needed.

Big Bend Power Station meets strict environmental regulations through the use of flue gas desulfurization systems or “scrubbers,” which remove sulfur dioxide produced when coal is burned.

The scrubber for Big Bend Unit Four began operation in 1984 and, since 1995, has simultaneously scrubbed Unit Three as well. The scrubber for Big Bend Units One and Two began operation at the end of 1999. The scrubber system complies with standards set by the U.S. Clean Air Act Amendments of 1990, and removes 95% of sulfur dioxide from all four units.

SCRs are currently being installed on the coal-fired units to reduce NOx emissions. The first SCR, on Unit 4, entered service in June 2007, with an additional unit expected to be placed in service each year through 2010.

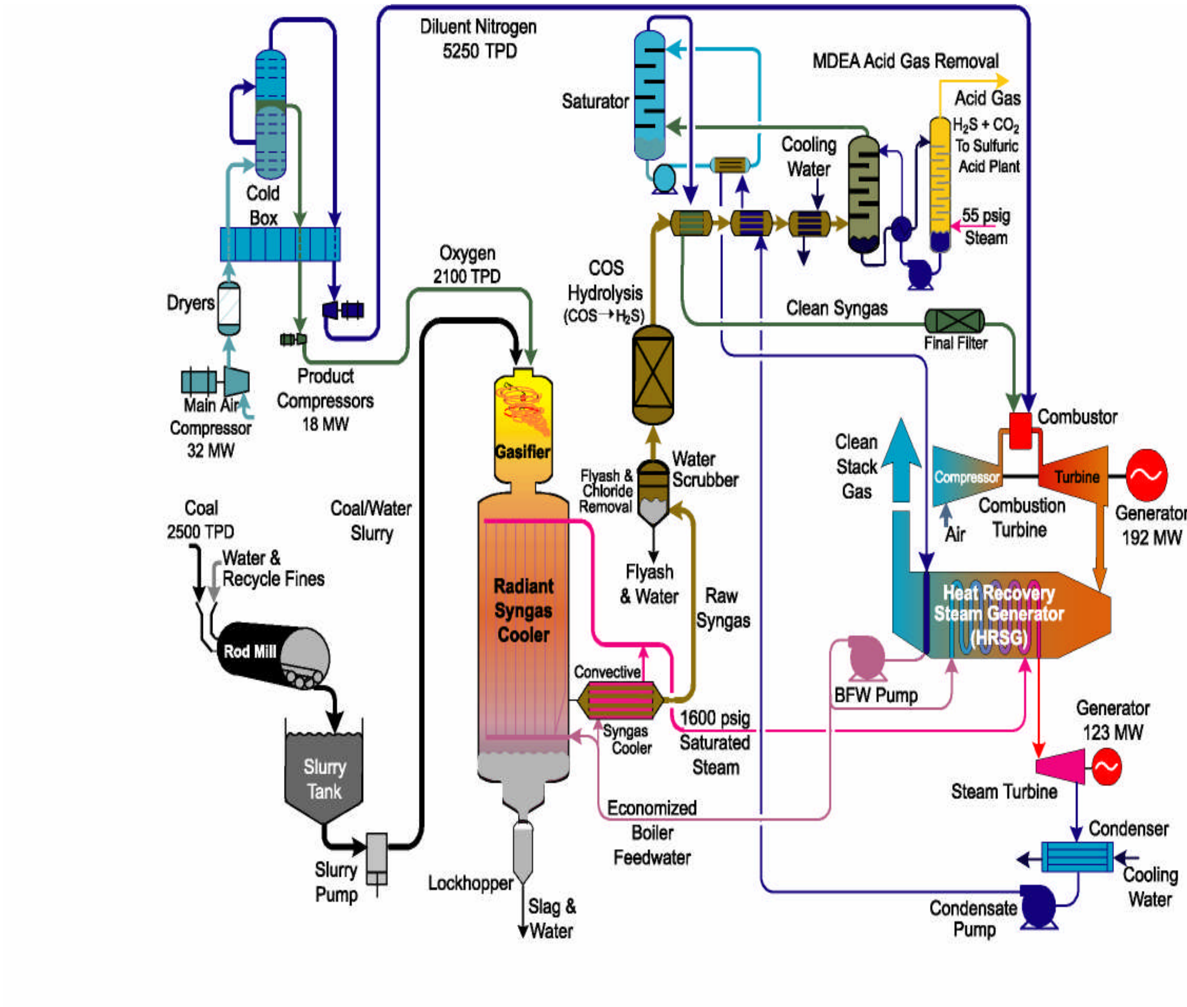
TAMPA ELECTRIC

## Polk Power Station

Polk Power Station is a state-of-the-art IGCC facility. It was among the first large-scale commercial demonstrations of this combination of "clean coal" technology and highly-efficient combined-cycle technology. Gasification is a chemical process that combines coal or other fuels, such as petroleum coke, with oxygen to create a clean-burning gas, which fuels the combustion turbine to generate electricity. Waste heat makes high-pressure steam for additional electricity from the steam turbine.

- Located on 4,300 acres of reclaimed land originally used for phosphate mines, sited by an independent community advisory committee.
- Built with $140 million of support from the U.S. Department of Energy as part of its Clean Coal Technology program.
- Includes Polk 1, the base-loaded 255-megawatt IGCC unit, and Polk 2 and 3, each a 184-megawatt natural gas-fueled peaking unit, with capacity to expand substantially. Construction on the addition of Polk units 4 and 5 (184 MW each) was completed in April 2007.
- Environmentally-friendly process results in 98% sulfur removal; zero process water is discharged.
- Polk Power Station has been recognized as the best example of IGCC technology in the United States and the cleanest coal-burning generating plant in North America. Tampa Electric is a leader in operations and maintenance experience and enhancement techniques for clean-coal burning technology. Operational improvements and the low cost of fuel make the Polk IGCC the most economical unit on Tampa Electric's system and it dispatches ahead of the Big Bend conventional coal-fired units.

## IGCC – Integrated Gasification Combined-Cycle Facility



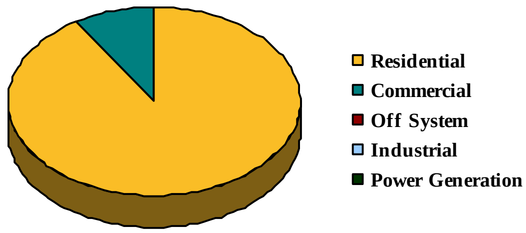
Peoples Gas System, acquired in 1997, is Florida's leading provider of natural gas. With a presence in all of the state's major metropolitan areas, Peoples Gas serves almost 340,000 residential and commercial customers.

