



## OUR BUSINESSES

*Energy is our business. It is the common thread that binds  
TECO Energy and its subsidiaries.*

Before the lights can come on in a subdivision or a restaurant can prepare a cooked meal or the sound system can resonate in a theater, there must be energy.

Creating that energy involves a highly complex process that starts with fuel, operates with generation, transformers and pipelines, and ultimately flows into the homes and businesses of customers.

Tampa Electric provides energy to residential and business customers in the Tampa Bay area; Peoples Gas serves customers throughout the State of Florida; TECO Coal produces, processes and sells high quality, predominately low-sulfur coal. TECO Transport delivers fuel that is ultimately converted into energy in both domestic and foreign markets; TECO Guatemala operates power plants that supply energy to the largest distribution utility in Central America.

Each TECO Energy subsidiary plays its part in the company's overall mission, and they are bonded by more than a common name.

They are united in meeting the challenges of growing customer bases.

They are committed to protecting the environments in which they operate.

They are allied with their customers through long-term commitments to meet crucial energy needs.

They are dedicated to the safety and success of their team members.

Above all else, they share values and ethics that are the bedrock of their operations, solid codes that support the vision and commitment that shape corporations in the 21st century.

*Tampa Electric's Polk Power Station,  
the cleanest coal-fired power plant in  
North America.*



## The Companies

### Tampa Electric

Tampa Electric, an investor-owned electric utility incorporated in 1899, is TECO Energy's principal subsidiary. The company serves approximately 650,000 residential, commercial and industrial customers within a 2,000 square-mile area that includes Hillsborough County and parts of Pasco, Pinellas and Polk counties in West Central Florida.

Tampa Electric has three major electric plants and five combustion turbine units that use a generation mix of coal (58 percent); gas (41 percent) and oil (1 percent).

The company has 2,411 employees.

Tampa Electric has franchise fee agreements with 13 municipalities, mostly 30-year agreements. Tampa Electric paid \$34,903,000 in franchise fees in 2006.



*Team members at work in the switchyard at Tampa Electric's H.L. Culbreath Bayside Power Station.*

## FINANCIAL INFORMATION

### Consolidated Net Sales 2006

- \$3.4 billion

### Consolidated Total Capitalization

- \$3.8 billion in debt (68 percent);  
\$71.5 million in junior subordinated  
debt (1 percent), and \$1.7 billion  
(31 percent) in equity.

### Retained Earnings

- Increased \$166 million in 2006.

### Revenues by Region

- More than 95 percent of total revenues  
are generated in the United States.

### Top Five Shareholders in 2006

- T. Rowe Price Associates,  
Mutual Fund, Baltimore, Md.
- Franklin Resources, Mutual Fund,  
Rancho Cordera, Calif.
- Vanguard Group Inc., Mutual Fund,  
Malvern, Pa.
- State Street Global Advisors (US),  
Mutual Fund, Fort Lauderdale, Fla.
- Barclays Global Investors, NA,  
Mutual Fund, San Francisco, Calif.

### Structural and Other Changes

- TECO Energy had no corporate structure  
changes, no significant openings or  
closing of facilities, and no significant  
share issuances in 2006.

### Total Consolidated Debt Decrease

- Net \$31 million in 2006, as Tampa Electric  
issued \$250 million of long-term debt offset  
by retirement of short-term debt, and  
the retirement of \$106 million of junior  
subordinated debt.

## Tampa Electric Generating Units

POWER PLANT	MEGAWATTS
BAYSIDE (gas)	1,841
BIG BEND (coal)	1,677
POLK 1 (coal)	260
POLK 2 - 5 (gas/oil)	688
PEAKING UNITS (oil)	138
OTHER	42
<b>SYSTEM TOTAL</b>	<b>4,646</b>

## Peoples Gas

Since 1895, Peoples Gas, which was acquired by TECO Energy in 1997, has provided Florida's citizens and businesses with reliable, economical natural gas service. It presently delivers natural gas to nearly 330,000 commercial, industrial and residential customers in the state. Headquartered in Tampa, Peoples Gas has offices in major metropolitan areas throughout Florida: St. Petersburg, Lakeland, Sarasota, Jacksonville, Ocala, Panama City, Miami, Fort Myers, Orlando and Daytona Beach.

