



## OUR RESPONSIBILITY TO CUSTOMERS

*For TECO Energy and its subsidiaries, sustaining the future means meeting customer needs for the long term, whether through electricity and gas or mining and transporting the fuel that helps create energy.*

At the core of TECO Energy's responsibility to its customers is reliability. Generation must be available to serve the energy needs of business and residential customers. Fuel must be available to use with minimum impact to the environment.

Communication – both ways – is also a key ingredient of responsibility to customers, especially when it helps us help customers.

We communicate about how customers can save money by being energy-efficient. We communicate about using electricity and natural gas safely, and about hurricane preparedness.

We continually strive for better customer service, with improved technology and highly trained people.

We routinely survey residential and commercial customers to determine how we are performing in our service areas.

### **RELIABILITY**

Service reliability means customers can count on TECO Energy. This is most keenly evident in the operations of Tampa Electric and Peoples Gas.

Within Tampa Electric, generation is planned 10 years in advance so that it will be available to serve the energy needs of business and residential customers. Power plants and transmission and distribution lines must be in place when energy demand increases. Fuel must be available to provide generation with minimum impact to the environment.

Tampa Electric serves its retail customers' energy needs through a portfolio of generation and wholesale purchases. With the completion of the H.L. Culbreath Bayside Power Station in 2004, Tampa Electric's fuel mix has been a balanced blend of coal and natural gas.

Within Peoples Gas, fuel supply sources are provided from multiple interconnections on various interstate pipelines. The distribution pipelines are underground, and service is virtually 100 percent reliable, even during hurricanes. The company constantly monitors the availability of natural gas and distribution integrity.

*Downtown Tampa, Florida,  
corporate headquarters for  
TECO Energy, Inc.*



### Fuel Impact on Customer Bills

All fuel comes with some degree of price volatility, and in recent years, natural gas and oil prices have been substantially more volatile than coal. Fuel prices in general have increased since 2003, and projected fuel prices for 2007 are expected to remain high due to the demand on natural resources. The global economy and increasing industrialization of countries like China have affected the global balance of fuel.

TECO Energy companies manage fuel price volatility through a blend of long- and short-term supply contracts and risk management activities. So a diverse generation portfolio, coupled with active and sound risk management strategies, enhances reliability and provides for relatively stable pricing.

Tampa Electric's actual fuel costs, without markup, are reflected throughout the year in fuel adjustment charges, which customers see on their electric bills following approval by the Florida Public Service Commission (FPSC).

The rate for the natural gas commodity is set by Peoples Gas and approved by the FPSC on a monthly basis, based on the actual cost of gas. Peoples Gas purchases natural gas and delivers it directly to residential customers. Like Tampa Electric, Peoples Gas passes the price paid for the natural gas commodity directly on to the customer with no markup. Peoples Gas' unbundling programs allow all non-residential customers to select their natural gas commodity supplier, while the company maintains delivery responsibility and does so in a safe and reliable manner.

### Coal Strategies

Tampa Electric's two coal-fired plants have varying operational and environmental restrictions. They require fuel with certain quality characteristics, such as sulfur content, Btu/lb, ash, fusion temperature and chlorine content. *(Additional information on the company's coal-fired power plants, voluntary emission reductions and use of scrubbers and clean coal technology is detailed in the Environmental section of this report.)*

More stable coal prices directly benefit customers by displacing more volatile higher cost fuels. Tampa Electric keeps a portfolio of appropriate coal suppliers and monitors the market to obtain favorable prices. This allows for stable supply sources, while providing the flexibility to take advantage of spot market opportunities.

Still, coal prices reflect the mining-related costs of petroleum products, steel, and lumber in production processes. Coal prices increase when prices for these commodities increase.

Advance contracts are necessary to ensure reliability. Tampa Electric has contracted for nearly two-thirds of its expected coal needs for both 2007 and 2008 delivery.