## Strengths

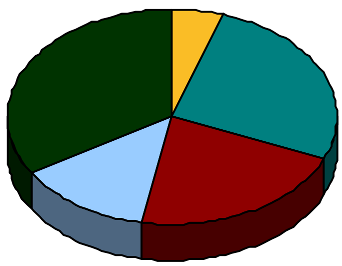
- Gas in Florida is underserved, providing growth opportunities for natural gas usage.
- Lower carbon footprint than equivalent electric powered appliances.
- Ability to expand into areas currently not served.
- Regulation is gas friendly.
- Cost of commodity gas is a pass-through.

## Operating Information

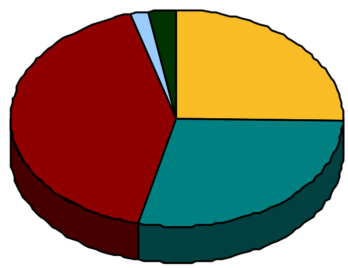
**Customers**




**Therms**



**Operating Revenues**



| *Therms sold (millions)* | *12 Months Ended* | |
|---|---|---|
| | ***12/31/2007*** | ***12/31/ 2006*** |
| Residential | 70.0 | 73.0 |
| Commercial | 370.9 | 375.6 |
| Industrial | 489.8 | 456.6 |
| Power Generation | 471.6 | 395.7 |
| Total | 1,402.5 | 1,301.0 |
| | | |
| Customers (average) | 334,326 | 329,024 |

- 2006 sales reflect 3.3% customer growth and mild winter weather.
- 2007 sales reflect 1.6% customer growth and one of the mildest winters on record.

## Operating Information - continued

- Peoples Gas System has a "NaturalChoice" program, which unbundles gas services for all non-residential customers, affording these customers the opportunity to purchase the commodity gas from any provider. The net result of this unbundling is a shift from commodity sales to transportation sales. Because commodity sales are included in operating revenues at the cost of the gas on a pass-through basis, there is no net financial impact to the company of the transportation only sales. The program has increased gas use due to increased marketing by third parties. At year-end 2007, approximately 45% of non-residential customers have elected to take service under this program.

- In December 2002, the FPSC authorized an increase to annual base revenues of $12.05 million. The rates allow for an 11.25% midpoint ROE and a capital structure with 57.43% equity.

- Due to the higher operating costs, continued investment in the distribution system and higher costs associated with recently implemented safety requirements, such as pipeline integrity safety, PGS' return on equity levels are below the bottom of its allowed range and therefore it expects to file for a base rate increase in 2008.

- Peoples Gas expects customer growth at about the same level as Tampa Electric driven by the weak Florida housing market, which is down from previous Peoples Gas customer growth projections. Peoples Gas expects per residential customer usage to continue to decline due to increased appliance efficiency, price elasticity and more energy efficient housing construction.

TECO

PEOPLES GAS

## Prospects for growth

- Florida's residential/commercial market offers opportunities.
- Peoples Gas serves Ft. Myers, Jacksonville, Miami, Ocala, Orlando, Palm Beach, Sarasota, Tampa, and surrounding areas.
- In May 2002, Gulfstream Natural Gas Pipeline initiated service. This interstate pipeline starts in Mobile Bay, Alabama, crosses the Gulf of Mexico and comes ashore in Florida just south of Tampa. This pipeline increased gas transportation capacity into Florida by 50%. The Gulfstream pipeline enhances reliability of service and helps to meet the capacity needs for Peoples Gas System's growing customer base.
- Current committed major projects present opportunities for gas usage growth.
    - Developers want to offer homes with natural gas service.
    - Commercial and residential customers want natural gas.
- Expanded into the previously unserved Naples/Ft. Myers area and the high growth Jacksonville to St. Augustine corridor.
- In 2007, over 13,000 residential and commercial customers and approximately 250 miles of pipeline were added to the distribution system.
- Peoples Gas System forecasts capital spending of $59 million in 2008 and $300 million during the 2008-2012 period. Included in these amounts is an average of approximately $40 million annually for projects associated with customer growth and system expansion. The remainder represents capital expenditures for ongoing renewal, replacement and system safety.

## Outlook

- Expect more normal customer growth when the housing market recovers.

- Targeting high-end residential developments with significantly higher annual usage than the current residential usage rate.

  * High usage commercial customers follow the residential, enhancing the expansion payback.

- Operations and maintenance expenses are expected to increase at inflationary levels.

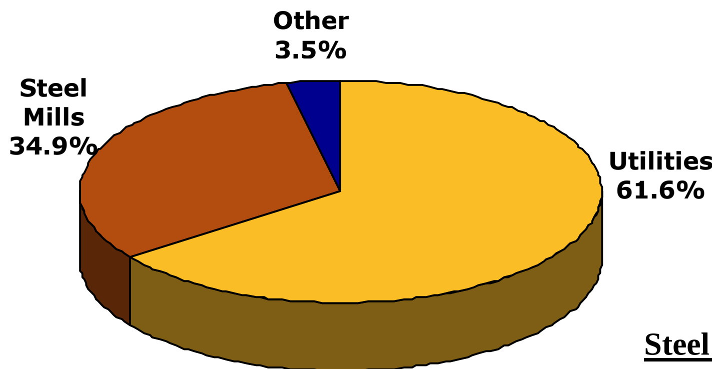
# COAL

Through its subsidiaries, TECO Coal owns and operates low-sulfur coal mines and preparation facilities in Kentucky and Virginia. The company expects to sell approximately 10.5 million tons of conventional coals in 2008. Primary customers include domestic utilities, North American and European steel mills, as well as industrial customers.

## TECO Coal's major market segments

- **Since 1988: Industrial applications**
  *Coals of specialty size and characteristics primarily for metallurgical markets*.