The company is organized into three operating regions and a number of divisions, and has 619 employees.

The natural gas system is made up of approximately 10,326 miles of distribution main and 113 miles of transmission main served through 61 gate stations.

Peoples Gas holds franchise and other rights with approximately 100 municipalities throughout Florida, which give Peoples Gas rights to occupy municipal rights-of-way within the franchise area.

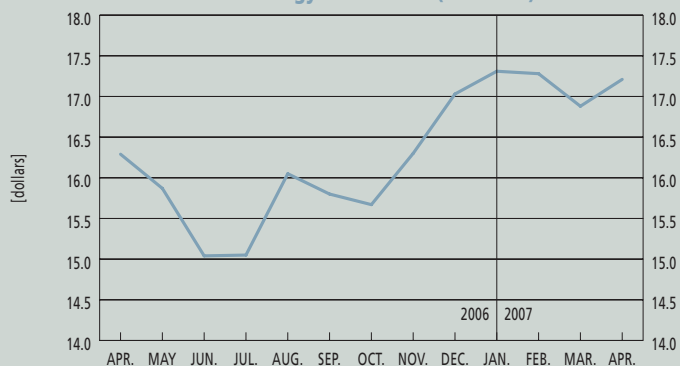
Peoples Gas franchises range from 3 to 30 years (the maximum allowed by law). Most are between 10 and 30 years.

Fees are a percentage of revenues derived from the sale of natural gas and are collected only from those customers within each franchise area. Peoples Gas' franchise fees totaled \$9.5 million in 2006.

*Peoples Gas team members prepare pipeline for natural gas installation.*



TECO Energy Stock Price (NYSE: TE)



Detailed financial information is available in the company's Annual Report on form 10-K for the period ended Dec. 31, 2006.

## The Companies continued



*TECO Ocean Shipping vessel, the M/V Sheila McDevitt.*

### TECO Coal

TECO Coal produces, processes and sells high quality, predominately low-sulfur bituminous coal to a variety of customers for steam, industrial and metallurgical uses. Its operations are conducted on both owned and leased properties totaling nearly 250,000 acres in Kentucky, Tennessee and Virginia.

Coal is produced by both surface and underground mining and is transported to customers by railroad cars, trucks, barges or vessels.

In 2006, the company sold 9.8 million tons of coal to 35 customers in the United States, Canada, Norway and the United Kingdom. TECO Coal's primary customers include the United States and European steel industry, as well as domestic utilities and industrial customers.

TECO Coal has four mining complexes located throughout Kentucky and Virginia, and 1,018 employees.

In 2006, TECO Coal acquired areas representing nearly 37 million tons of previously uncontrolled reserves, bringing the total recoverable reserves to 274 million tons.

### TECO Transport

TECO Transport operates TECO Ocean Shipping, Tampa, Fla., a U.S.-flag oceangoing fleet; TECO Barge Line, Metropolis, Ill., a river barge fleet on the U.S. inland waterways; and TECO Bulk Terminal, Davant, La., a dry-bulk commodity deep-water transfer and storage terminal. TECO Transport as a whole has 814 employees.

### TECO Coal



*Premier Elkhorn Coal Company, one of TECO Coal's operations.*





*San José Power Station.*

### TECO Guatemala



TECO Transport has built its business moving coal and other commodities via rivers, as well as through the Gulf of Mexico and the Caribbean and worldwide, for domestic and international markets. The company handles coal, petroleum coke, phosphate, grain and other dry-bulk commodities domestically and internationally.

#### **TECO Guatemala**

TECO Guatemala's operations include two power plants with long-term sales agreements in Guatemala: the 120-megawatt San José Power Station and the 78-megawatt Alborada Power Station. The San José facility is a pulverized coal-fired power plant located near the town of Masagua, Guatemala. The plant site is located about 46 miles south of Guatemala

City near the Pacific coast. The Alborada station is a simple-cycle facility located in Escuintla, Guatemala. TECO Guatemala has 123 team members, located at the two plants, the company's offices in Guatemala City, and TECO Energy's headquarters in Tampa.

