



TECO Energy, Inc.
Environmental Report | 2008



TECO Energy's Core Values

OUR PURPOSE

A commitment to inspiring trust, achieving excellence, providing environmental leadership and rising to any challenge we face, which will benefit our customers, team members and shareholders and the communities we serve.

OUR VISION

A company where people want to work, an organization that is an asset to the community, and a business in which investors want to invest.

OUR VALUES

Safety

- *We emphasize a safe work environment and a culture of looking out for the safety and well-being of each other, our customers and our community.*
- *We believe the safety of life outweighs all other considerations.*

Integrity

- *We hold ourselves to the highest ethical behavior in all of our business activities, including legal, regulatory, financial, operational and environmental matters.*
- *We honor our commitments.*

Respect for Others

- *We value differences, development, teamwork, open communications and continuous learning.*
- *We treat all stakeholders, including customers, team members, business partners and investors, fairly.*
- *We communicate openly and in a timely way with all stakeholders.*

Achievement with a Sense of Urgency

- *We work, as a team, with speed, sound judgment and diligence, toward common goals.*
- *We support the business strategy and accept ownership and personal responsibility for our actions.*

Customer Service

- *We realize customers are why our organization exists.*
- *We treat them fairly and provide high-quality services.*

About this report

This is the second report TECO Energy has issued on its environmental commitment, philosophy, and achievements. It expands and updates information covered in our first report, issued in 2006, and as updated in our corporate social responsibility report, issued in 2007. We have indicated material covered in this report as it relates to the guidelines of the Global Reporting Initiative, which were used in compiling the previous corporate social responsibility report.

Our 2008 report contains an overview of the significant steps we have taken to reduce the impact of our businesses as they relate to air, land and water. Specifically, we outline our efforts to minimize air emissions, to recycle byproducts, to offer energy efficiency programs to customers and to provide stewardship to protect the lands we occupy. This report also contains our environmental policy, which has at its core the concept that environmental, energy and economic policies blend together, with none effectively addressed in isolation.

TECO Energy's commitment to the environment began long ago, before a great deal of environmental regulation was put in place. It is a focus we continue to honor and is part of our overall corporate compliance plan.

Should you have questions or comments about this report, please e-mail us at sustainability@tecoenergy.com.



Introduction

TECO Energy is a diversified, energy-related holding company based in Tampa, Florida. Its principal businesses are **Tampa Electric**, an electric utility serving nearly 667,000 customers in West Central Florida; **Peoples Gas System**, Florida's largest natural gas distributor, serving 334,000 customers statewide; **TECO Coal**, a coal mining business operating in Kentucky and Virginia; and **TECO Guatemala**, owner of two Guatemalan power plants and an interest in that nation's largest distribution utility and related businesses.

TECO Energy's commitment to meeting or surpassing environmental requirements is central to the company's culture. Each of its operating companies has an environmental compliance plan tailored to its industry and location.

These plans are part of TECO Energy's overall corporate compliance plan and its *Standards of Integrity* program.

The company's senior management is responsible for ensuring adherence to all elements of the *Standards of Integrity* and its ongoing monitoring of environmental matters. With regard to environmental performance, senior management reports to the Audit Committee of TECO Energy's Board of Directors on a quarterly basis. The Audit Committee oversees the production of this environmental report.

Of TECO Energy's four core businesses, Tampa Electric has the most stationary sources with air emissions impacts and material Clean Water Act implications, and much of the content of this report deals with that business.

Tampa Electric has taken significant steps to dramatically reduce its air emissions through a series of voluntary actions, including technology selections, a responsible fuel mix that takes into account price and availability impacts to customers and a significant capital expenditure program to add emissions controls.

Tampa Electric publicly reports estimated emissions quantities in the U.S. Environmental Protection Agency's Toxics Release Inventory (TRI) database. Established by Congress in 1986, the TRI gives the public access to information about the types and quantities of chemicals released into the environment by government facilities and private companies.