- **Since 1992: Electric utilities**
  *Low-sulfur and compliance coals.*



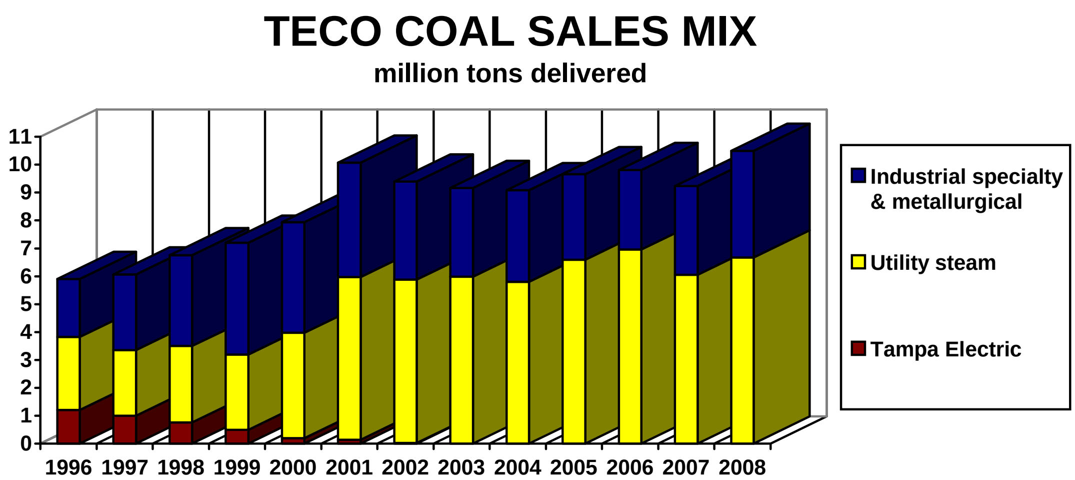

***(2008 Projected Data)***

**<u>Utilities</u>**
- AEP
- Consumers Energy
- Detroit Edison
- Duke Energy
- East Kentucky Power
- Kentucky Utilities/LG&E
- Orlando Utilities Commission
- Progress Energy
- South Carolina Electric & Gas
- Georgia Power
- Alabama Power
- Dominion Energy

**<u>Steel Mills</u>**
- Corus
- Arcelor Mittal Dofasco
- Ilva
- Arcelor Mittal Sparrows Point
- Sun Coke
- US Steel

## Sales

- Sales of utility steam and specialty coals have grown significantly.
- Total expected sales approximately 10.5 million tons in 2008, compared to 9.2 in 2007. Lower sales in 2007 were in response to the weaker coal markets, and the increased sales in 2008 are a result of stronger market conditions.




- Substantially all of 2008 expected sales were contracted in 2006 and 2007 during weaker market conditions.
- Expect average after-tax margins of $4/ton in 2008.
- Cost of production is projected to increase significantly in 2008 reflecting higher costs for fuel and exposives.
- 277.1 million tons of low-sulfur, high quality Central Appalachian reserves as of December 31, 2007.

## Perry County Coal Corp.

Located near Hazard, KY in Perry County, Perry County Coal Corporation is supplied by three underground and two surface mine operations. Principal products include high quality steam coal for utilities and industrial stoker. Facilities include a 1,350 ton per hour preparation plant and two unit train load-outs capable of loading at 5,000 tons per hour. Products from this location are shipped domestically via CSXT (CSX Railroad Transportation) and over the road trucking contractors.

## Clintwood Elkhorn Mining Company

Located near Biggs, KY in Pike County, Clintwood Elkhorn Mining Company is supplied by a number of underground and surface mining operations. Principal products at this location include world-class, high-volatile metallurgical coals.

A second Clintwood operation, located near Hurley, VA is supplied by two underground and three surface mine operations. This facility also supplies high-volatile metallurgical coal as well as steam products.

Products from both locations are shipped to customers in North America via Norfolk Southern. European customers receive their products via ocean vessels from Lamberts Point, VA.

## Premier Elkhorn Coal Company

Located near Myra, KY in Pike County, Premier Elkhorn Coal Company is supplied by a number of underground and surface mine operations. Principal products include high-quality steam coal for utilities, specialty stoker products for ferro-silicon and industrial uses and PCI coals for steel mills.

Facilities include a state-of-the-art unit train load-out with 200 car siding capable of loading at 6,000 tons per hour as well as a single car siding. Products from this location are shipped domestically via CSXT and over the road trucking contractors.

The Premier Elkhorn Coal's Burke Branch Tipple, was awarded the Sentinels of Safety award for the year 2006. This most esteemed award is given to the safest large coal processing facility in the United States, working the most man hours without a reportable injury or lost time workday. The award is presented by the US Department of Labor, Mine Safety and Health Administration, jointly with the National Mine Association.

The Premier Elkhorn Coal facility worked a total of 151,970 man hours without a single reportable injury or a lost time workday. The Plant employs 79 persons throughout the facility.

## Outlook

- Production volume for 2009 is projected to increase to over 11 million tons.
    - 90% of 2009 production volumes are committed and 70% are priced.
- Average price per ton for 2009 is expected to be significantly higher than for 2008.
    - This price environment likely to result in 2009 after-tax margins and net income more than twice 2008 levels.
- Increasing sales of metallurgical and specialty coals.
- Maintaining contract mines and stabilizing the cost of company mines.

# TECO GUATEMALA

## TECO Guatemala

TECO Guatemala includes our interest in the San José and Alborada power stations in Guatemala and a 24% ownership interest in EEGSA, a Guatemalan distribution utility, and other affiliated companies.

**Ownership Summary**

| *Project* | *Location* | *Size MW* | *Economic Interest* | *Net Size MW* | *In Service/ Participation Date* |
|---|---|---|---|---|---|
| Alborada Power Station | Guatemala | 78 | 96% | 78 | 9/95 |
| Empresa Eléctrica de Guatemala S.A.(EEGSA) (a distribution utility and affiliates) | Guatemala | | 24% | | 9/98 |
| San José Power Station | Guatemala | 120 | 100% | 120 | 1/00 |
| Total | | 198 | | 198 | |

- Detailed fact sheets are provided for each project at the end of this section.
- Guatemalan assets are performing well and producing strong cash flows and good returns.
- Approximately $250 million of cash returned to TECO Energy since 2002.

TECO GUATEMALA

## Outlook

- Continued strong operations at San José and Alborada Power Stations combined with long-term power sales agreements with EEGSA, provide steady and stable earnings and cash flow.
- Expect 2008 net income below 2007's very strong results.
- At San José, we expect to benefit from lower interest rates and from the lower principal balance on the non-recourse debt.
- At EEGSA, we expect improved results as customer and energy sales continue to grow, offset by potentially lower distribution wheeling revenues from deregulated users.
  - * Customer and energy sales growth are expected to be approximately 3.0% in 2008.
  - * Operational costs are expected to be favorable.
  - * The earnings from the unregulated EEGSA-affiliated companies, which provide, among other things, electricity transmission services, telecommunication carrier service, wholesale power sales to unregulated electric customers and engineering services, are experiencing fundamental growth in their businesses.
- VAD (retail distribution rate) setting process at EEGSA occurs in 2008.
  - * Not a traditional U.S. rate case process.
    - o Comparative rate review process.
  - * Relative short process with a decision expected mid-summer.
- Guatemala energy needs continue to grow.
  - * Future opportunities for growth.