### Natural Gas Strategies

In acquiring natural gas, Tampa Electric's and Peoples Gas' strategies balance the need for reduced price volatility and reasonable cost with the inherent uncertainty of natural gas volumes. The company feels that natural gas should continue to be a part of Florida's energy mix, but strongly supports increased fuel

diversity for power generation because Florida is significantly more dependent on natural gas than the nation as a whole.

A challenge for the future: Natural gas has experienced a great increase in price over the last several years. Market drivers include increased demand from natural gas-fired generation, declining natural gas production in North America, delayed liquefied natural gas projects, concerns about the adequacy of natural gas in storage and concerns about production losses due to tropical storms.

Both Tampa Electric and Peoples Gas use a portfolio approach to acquiring natural gas commodity and pipeline transportation. The commodity contracts have various term lengths and are based on monthly and daily price indexes.



## TWO-WAY COMMUNICATION WITH CUSTOMERS

# Tampa Electric's Customer Favorability Scores

2001 – 96 percent

2002 – 96 percent

2003 – 95 percent

2004 – 96 percent

2005 – 96 percent

2006 – 95 percent

First Quarter 2007 – 98 percent

### Transportation of Natural Gas

Peoples Gas and Tampa Electric also have diversified natural gas transportation arrangements. Peoples Gas has long-term transportation agreements with Florida Gas Transmission, Southern Natural Gas and Gulfstream Natural Gas. Tampa Electric has long- and short-term agreements for its Bayside plant with Florida Gas Transmission and Gulfstream Natural Gas. Peoples Gas transportation agreements provide access to diverse supply resources from the Gulf Coast Onshore, Gulf of Mexico, Mid-continent and Eastern Interior supply basins.

Peoples Gas and Tampa Electric have also entered into contracts for over 40 percent of their expected natural gas needs for the winter of 2007 through 2008.

Other reliability-driven efforts have included Tampa Electric's storage capacity agreement with Bay Gas Storage near Mobile, Ala.

Various supply infrastructure projects are underway that should relieve concerns about the natural gas supply adequacy. These projects include (1) the eastern Gulf of Mexico and the Outer Continental Shelf, estimated to contain 300 trillion cubic feet of gas (a longer-term proposition); (2) two proposed pipeline expansions, the Southeast Supply Header and the Gulf South Pipeline, will bring over 1 billion cubic feet per day from the Fort Worth Basin and other sources into Florida by mid-2008; (3) the Cypress Pipeline will come on line in 2007, bringing significant quantities of natural gas into Florida from the Elba Island Terminal in Georgia; (4) at least four gas storage facilities are in various stages of development or expansion and will be able to satisfy shifts in demand; and (5) six new liquified natural gas (LNG)

terminals will be connected to pipelines by 2009, providing Florida with up to seven billion cubic feet per day of LNG.

For more than 40 years, Tampa Electric has maintained a reliable supply of coal for its customers through a transportation contract with TECO Transport. Because this business was originally formed to serve the utility, it is uniquely positioned to do so in a reliable and cost-effective way.

### Service Reliability

With the impacts of the 2004 and 2005 hurricane seasons, maintaining ongoing natural gas supplies became visible, frustrating and critical.

Nationally-recognized meteorologists are predicting a 15 to 20 year increase in hurricane and tropical storm activity. This is a significant challenge for all Florida utilities.

In 2005, excluding hurricanes, Tampa Electric's system averaged about one interruption per customer, the lowest among Florida's five investor-owned utilities. Though it has the lowest number of system interruptions, it has taken longer to restore power when interruptions do occur. The company's average time to restore service to customers has increased since 2001. Tampa Electric has addressed this with a 15 percent staffing increase in its Trouble Department in 2006 and with increased vegetation management and substation maintenance.