Tampa Electric regularly reports emissions of sulfur dioxide (SO₂) and nitrogen oxides (NO_x) as part of the existing requirements of local, state and federal environmental agencies. It also measures emissions of carbon dioxide (CO₂) through the use of continuous emissions monitors, which are audited by the National Association of Securities Dealers as part of the company's membership in the Chicago Climate Exchange. Significant detail on the company's reduction of these emission categories is included throughout this report.

Through TRI, Tampa Electric also reports emissions data on the annual release and transfer of other chemicals produced when fossil fuels are burned to generate electricity, along with other chemicals used in its power plants.

Letter from Management

To our customers, our shareholders and our team members:



Above: Tampa Electric's **Big Bend Power Station**.



Sherrill W. Hudson
Chairman and Chief Executive Officer



John B. Ramil
President and Chief Operating Officer

This report, and the actions captured within it, are dedicated to you. Our businesses are working hard, every day, to balance your needs and perform responsibly for all stakeholders.

TECO Energy's environmental efforts have been significant, on target, and in keeping with a focus that has been in place for decades.

Environmental leadership

By the end of 2007, our principal subsidiary, Tampa Electric, had reduced its air emissions significantly from 1998 levels. We reduced sulfur dioxide (SO₂) by 93 percent; nitrogen oxide (NO_x) by 60 percent; particulate matter (PM) and mercury (Hg) by more than 70 percent each; and carbon dioxide (CO₂) by more than 20 percent.

By 2010, as a result of the installation of selective catalytic reduction equipment at our Big Bend Power Station, the company expects overall reduction of NO_x to be 90 percent. We have already surpassed the original 2010 SO₂ projection of an 89 percent reduction.

These reductions make Tampa Electric one of the cleanest utilities in the nation using coal and without nuclear generation. Emissions reductions are part of a 10-year,

\$1.2 billion environmental improvement program that we launched in 1999 through a consent decree with the U.S. Environmental Protection Agency and the Florida Department of Environmental Protection. This plan is now in its final stages.

Our actions to improve Tampa Electric's environmental profile included repowering the company's oldest coal-fired plant from coal to natural gas, which is now known as the H.L. Culbreath Bayside Power Station, and adding advanced emission reduction technology to a second coal-fired plant, a project that is nearly complete. Unfortunately, the majority of other plants in Florida and throughout the country do not have these state-of-the-art controls.

Our environmental progress is the direct result of strategies that include repowering and state-of-the-art emissions control technology; maintenance of a diverse fuel mix; and effective use of conservation programs and renewables. And, it also reflects practical, affordable actions that are mindful of the economic impact to customers.

We have always felt strongly about protecting the environment. We began our efforts long before we were told to do so.

Below, left: Tampa Electric's **Polk Power Station**, named the cleanest coal-fired plant in North America. Center: Pelicans relaxing along Florida's shoreline. Right: **Tampa Electric's Manatee Viewing Center** and its observation platform.



Besides the \$1.2 billion environmental improvement program previously mentioned:

- We were the first utility in the nation to commercialize integrated coal gasification combined-cycle (IGCC) technology. Our Polk Power Station is recognized as a world leader in clean coal technology.
- We were the first utility in Florida to launch conservation goals and to meet all required conservation goals. Since their inception in 1979, Tampa Electric's energy efficiency programs have offset the need to generate enough electricity to serve 550,000 average-sized homes over a 12-month period. Almost 400,000 customers have participated in the company's energy efficiency programs to date. Tampa Electric has been ranked in the top 10 utilities nationwide for its conservation programs. In 2008, the company received approval from the Florida Public Service Commission (FPSC) for 13 new conservation programs and improvements to nine longstanding programs.
- We were the first utility in Florida to set up an Avian Protection Plan for migratory birds. The program is

designed to prevent large birds of prey from electrocution and collisions with electric infrastructure. The project will be fully implemented in 2009.