# Alborada Power Station

| | |
|---|---|
| **Name** | Alborada Power Station |
| **MW** | 78-MW Simple-Cycle which uses No. 2 fuel oil as its primary fuel. |
| **Technology** | The project consists of two GE LM6000 combustion gas turbines operating in simple-cycle mode with inlet air chillers. The chiller system cools the combustion turbine inlet air to achieve the combustion turbine optimum inlet temperatures raising the total plant output from 65-MW to 78-MW at site ambient conditions.<br><br>The facility includes a 230-kV switchyard and 1.7 km of transmission line connecting the switchyard with EEGSA's substation. |
| **Project Cost** | $50 Million |
| **Ownership** | 96%, local partner owns 4%. |
| **Commercial Operation** | September 1995 |
| **Fuel Supply** | TECO Guatemala subsidiary is providing fuel management services to EEGSA for the 15-year term of the power purchase agreement and is responsible for negotiating the fuel-related contractual arrangements. The combustion turbines are fired with low sulfur distillate oil. |
| **Power Purchaser** | Empresa Eléctrica de Guatemala, S.A. (EEGSA) - 78MW |
| **Term of Purchase** | From 1995, 15 years + option for 5 additional years at TECO Guatmala, Inc.'s discretion. |
| **Operator** | TECO Guatemala Subsidiary |
| **Financing** | Banco Industrial and Westrust Bank |
| **Currency Risk** | Monthly payments under the PPA are denominated in U.S. dollars; paid in Guatemalan quetzales. |

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# Empresa Eléctrica de Guatemala, S.A. (EEGSA) and Affiliate Companies (DECA II)

| | |
|---|---|
| **Name** | Investment in EEGSA and Affiliate Companies through DECA II. |
| **Location** | Guatemala, Central America |
| **Number of Customers** | EEGSA: 844,403 electric customers as of December 31, 2007. |
| **Ownership** | DECA II owns controlling interest (80.9%) of EEGSA and affiliate companies, and 55% of Navega, a telecommunications company. |
| **Partners** | DECA II is a joint venture among Iberdrola Energia, S.A. 49% (Spain), TECO Guatemala Inc. 30%, and Electricidade de Portugal, S.A. 21% (Portugal). |
| **Project Cost** | $100 million (TECO Energy investment) |
| **Operator** | Iberdrola Energía, S.A. |
| **Financing** | EEGSA and affiliate companies combined current credit facilities total $219 million of non-recourse financing. Current facilities include a $100 million 10-year Citibank loan, $112 million of Guatemalan commercial bank loans, and $7 million in bonds. |
| **Energy Sales Growth** | EEGSA: 3.0% projected growth (2008) |
| **Annual Energy Sales** | EEGSA: 3,562 Gwh (2007), up 4.3% from 3,414 Gwh (2006) |
| **Revenues** | DECA II consolidated revenues of $816 million (2007). TECO Guatemala Inc.'s share: $245 million. |
| **Employees** | EEGSA: 440 as of December 2007<br>EEGSA and Affiliates: 799 as of December 2007 |
| **Tariff/ Currency Risk** | Energy costs adjusted quarterly. Value added distribution (VAD) component adjusted every 5 years. Next VAD effective August, 2008. |


# San José Power Station

| | |
|---|---|
| **Name** | San José Power Station |
| **MW** | 120-MW Pulverized coal |
| **Technology** | The project consists of a steam turbine using a cooling tower for condenser cooling, a steam generator and a substation. Low NOx burners and a pulse jet fabric filter complement the low-sulfur coal selected as the fuel. |
| **Project Cost** | $190 Million |
| **Ownership** | 100% |
| **Commercial Operation** | January 2000 |
| **Fuel Supply** | TECO Guatemala subsidiary is performing ongoing fuels management for this project. This activity includes management of the day-to-day procurement process, as well as fuel contract negotiations. |
| **Power Purchaser** | Empresa Eléctrica de Guatemala, S.A. (EEGSA) - 120MW |
| **Term of Purchase** | From 2000, 15 years plus option for 5 additional years at San José Power Station's discretion. |
| **Operator** | TECO Guatemala Subsidiary |
| **Financing** | Banco Industrial - led bank group |
| **Currency Risk** | Monthly payments under the PPA are denominated in U.S. dollars; paid in Guatemalan quetzales. |

# APPENDIX

## Appendix

**TECO ENERGY, Inc.**
**CONSOLIDATED STATEMENTS OF INCOME**
(All significant intercompany transactions have been eliminated in the consolidated financial statements.)

| | Twelve Months Ended December 31, | |
|---|---|---|
| (millions except share data) | **2007** | 2006 |
| **Revenues** | | |
| Regulated electric and gas | $2,786.30 | $2,660.30 |
| Unregulated | **749.8** | 787.8 |
| Total revenues | **3,536.10** | 3,448.10 |
| **Expenses** | | |
| Regulated operations | | |
| Fuel | **854.7** | 803.4 |
| Purchased power | **271.9** | 221.3 |
| Cost of natural gas sold | **389.9** | 365.3 |
| Other | **280.4** | 294 |
| Operation other expense | | |
| Mining related costs | **435.4** | 450.2 |
| Waterborne transportation costs | **206.4** | 217.8 |
| Other | **16.6** | 15.6 |
| Maintenance | **183.5** | 183.3 |
| Depreciation | **263.7** | 282.2 |
| Gain on sale, net of transaction related costs | **(221.3)** | 0 |
| Sale of previously impaired assets / Asset impairments | **0** | (20.7) |
| Taxes, other than income | **218.3** | 217.5 |
| Total expenses | **2,899.50** | 3,029.90 |
| **Income from operations** | **636.6** | 418.2 |
| **Other income (expense)** | | |
| Allowance for other funds used during construction | **4.5** | 2.7 |
| Other income | **112** | 94.5 |
| Loss on debt extinguishment / exchange | **(32.9)** | (2.5) |
| Income from equity investment | **68.5** | 58.9 |
| Total other income | **152.1** | 153.6 |
| **Interest charges** | | |
| Interest expense | **259.5** | 279.4 |
| Allowance for borrowed funds used during construction | **(1.7)** | (1.1) |
| Total interest charges | **257.8** | 278.3 |
| **Income before provision for income taxes** | **530.9** | 293.5 |
| Provision (benefit) for income taxes | **214.2** | 118.7 |
| **Income from Continuing Operations before minority interests** | **316.7** | 174.8 |
| Minority Interests | **82.2** | 69.6 |
| **Income (loss) from Continuing Operations** | **398.9** | 244.4 |
| **Discontinued operations** | | |
| Income (loss) from discontinued operations | **0** | 2.3 |
| Income tax provision (benefit) | **(14.3)** | 0.4 |
| Total discontinued operations | **14.3** | 1.9 |
| **Net income (loss)** | **$413.20** | $246.30 |
| **Average common shares outstanding (millions)** | **209.1** | 207.9 |
| **Earnings per average common share outstanding:** | | |
| Earnings per share from continuing operations -- basic | **1.91** | 1.18 |
| Earnings per share from continuing operations -- diluted | **1.90** | 1.17 |
| Earnings per share -- basic | **1.98** | 1.19 |
| Earnings per share -- diluted | **1.97** | 1.18 |