As a result of the 2004 and 2005 hurricane seasons, the FPSC initiated a proceeding to explore methods of designing and building transmission and distribution systems that would minimize long-term outages and restoration costs. Working with the FPSC,



*Customer service is one of TECO Energy's five core values.*

Tampa Electric has implemented a 10-point storm preparedness plan that addresses vegetation management, pole inspections, including inspections of pole attachments, collaboration with local governmental agencies and additional research. Tampa Electric has put together a comprehensive plan to meet the state's requirements on design standards for new and replacement transmission and distribution line construction to make structures stronger to withstand extreme wind loading standards.

Peoples Gas' distribution system is underground and provided virtually uninterrupted service to its 330,000 customers during the hurricanes of 2004 and 2005.

#### **Wood Pole Inspections**

Tampa Electric has a wood pole groundline inspection program to help protect the system in severe weather. The company has about 20,000 wooden transmission poles and 287,000 wooden distribution poles. About 12.5 percent of the system will be targeted for inspections annually. The company will also conduct quality control checks of both team member- and contractor-performed work.

Because of system hardening commitments and the continual need for and increasing cost of maintenance, certain wood poles will be replaced by steel and concrete structures.

#### **CUSTOMER COMMUNICATIONS**

Tampa Electric and Peoples Gas value two-way communication with customers.

Both have visible communications with customers through bill inserts, a Web site and advertising.

Through a third-party research firm, Tampa Electric conducts quarterly favorability surveys with its customers. In 2006, Tampa Electric's customer favorability rating was 95 percent. In 2006, Tampa Electric scored 705 points out of a possible 1,000 in the J.D. Power survey for customer service.

Tampa Electric communicates with residential, commercial and industrial customers periodically about bill information and other company information, including sources of generation. Although Tampa Electric has not had a base rate increase since 1992, overall rates change annually to adjust for fuel, purchased power and environmental and conservation costs that are permitted by the FPSC. Customers are always given at least a 30-day advanced notice of any price changes.

In addition, Tampa Electric conducts a new construction survey with an average of 25 to 50 customers each week. The company began the survey in July 2005, with 92 percent satisfaction with regard to job completion, quality and timeliness.

Tampa Electric tests customer satisfaction on its Zap Cap Systems® meter-based surge protection product each quarter. Of the new units sold in 2005, 96 percent of the respondents were either satisfied or very satisfied with the ordering process, and 87 percent reported their unit was installed by the scheduled date.

Tampa Electric also conducts focus panels before beginning construction of a project with possible immediate community impact. The company schedules and invites customers living in the area to discuss issues. Paid advertising is placed in local newspapers about the events.



Since 2004, 14 open houses have been held in the service area to discuss matters ranging from the selective catalytic reduction (SCR) equipment at the Big Bend Power Station to transmission lines and new substations. Tampa Electric also has a Web page ([tampaelectric.com/infrastructure](http://tampaelectric.com/infrastructure)) that lists and provides information about various infrastructure projects.

From 2002-2006, Peoples Gas tracked customer satisfaction with postage-paid postcards left behind by field service technicians. In each of the five years, customer postcards reported 99 percent favorability ratings. In 2006, Peoples Gas conducted two customer satisfaction surveys of 5,000 of its randomly chosen customers. These surveys reflected a 98 percent level of satisfaction with the work of Peoples Gas field service technicians, a 95 percent rating for its call center and an overall rating of 96 percent customer satisfaction.

Peoples Gas conducts a water heater program customer satisfaction survey, and a new customer satisfaction survey. The surveys include follow-up phone interviews.

Peoples Gas also surveys customers to assist in making decisions that will affect them. In 2005, the company surveyed 9,800 customers regarding its hours of operation.

#### Response Time to Customers

Tampa Electric has worked diligently to reduce its response time in its call center. In 2006, the average wait time for customers was one minute 39 seconds, compared to three minutes 51 seconds in 2004. The company significantly improved the number of lines available to customers to reduce busy signals. In 2004, almost 43 percent of callers received busy signals initially. In 2006, the percentage was a mere 0.47 percent.