The operations include TEMSA, an unloading facility for coal and liquid fuels in Puerto Quetzal at Guatemala's Pacific coast.

TECO Guatemala also includes a 24 percent ownership interest in the largest electric utility in Central America, Empresa Eléctrica de Guatemala, S.A. (EEGSA). EEGSA serves more than 800,000 customers, and demand is growing at a rate of approximately four percent annually. EEGSA serves the major metropolitan market area in Guatemala.



*President and Chief Operating Officer John Ramil, winner of the 2006 Tampa Bay Ethics Award, presented by The University of Tampa.*

## Compliance, Ethics and Core Values

TECO Energy and its subsidiaries adhere to the highest ethical behavior in all business activities, including legal, regulatory, financial, operational and environmental matters.

We have longstanding policies and practices designed to provide the framework for the ethical operation of the company.

The company's philosophy of business conduct has existed since 1899, when Tampa Electric first brought electric service to its customers.

This philosophy is reflected in the Corporate Compliance and Ethics Program initiated in 1987 and the company's purpose, vision and values, most recently updated in 2005.

TECO Energy maintains a comprehensive program based on sound, ethical business practices. It encourages a culture of compliance to prevent and detect violations of the law.

The purpose of this program is to:

- Promote an organizational culture that encourages ethical behavior and a commitment to the spirit of and actual compliance with the law;
- Clearly state and enhance TECO Energy's commitment to legal compliance, and provide the programs and mechanisms for managers and team members to take preventive action, seek appropriate advice and report violations;
- Enhance team members' opportunities to achieve total compliance as a result of program integration;
- Encourage honest and open communication among all levels of team members concerning matters affecting legal and regulatory obligations.

### Standards of Integrity

Our code of ethics for all team members, including the Board of Directors, is known as the *Standards of Integrity*. These standards form the centerpiece and framework under which we conduct our business.

The company's *Standards of Integrity* brochure contains the Code of Ethics and is the guiding document of TECO Energy's Corporate Compliance and Ethics Program. The program incorporates administrative policies; departmental and companywide procedures adopted for business reasons or in response to legal responsibilities; auditing and monitoring activities on a routine or scheduled basis; and ethics and subject matter training to educate team members in their responsibilities. The document is available at [tecoenergy.com/compliance/commitment](http://tecoenergy.com/compliance/commitment).

Our compliance plan is structured to address the legal and regulatory risks relevant to our businesses while incorporating our annual enterprisewide risk assessment, which also includes operational risks in our businesses.

A multidisciplinary Corporate Compliance Oversight Committee meets at least semi-annually to discuss compliance-related topics, as applied throughout TECO Energy. TECO Energy's Corporate Compliance Officer has the overall responsibility for administering the Corporate Compliance and Ethics program. The officer reports to the Audit Committee of the company's Board of Directors, and makes at least one report each quarter to that committee on the status of the program.

The Corporate Compliance Officer is available for assistance to team members at any time and receives periodic reports from the company's departments and subsidiaries on their compliance efforts.

Each year, the Corporate Compliance and Ethics Department sends a business conduct questionnaire to all management-level team members, and includes questions concerning awareness of possible conflicts of interest by team members or their co-workers.

TECO Energy holds its suppliers and contractors to these standards as well. An annual letter is sent to them reminding them of the company's policy concerning gifts and gratuities to team members.

### Training Programs

*Standards of Integrity* refresher training is conducted for all Board members and team members throughout the corporation and all operating companies at least every two years. The training is continually updated as appropriate. Each recipient provides written acknowledgment of the completion of the training. New team members receive the *Standards of Integrity* brochure and agree to abide by the standards when they are hired as a condition of employment.

A curriculum of training programs consistent with the *Standards of Integrity* philosophy has been implemented. Legal training programs are delivered on an ongoing basis. Compliance and ethics training has been included as part of the company's standard management training curriculum.

*Standards of Integrity* and other training have been supplemented by core values training and awareness programs.

Team members and teams are recognized for demonstrating behavior consistent with the core values in the company's monthly internal publication, *Insight*, and through a recognition program established in early 2007.