## 2007 Earnings Summary

| *(millions) Except per-share amounts* | ***2007*** | *2006* | *2005* |
|---|---|---|---|
| **Consolidated revenues** | **$3,536.10** | $3,448.10 | $3,010.10 |
| **Earnings per share – basic** | | | |
| Earnings per share | **$1.98** | $1.19 | $1.33 |
| Discontinued operations | **0.07** | 0.01 | 0.31 |
| Earnings from continuing operations | **$1.91** | $1.18 | $1.02 |
| **Earnings per share – diluted** | | | |
| Earnings per share | **$1.97** | $1.18 | $1.31 |
| Discontinued operations | **0.07** | 0.01 | 0.31 |
| Earnings from continuing operations | **$1.90** | $1.17 | $1.00 |
| Net income | **$413.20** | $246.30 | $274.50 |
| Net income from discontinued operations | **(14.3)** | (1.9) | (63.5) |
| Charges and (gains) from continuing operations[1] | **(122.6)** | (10.8) | 43.7 |
| Non-GAAP results with synthetic fuel[2] | **$276.30** | 233.6 | 254.7 |
| Synthetic fuel impact[1] | **(52.6)** | (32.1) | (82.4) |
| Non-GAAP results excluding synthetic fuel[2] | **$223.70** | $201.50 | $172.30 |
| | | | |
| **Average common shares outstanding** | | | |
| Basic | **209.1** | 207.9 | 206.3 [3] |
| Diluted | **209.9** | 208.7 | 208.2 [3] |

1) See the GAAP to non-GAAP reconciliation tables that follow.

2) A non-GAAP financial measure is a numerical measure that includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable GAAP measure.

3) Average shares outstanding for 2005 include the issuance of 6.85 million shares in conjunction with the final settlement of the 9.5% adjustable conversion-rate equity security units.

## GAAP Earnings by Segment

(in millions)

| **Net Income (loss)** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Tampa Electric | $150.3 | $135.9 | $147.1 |
| Peoples Gas System | 26.5 | 29.7 | 29.6 |
| Total regulated | 176.8 | 165.6 | 176.7 |
| TECO Coal | 90.9 | 78.8 | 115.4 |
| TECO Transport | 34 | 22.8 | 20.2 |
| TECO Guatemala | 44.7 | 37.6 | 40.4 |
| TWG Merchant | - | - | (14.6) |
| Parent/other | 52.5 | (60.4) | (127.1) |
| Total unregulated | 169.6 | 139.2 | 161.4 |
| Net income (loss) from continuing operations | 398.9 | 244.4 | 211 |
| Discontinued operations | 14.3 | 1.9 | 63.5 |
| Total net income (loss) | $413.20 | $246.30 | $274.50 |
| | | | |
| Average Shares Outstanding | 209.1 | 207.9 | 206.3 [1] |

[1] Average shares outstanding for 2005 include the issuance of 6.85 million shares in conjunction with the final settlement of the 9.5% adjustable conversion-rate equity security units.

## Non-GAAP results by segment – before charges and gains(1)

(in millions)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Tampa Electric | $150.3 | $135.9 | $147.1 |
| Peoples Gas System | 26.5 | 29.7 | 29.6 |
| Total regulated | $176.8 | $165.6 | $176.7 |
| TECO Coal | 90.9 | 78.8 | 115.4 |
| TECO Transport | 24.3 | 25.8 | 19.1 |
| TECO Guatemala | 44.7 | 37.6 | 40.4 |
| TWG Merchant | -- | -- | (16.5) |
| Parent/other | (60.4) | (74.2) | (80.4) |
| Total unregulated | 99.5 | 68 | 78 |
| Total non-GAAP results | $276.3 | $233.6 | $254.7 |
| Synthetic Fuel impact | (52.6) | (32.1) | (82.4) |
| Total non-GAAP results excluding Synthetic Fuel | $223.7 | $201.5 | $172.3 |

(1) A non-GAAP financial measure is a numerical measure that includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable GAAP measure. See the following pages for reconciliations of these results to GAAP net income.

## Results reconciliation

| (millions) | 2007 | 2006 | 2005 |
|---|---|---|---|
| **GAAP net income (loss)** | **$413.2** | **$246.3** | **$274.5** |
| Exclude discontinued operations[1] | (14.3) | (1.9) | (63.5) |
| GAAP net income (loss) from continuing operations | $398.90 | $244.40 | $211.00 |
| Add: TECO Transport gain on sale | (149.4) | | |
| TECO Transport hurricane costs | | 4.5 | 12.6 |
| TECO Transport hurricane insurance recovery | | (1.5) | (13.7) |
| Dell & McAdams valuation adjustment | | (8.1) | (1.9) |
| Debt extinguishment costs[2] | | -- | 46.7 |
| Sale of unused steam turbines | | (5.7) | -- |
| TECO Transport transaction costs recorded at TECO Energy Parent | 16.3 | -- | -- |
| TECO Transport Depreciation | (9.7) | -- | -- |
| Parent debt extinguishment | 20.2 | -- | -- |
| Total Charges and Gains | (122.6) | (10.8) | 43.7 |
| Non-GAAP results from continuing operations[3] | $276.30 | $233.60 | $254.70 |
| Exclude Synthetic Fuel Benefit | (52.6) | (32.1) | (82.4) |
| Non-GAAP results excluding synfuel | $223.70 | $201.50 | $172.30 |

(1) Discontinued operations for the 12-months ended 2005 included the losses associated with operations of the Union, Gila River, Commonwealth Chesapeake and Frontera power stations, as well as the energy services companies, and the gain on the final transfer of the Union and Gila River power stations in May 2005. Discontinued operations in 2006 reflect primarily recovery of amounts that had been previously written off and the tax adjustments noted above at the small energy services companies.