#### Formal Communications

In addition to a quarterly survey and focus panels, Tampa Electric produces a monthly newsletter inserted with the electric bill to its customers. Message topics include basic customer services, such as surge protection technology, bill payment options and energy conservation/savings, as well as electrical safety information and hurricane preparedness. The newsletter is also available online for the 127,303 customers who use the company's e-Bill feature.

#### Tampa Electric Call Center Performance

MEASUREMENT	2004	2005	2006
Percentage of customers who received busy signals	42.65%	16.58%	0.47%
Average wait time (in minutes)	3.51	4.41	1.39
Percentage of calls answered in: 30 seconds or less *60 seconds or less	72%*	75%*	85%

Tampa Electric also posts customer service messages on the envelopes of customers who receive their bills by mail.

A quarterly electronic newsletter for large commercial and industrial customers and builders is also produced. Information focuses on ways these customers can use Tampa Electric's online service and payment options.



*Tampa Electric has a variety of programs to assist special needs customers.*

Tampa Electric places paid advertisements that (1) support its conservation programs, particularly during high-energy use weather in the summer and winter; (2) communicate fuel costs that will have impact on customers; and (3) respond to situations such as Hurricane Katrina, which indirectly affected Tampa Electric due to damage to energy production facilities in the Gulf of Mexico.

The company advertises in local publications twice each year to encourage customers to report malfunctioning street lights online or by calling its Customer Service Department.

During the summer months, the company advertises to encourage customers to purchase surge protection equipment to help protect appliances and electronics from harmful high-voltage surges caused by lightning.

Tampa Electric also has promotional agreements with a number of organizations it sponsors throughout the community and places advertisements in program guides and event bulletins highlighting the company's support for economic development.

Peoples Gas uses its bill insert newsletter throughout the year to communicate with customers on safety, energy conservation and the lifestyle benefits associated with the use of natural gas.

Peoples Gas uses statewide newspaper advertising to educate the public regarding the appropriate response to gas leaks and to remind citizens to call before they dig. Peoples Gas also participates in the statewide "Get Gas Florida" campaign – a cooperative effort among the state's natural gas utilities. The campaign uses radio, television, billboard and print advertising to promote energy conservation.

TECO Energy also has a media relations specialist who proactively provides information regarding company issues for both Tampa

Electric and Peoples Gas, and provides regular contact with reporters during weather emergencies or for outage information.

#### **Customer Service**

In 2006, Tampa Electric spent over \$350,000 to improve customer service. Enhancements included additional staff in the call center and new systems.


The High-Volume Call Answering system allows the company to handle as many as 30,000 calls at a single time through its interactive voice response system. This is particularly useful during a storm, and virtually eliminates "busy" signals. The system also enables the company to provide an estimated time of restoration during larger outages. This is something the company improved on significantly following lessons learned during the 2004 hurricane season.

The company has also expanded its outbound dialer system, which notifies customers of important information, such as when their power is expected to be restored after storms or to remind them of a late bill that needs to be paid.

Peoples Gas invested \$215,000 in special software to enhance customer service. Witness Quality Monitoring was added. It records customer calls and allows management to use these recordings to analyze team member behavior during the call, and then use the analysis as a coaching tool. The company also purchased Workforce Management Software, which allows customer service management to anticipate call volumes and do a more effective job in scheduling call center team members.

#### **Conservation Programs**

Both Tampa Electric and Peoples Gas offer energy conservation programs to their customers as a way to increase energy



efficiency, conserve resources and reduce and control the growth rate of energy consumption.

Tampa Electric's roster of conservation programs helps customers use energy wisely. For residential customers, programs include energy audits; a ceiling insulation program; duct repair services; heating and cooling rebates; load management; and an Energy Plus home program aimed at residential builders.

Commercial/Industrial programs include industrial energy audits; indoor lighting programs; commercial load management; standby generation; conservation value; commercial cooling; and cogeneration.