- We are the only utility to establish an educational center where the public can view manatees in their natural habitat, at the Manatee Viewing Center located adjacent to our Big Bend Power Station. Since it opened in 1986, the center has attracted over two million visitors, who view manatees in the warm waters of the canal each winter from the center's walkway and observation platforms.

Balance is essential

Our environmental program has meant anticipating new regulations and working collaboratively and in the best interests of our stakeholders – our customers, our communities and our investors.

Environmental policy, strategy and action cannot be addressed in isolation. Environmental, energy and economic needs must blend together as we move into the future. We work to do this and encourage regulators and policy makers to balance these needs.

Letter from Management continued



We strive to provide our customers with power that is as reliable and affordable as possible. Environmental regulations can be costly, and as with any viable business, those costs are ultimately borne by our customers through the prices they pay. We work to have a voice in debate on public policy, representing our customers on issues that would have an impact on their finances and on the reliability of their electric service.

We are facing a time of unprecedented debate on environmental issues. Climate change is clearly a leading issue in the developed world and a top issue affecting the energy industry. We believe it will continue to be so in the future.

In some instances, we may reach an impasse. A good example of this was our decision last year to defer plans to construct a coal plant in Florida. The plant would have been a new \$2 billion unit constructed at our existing Polk Power Station in Polk County, Florida. The unit was to use the IGCC technology that is the cleanest and most environmentally responsible way to use coal, an abundant, afford-

able and American fuel. The unit was key to meeting our customers' needs for 2013, and had already been awarded \$133.5 million in federal tax credits.

This was a case where regulatory uncertainty and related potential cost increases had to be addressed. In 2007, the Florida Legislature passed a bill allowing advanced cost recovery for IGCC generation, which the governor signed into law. As we started the process, "carbon capture-ready" seemed to be the standard to meet with new coal-fired generation in our state. However, as we moved through the need determination process and the early stages of the environmental permitting process, it became apparent that we may be required to capture and sequester at least a portion of the carbon dioxide generated by the plant.

Carbon capture is well known and in commercial use in other areas of the country, but less is known about the sequestration of carbon. There are significant public policy issues that must be resolved, such as long-term liability, as well as potential cost increases of possibly hundreds of millions of dollars. Until all the rules and regulations are in



Left to right: Swallowtail **butterfly**, Natural gas-fired **Bayside Power Station**, Tidal Flats Walkway at **Tampa Electric's Manatee Viewing Center**, **Peoples Gas** natural gas-fueled vehicle and high voltage **transmission structures**.

place for carbon reduction from all sources, we felt we could not expose our shareholders and customers to these unknown risks.

Meeting growing demand

We will pursue other power supply options, such as natural gas and renewables for our next baseload unit, beginning as early as 2013, to meet our customers' needs.

For peaking capacity, we recently announced five new 60-megawatt peaking units, four of which will be fueled by natural gas and one by natural gas and fuel oil. This is a \$237 million project investment that will help us meet the growing needs of our customers while continuing to meet environmental responsibilities.

Longer term, we are exploring the idea of partnering with other companies to explore the use of nuclear power. Such a partnership would help with our fuel diversity, and would be a possible scenario in a carbon-constrained environment.

In moving ahead, we are reminded on a daily basis of the importance of a sound environment. The nuts and

bolts of environmental policy must be firmly secured in the ecosystem we all share, in the heritage we will leave for those who come after us, and in the knowledge that no one company can save a planet.

TECO Energy realized early what Marshall McLuhan said decades ago, "On Spaceship Earth, there are no passengers, only crew." We began our environmental efforts long before legislation ordered us to do so, and we continue them in concert with energy and economic policies and the best interests of our customers. We do it, despite the challenges, because it is the right thing to do.

This was the best reason 20 years ago. It still is.

Sincerely,

Sherrill W. Hudson
Chairman and CEO

John B. Ramil
President and COO

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The GRI is a reporting framework for corporate social responsibility reports. It is intended to assist in comparing information among companies. This report uses version three of the Sustainability Reporting Guidelines. More information on GRI is available at www.globalreporting.org.

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