(2) Included the second-quarter 2005 redemption premium and unamortized debt issuance costs associated with the June 2005 redemption of the 10.5% notes due in 2007 and the fourth-quarter 2005 write-off of unamortized debt issuance costs associated with the December 2005 redemption of $100 million of 8.5% trust preferred securities.

(3) A non-GAAP financial measure is a numerical measure that includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable GAAP measure.

# INVESTMENT CONSIDERATIONS

# INVESTMENT CONSIDERATIONS

The following are certain factors that could affect our future results. They should be considered in connection with evaluating forward-looking statements, and are otherwise made by, or on behalf of, us, because these factors could cause actual results and conditions to differ materially from those projected in those forward-looking statements.

## General Business and Operational Risks

***General economic conditions may adversely affect our businesses.***

Our businesses are affected by general economic conditions. In particular, the projected growth in Tampa Electric's service area and in Florida is important to the realization of Tampa Electric's and PGS' respective forecasts for annual energy sales growth. An unanticipated downturn or a failure of market conditions to improve, such as the current slowdown in the housing markets, in the Tampa Electric service areas or in Florida's economy could adversely affect Tampa Electric's or PGS' expected performance.

TECO Coal and TECO Guatemala are also affected by general economic conditions in the industries and geographic areas they serve, both nationally and internationally.

***Potential competitive changes may adversely affect our regulated electric and gas businesses.***

The U.S. electric power industry has been undergoing restructuring. Competition in wholesale power sales has been introduced on a national level. Some states have mandated or encouraged competition at the retail level and, in some situations, required divestiture of generating assets. While there is active wholesale competition in Florida, the retail electric business has remained substantially free from direct competition. Although not expected in the foreseeable future, changes in the competitive environment occasioned by legislation, regulation, market conditions or initiatives of other electric power providers, particularly with respect to retail competition, could adversely affect Tampa Electric's business and its expected performance.

The gas distribution industry has been subject to competitive forces for several years. Gas services provided by PGS are now unbundled for all non-residential customers. Because PGS earns margins on distribution of gas but not on the commodity itself, unbundling has not negatively impacted PGS' results. However, future structural changes that we cannot predict could adversely affect PGS.

***Our electric and gas businesses are highly regulated, and any changes in regulations or the regulatory environment could lower revenues or increase costs or competition.***

Tampa Electric and PGS operate in highly regulated industries. Their retail operations, including the prices charged, are regulated by the FPSC, and Tampa Electric's wholesale power sales and transmission services are subject to regulation by the FERC. Changes in regulatory requirements or adverse regulatory actions could have an adverse effect on Tampa Electric's or PGS' financial performance by, for example, increasing competition or costs, threatening investment recovery or impacting rate structure.

***PGS is currently earning below the bottom of its allowed ROE range, and Tampa Electric's earnings may decrease and it may not be able to earn its allowed return with the current base rates.***

PGS is currently earning below the bottom of its allowed ROE range and expects to file for base rate relief in 2008. Tampa Electric's profitability may decrease and it may not be able to earn within its allowed ROE range under its current base rates due to higher recurring capital spending primarily in the transmission and distribution areas and generally higher levels of non-fuel operations and maintenance spending, even without the construction of new generating capacity.

***Our financial results could be adversely affected if the base rate proceedings expected by Tampa Electric and PGS do not have the expected outcomes.***

Tampa Electric and PGS expect to seek base rate increases to recover higher levels of non-fuel operations and maintenance spending and the increased level of capital investments in facilities and infrastructure. While the FPSC has a history of constructive regulation, we cannot predict the outcome of any such regulatory proceeding. If cost recovery is not granted or if the allowed return on equity is reduced, our financial results could be adversely affected.

***Changes in the environmental laws and regulations affecting our businesses could increase our costs or curtail our activities.***

Our businesses are subject to regulation by various governmental authorities dealing with air, water and other environmental matters. Changes in compliance requirements or the interpretation by governmental authorities of existing requirements may impose additional costs on us or require us to curtail some of our businesses' activities.

***There is increasing debate and discussion regarding the regulation of GHG, emissions and some states have already proposed or enacted regulations relating to these emissions, which if enacted could increase our costs or the costs of our customers or curtail sales.***

Among our companies, Tampa Electric has the most significant number of stationary sources with air emissions. The form of any GHG emission regulation, either federal or state, is unknown at this time and potential costs to reduce GHGs are unknown. Presently there is no viable technology to remove $CO_2$ post-combustion from conventional coal-fired units such as Tampa Electric's Big Bend units.

Regulation in Florida allows utility companies to recover from customers prudently incurred costs for compliance with new environmental regulations. Tampa Electric would expect to recover from customers the costs of power plant modifications or other costs required to comply with new GHG emission regulation, but increased costs for electricity may cause customers to change usage patterns, which would impact Tampa Electric's sales. If the regulation allowing cost recovery is changed and the cost of compliance is not recovered through the Environmental Cost Recovery Clause, Tampa Electric could seek to recover those costs through a base-rate proceeding, but we cannot predict whether the FPSC would grant such recovery.

In the case of TECO Coal, the use of coal to generate electricity is considered a significant source of greenhouse gas emissions. New regulations, depending on final form, could cause the consumption of coal to decrease or the cost of sales to increase, which could negatively impact TECO Coal's earnings.

***The significant, phased reductions in GHG emissions called for by the executive orders signed by the governor of Florida in 2007 could add to Tampa Electric's costs and adversely affect its operating results.***

In 2007, the governor of Florida signed three executive orders aimed at reducing GHG in the state. The executive orders call for GHG emissions by the utility sector in Florida of not greater than 2000 levels by 2017, not greater than 1990 levels by 2025, and not greater than 20% of 1990 levels by 2050. Although we believe Tampa Electric's repowering of the coal-fired Gannon Station to the natural gas-fired H. L. Culbreath Bayside Station should position the company well to meet the 2017 target, Tampa Electric is still evaluating whether it will be able to meet the 2025 and 2050 targets.