Customer participation in these programs, through the end of 2006 reflects 365,745 residential, commercial and industrial customers who have participated in on-site, online and mail-in energy audits; 160,775 residential customers who have received heating and cooling rebates; and 79,376 who have used ceiling insulation incentives. Additional participation levels for other programs are available in Tampa Electric's 2005 environmental report ([tecoenergy.com/enviroreport](http://tecoenergy.com/enviroreport)).

Tampa Electric also offers its customers participation in renewable energy programs. (*This is covered in the Environmental section of this publication.*)

Within the past five years, over 82,000 customers have participated in the Peoples Gas energy conservation programs, primarily through rebates. Peoples Gas programs offer incentives to customers to help reduce the cost of piping and venting and assist customers in paying less when purchasing new appliances. Residential customers also participate in the New Residential Construction program, and the Appliance Retention program, which offers incentives for natural gas water heating, home heating, cooking and clothes drying.

### Special Needs Customers

Tampa Electric offers a number of services to customers with special needs.

- **Medical Watch.** The Medical Watch program provides special notification procedures for customers dependent on electric service for health-related needs. Customers who notify Tampa Electric of a health-related need receive special notification when disconnection of electric service is required for nonpayment of an electric bill or planned service interruptions must occur for powerline equipment maintenance.

- **Neighborhood Radio Watch.** Specially-trained Tampa Electric team members are equipped with two-way radio vehicles to alert local law enforcement agencies of crimes, fires, accidents and other emergencies or potential neighborhood problems.

- **SHARE.** Tampa Electric customers may make a voluntary, tax-deductible contribution to help low-income seniors or the medically-disabled pay energy-related bills. The company sends the collected donations to the Salvation Army, which administers the program.

- **TTY for Hearing-Impaired.** Tampa Electric's Customer Care Department is equipped with a TTY device, which is special text telephone equipment for customers with hearing and/or speech disabilities.

- **Weather Care.** Low-income senior citizens who have homes in need of energy-related improvements may qualify for the company's Weather Care program. The program is available to senior citizens on fixed incomes who own their homes within Tampa Electric's service area and do not have the resources to weatherize their homes. The program is a joint service with the local not-for-profit agency The Centre for Women.

### **TECO Coal**

At TECO Coal, customer service centers around quality and feedback.

TECO Coal established a quality management system in 1996 and was registered under the ISO-9000 International Quality System Standard in 1998. The ultimate goal of the system is to help ensure that products meet or exceed customer requirements and to enhance customer satisfaction.

TECO Coal customers have various channels of communications available through sales representatives and select operations personnel. These team members can provide timely handling of customer inquiries, feedback and complaints, as well as quick exchange of product information.

Customer complaints, if any, are immediately addressed through a documented correction process. There were no complaints during 2006.

The company also uses key performance indicators (KPIs) for product and process performance. These KPIs are analyzed monthly to help improve products, processes, services and customer satisfaction.

An outside consultant conducts a formal customer survey annually with TECO Coal customers. Should any customer report a rating below normal the item is addressed by developing and implementing a customer

satisfaction action plan. This helps provide additional input as well as current perception about the value and performance of the company's products. Data collected from on-site visits is also included in an annual customer survey.

### **TECO Transport**

TECO Transport serves over 150 customers, mostly domestic grain supply houses and dry bulk commodity shippers requiring transportation and storage services.

During 2006, TECO Ocean Shipping achieved the maximum 30-day limitations for domestic transportation (a federal requirement) by maximizing the number of oceangoing vessels to improve traffic.

TECO Barge Line added 100 more barges in the past year to greatly enhance service levels and capabilities.

### **Privacy**

All TECO Energy companies take care, consistent with law and best practices, to safeguard the personal information of their customers and to make certain that such information is used only for legitimate business purposes for which it was collected. The company performs a regular review of its information practices, the security measures that are taken and the information security measures of its third-party contractors.