The executive orders charge the Florida Department of Environmental Protection (FDEP) with developing detailed rules to implement these emissions limits. The FDEP has started the rule making process, but it is expected to take an extended period of time to reach completion. Until the final rules are developed, the impact on Tampa Electric and its customers cannot be determined. However, if the final rules result in increased costs to Tampa Electric, or further changes in customer usage patterns in response to higher rates, Tampa Electric's operating results could be adversely affected.

***A mandatory renewable energy portfolio standard could add to Tampa Electric's costs and adversely affect its operating results.***

In connection with the executive orders signed by the Governor of Florida in July 2007, the FPSC was tasked with evaluating a renewable portfolio target of 20% by 2020. In addition, there is proposed legislation in the U.S. Congress to introduce a renewable energy portfolio standard at the federal level. It remains unclear, however, if or when action on such legislation would be completed. Tampa Electric could incur significant costs to comply with a renewable energy portfolio standard, as proposed. Tampa Electric's operating results could be adversely affected if Tampa Electric were not permitted to recover these costs from customers, or if customers change usage patterns in response to increased rates.

***Tampa Electric, the State of Florida and the nation as a whole are increasingly dependent on natural gas to generate electricity. There may not be adequate infrastructure to deliver adequate quantities of natural gas to meet the expected future demand and the expected higher demand for natural gas may lead to increasing costs for the commodity.***

The deferral of Tampa Electric's IGCC unit and the cancellation of numerous proposed coal-fired generating stations in Florida and across the United States in response to GHG emissions concerns will lead to an increasing reliance on natural gas-fired generation to meet the growing demand for electricity. Currently there is an adequate supply and infrastructure to meet demand for natural gas in Florida and nationally. There is, however, uncertainty regarding whether the available supply of both domestic and imported natural gas and the existing infrastructure to transport the natural gas into and within Florida are adequate to meet the projected increased demand.

If supplies are inadequate or if significant new investment is required to install the pipelines necessary to transport the gas, the cost of natural gas could rise. Currently Tampa Electric and PGS are allowed to pass the cost for the commodity gas and transportation services through to the customer without profit. Changes in regulations could reduce earnings for Tampa Electric and PGS if they required Tampa Electric and PGS to bear a portion of the increased cost.

***Our businesses are sensitive to variations in weather and the effects of extreme weather, and have seasonal variations.***

Most of our businesses are affected by variations in general weather conditions and unusually severe weather. Tampa Electric's and PGS' energy sales are particularly sensitive to variations in weather conditions. Those companies forecast energy sales on the basis of normal weather, which represents a long-term historical average. Significant variations from normal weather could have a material impact on energy sales. Unusual weather, such as hurricanes, could adversely affect operating costs and sales and cause damage to our facilities, requiring additional costs to repair.

PGS, which has a typically short but significant winter peak period that is dependent on cold weather, is more weather-sensitive than Tampa Electric, which has both summer and winter peak periods. Mild winter weather in Florida can be expected to negatively impact results at PGS.

Variations in weather conditions also affect the demand and prices for the commodities sold by TECO Coal. Severe weather conditions could interrupt or slow coal production or rail transportation and increase operating costs.

***Commodity price changes may affect the operating costs and competitive positions of our businesses.***

Most of our businesses are sensitive to changes in coal, gas, oil and other commodity prices. Any changes could affect the prices these businesses charge, their operating costs and the competitive position of their products and services.

In the case of Tampa Electric, fuel costs used for generation are affected primarily by the cost of coal and natural gas. Tampa Electric is able to recover prudently incurred costs of fuel through retail customers' bills, but increases in fuel costs affect electric prices and, therefore, the competitive position of electricity against other energy sources.

The ability to make sales and the margins earned on wholesale power sales are affected by the cost of fuel to Tampa Electric, particularly as it compares to the costs of other power producers.

In the case of PGS, costs for purchased gas and pipeline capacity are recovered through retail customers' bills, but increases in gas costs affect total retail prices, and therefore, the competitive position of PGS relative to electricity, other forms of energy and other gas suppliers.

In the case of TECO Coal, the selling price of coal may cause it to either decrease or increase production. If production is decreased, there may be costs associated with idling facilities or write-offs of reserves that are no longer economic.

***Changes in customer energy usage patterns may affect sales at our utility companies.***

The average energy usage per Tampa Electric and PGS' residential customer declined in 2006 and 2007. We believe that this was in response to mild weather, higher energy prices reflected both through the fuel charge on bills and for higher energy prices in general, increased appliance efficiency, and to changes in residential construction patterns in Tampa Electric's service area. In addition, the current slowdown in the Florida housing market has increased the number of vacant residences which have active meters but minimal energy consumption.

The utilities' forecasts are based on normal weather patterns and long-term historical trends in customer energy use patterns. Tampa Electric's and PGS' ability to increase energy sales and earnings could be negatively impacted if energy prices increase in general and customers continue to use less energy in response to higher energy prices.

The number of new multi-family homes has increased relative to traditional detached single-family homes in 2006 and 2007. New multi-family residential construction tends to be smaller and more energy efficient than traditional detached residences; therefore, the per-residential customer usage is lower for these residences. The number of multi-family building permits issued in the Tampa area increased in 2007 compared to detached single-family residences, which indicates that this trend may continue. A higher percentage of multi-family residences may cause a further decline in per-residential customer usage.

***We rely on some transmission and distribution assets that we do not own or control to deliver wholesale electricity, as well as natural gas. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver electricity and natural gas may be hindered.***

We depend on transmission and distribution facilities owned and operated by other utilities and energy companies to deliver the electricity and natural gas we sell to the wholesale and retail markets, as well as the natural gas we purchase for use in our electric generation facilities. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual and service obligations may be hindered.

The FERC has issued regulations that require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems will not be available or that sufficient transmission capacity will not be available to transmit electric power as we desire. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities. Likewise, unexpected interruption in upstream natural gas supply or transmission could affect our ability to generate power or deliver natural gas to local distribution customers.

***We may be unable to take advantage of our existing tax credits and deferred tax benefits.***

We have generated significant tax credits and deferred tax assets that are being carried over to future periods to reduce future cash payments for income tax. Our ability to utilize the carry-over credits and deferred tax assets is dependent upon sufficient generation of future taxable income.

***Impairment testing of certain long-lived assets and goodwill could result in impairment charges.***

We test our long-lived assets and goodwill for impairment annually or more frequently if certain triggering events occur. Should the current carrying values of any of these assets not be recoverable, we would incur charges to write down the assets to fair market value.

***Problems with operations could cause us to incur substantial costs.***

Each of our subsidiaries is subject to various operational risks, including accidents, or equipment failures and operations below expected levels of performance or efficiency. As operators of power generation facilities, our subsidiaries could incur problems such as the breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes that would result in performance below assumed levels of output or efficiency. Our outlook assumes normal operations and normal maintenance periods for our operating companies' facilities.

***Our international projects are subject to risks that could result in losses or increased costs.***

Our projects in Guatemala involve numerous risks that are not present in domestic projects, including expropriation, political instability, currency exchange rate fluctuations, repatriation restrictions, and regulatory and legal uncertainties. TECO Guatemala attempts to manage these risks through a variety of risk mitigation measures, including specific contractual provisions, obtaining non-recourse financing and obtaining political risk insurance where appropriate.

Guatemala, similar to many countries, has been experiencing increasing fuel and corresponding electricity prices. As a result, TECO Guatemala's operations are exposed to increased risks as the country's government and regulatory authorities seek ways to reduce the cost of energy to its consumers.

***We are a party from time to time to legal proceedings that may result in a material adverse effect on our financial condition.***

From time to time, we are a party to, or otherwise involved in, lawsuits, claims, proceedings, investigations and other legal matters that have arisen in the ordinary course of conducting our business. While the outcome of these lawsuits, claims, proceedings, investigations and other legal matters which we are a party to, or otherwise involved in, cannot be predicted with certainty, any adverse outcome to lawsuits against us may result in a material adverse effect on our financial condition.

## Financing Risks

***We have substantial indebtedness, which could adversely affect our financial condition and financial flexibility.***

We have significant indebtedness, which has resulted in fixed charges we are obligated to pay. The level of our indebtedness and restrictive covenants contained in our debt obligations could limit our ability to obtain additional financing and could prevent the payment of dividends if those payments would cause a violation of the covenants.

We, TECO Finance and Tampa Electric Company must meet certain financial tests as defined in the applicable agreements to use our and its respective credit facilities. Also, we, TECO Finance, Tampa Electric Company and other operating companies, have certain restrictive covenants in specific agreements and debt instruments. The restrictive covenants of our subsidiaries could limit their ability to make distributions to us, which would further limit our liquidity.

As of Dec. 31, 2007, we were in compliance with required financial covenants, but we cannot assure you that we will be in compliance with these financial covenants in the future. Our failure to comply with any of these covenants or to meet our payment obligations could result in an event of default which, if not cured or waived, could result in the acceleration of other outstanding debt obligations. We may not have sufficient working capital or liquidity to satisfy our debt obligations in the event of an acceleration of all or a portion of our outstanding obligations.

We also incur obligations in connection with the operations of our subsidiaries and affiliates that do not appear on our balance sheet. These obligations take the form of guarantees, letters of credit and contractual commitments.

***Our financial condition and results could be adversely affected if our capital expenditures are greater than forecast.***

We are forecasting higher levels of capital expenditures, primarily at Tampa Electric, for compliance with our environmental consent decree, to support normal customer growth, to comply with the design changes mandated by the FPSC to harden transmission and distribution facilities against hurricane damage, to improve transmission and distribution system reliability, to improve coal-fired generating unit reliability, and to install peaking combustion turbines to meet peaking capacity needs. Tampa Electric plans to meet its

2013 baseload generating need with a combined cycle natural gas plant with an estimated capital cost of approximately $550 million, excluding AFUDC.

If we are unable to maintain capital expenditures at the forecasted levels, we may need to draw on credit facilities or access the capital markets on unfavorable terms. We cannot be sure that we will be able to obtain additional financing, in which case our financial position, earnings and credit ratings could be adversely affected.

***Our financial condition and ability to access capital may be materially adversely affected by ratings downgrades and we cannot be assured of any rating improvements in the future.***

Our senior unsecured debt is rated as investment grade by Moody's Investor's Services (Moody's) at Baa3 and Fitch ratings (Fitch) at BBB-, but below investment grade by Standard & Poor's (S&P) at BB+, with all stable outlook. The senior unsecured debt of Tampa Electric Company is rated by S&P at BBB- with a stable outlook, by Moody's at Baa2 with a positive outlook and by Fitch at BBB+ with a stable outlook. Any downgrades by the rating agencies may affect our ability to borrow, may change requirements for future collateral or margin postings, and may increase our financing costs, which may decrease our earnings. We also may experience greater interest expense than we may have otherwise if, in future periods, we replace maturing debt with new debt bearing higher interest rates due to any such downgrades. In addition, downgrades could adversely affect our relationships with customers and counterparties.

At current ratings, Tampa Electric and PGS are able to purchase electricity and gas without providing collateral. If the ratings of Tampa Electric Company decline to below investment grade, Tampa Electric and PGS could be required to post collateral to support their purchases of electricity and gas.

***Because we are a holding company, we are dependent on cash flow from our subsidiaries, which may not be available in the amounts and at the times we need it.***

We are a holding company and are dependent on cash flow from our subsidiaries to meet our cash requirements that are not satisfied from external funding sources. Some of our subsidiaries have indebtedness containing restrictive covenants which, if violated, would prevent them from making cash distributions to us. In particular, certain long-term debt at PGS prohibits payment of dividends to us if Tampa Electric Company's consolidated shareholders' equity is lower than $500 million. At Dec. 31, 2007, Tampa Electric Company's consolidated shareholders' equity was approximately $1.8 billion. Also, our wholly owned subsidiary, TECO Diversified, Inc., the holding company for TECO Coal, has a guarantee related to a coal supply agreement that could limit the payment of dividends by TECO Diversified to us.

***Various factors could affect our ability to sustain our dividend.***

Our ability to pay a dividend, or sustain it at current levels, could be affected by such factors as the level of our earnings and therefore our dividend payout ratio, and pressures on our liquidity, including unplanned debt repayments, unexpected capital spending and shortfalls in operating cash flow. These are in addition to any restrictions on dividends from our subsidiaries to us discussed above.

***We are vulnerable to interest rate changes and may not have access to capital at favorable rates, if at all.***

A portion of our debt bears interest at variable rates. Increases in interest rates, therefore, may require a greater portion of our cash flow to be used to pay interest. In addition, changes in interest rates and capital markets generally affect our cost of borrowing and access to these markets.