

*TECO Energy has taken a leading role in activities that protect the environment, while ensuring reliable and affordable energy that is vital to the economic well-being of the communities we serve.*

*We take our responsibilities seriously, yet we are aware that one company's or one industry's efforts are not enough to totally protect the environment. Participation from stakeholders, including individual consumers, is needed. Simultaneously, we are aware that efforts to address environmental policy, including resulting requirements, can significantly raise costs for our customers.*

*We believe our customers are willing to support reasonable additional costs that produce environmental benefits, but these benefits must be achieved in a responsible way that addresses the economic impact to homes and businesses. Environmental policy, energy policy and economic policy cannot be separated, as a change in one has an impact on the other two.*

*As part of our environmental responsibility, TECO Energy concentrates its efforts in four main areas: conventional air emissions, energy efficiency, renewable energy and climate change/greenhouse gas initiatives. As the owners of a coal business, we also are focused on reclamation of mined lands.*

## Our Environmental Policy



*Air - Land - Water*

### Conventional Air Emissions

We believe current technology should be used to control all emissions from fossil fuels, including conventional emissions from long-recognized controlled pollutants like sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), mercury (Hg) and particulate matter (PM). It is our belief that these pollutants should be fully controlled on existing conventional pulverized coal- and oil-fired steam plants. TECO Energy's principal subsidiary, Tampa Electric, has proven that it is possible to balance the need to be environmentally responsible with the need to provide its customers with affordable electricity.

The company has taken significant steps to dramatically reduce these emissions. Those actions began over two decades ago, without edict or mandate from outside our company. Building on those initial efforts, the company in 1999 committed to a sweeping \$1.2 billion environmental improvement plan, which included the repowering of one coal-fired station, the optimization of flue gas desulfurization or "scrubber" technology and the installation of selective catalytic reduction (SCR) technology on a second coal-fired station. Together, by 2010, these initiatives will reduce systemwide emissions by more than 90 percent (SO<sub>2</sub>), 90 percent (NO<sub>x</sub>) and 74 percent (PM) compared to 1998 levels. We remain supportive of national and state efforts to bring others that have not taken early actions into compliance as quickly as possible.

### Conservation and Energy Efficiency

We believe that conservation and energy efficiency are key resources to meet our customers' future energy needs while controlling costs and the environmental impact of our

energy supply. Conservation and energy efficiency programs also help us to reduce, offset or avoid greenhouse gas emissions and reach other federal and state environmental goals.

Tampa Electric began its conservation initiatives in the late 1970s prior to any federal or state energy conservation requirements. Since their inception, Tampa Electric's conservation programs have offset the need to generate enough electricity to serve 550,000 average size homes over a 12-month period. Through 2007, Tampa Electric has spent more than \$400 million establishing and promoting energy-saving programs.

Peoples Gas began its conservation initiatives in 1981. Over \$150 million has been spent providing rebates for more than 700,000 energy-saving appliances to more than 200,000 customers.

By using natural gas at home in 2007, Peoples Gas residential customers helped to avoid 300 MW of electricity and 119 million pounds of carbon dioxide emissions.

The costs of both utilities' conservation activities have been recovered from customers through a clause approved by the Florida Public Service Commission (FPSC).

Wider participation in conservation programs is a goal that has long been a priority for Tampa Electric and Peoples Gas. The companies continue to look for opportunities to develop energy-efficient programs, to provide customers with more options for managing their energy use and to support conservation policies, ranging from energy-efficient appliances to efficient building codes.

## Renewable Energy

Tampa Electric believes renewables should be considered as part of a diverse energy supply portfolio in meeting our environmental objectives, and we are pursuing options that will enable us to continue to provide reliable and affordable energy to customers. We support the expanded use of renewable energy in our state. Tampa Electric's renewable energy program offers to provide renewable energy as an option to customers and utilizes real energy generated in the state from renewable sources (e.g., biomass and solar).

In 1999, Tampa Electric installed an 18,000-watt solar panel at the Museum of Science and Industry in Tampa. Additional solar installations in Tampa have included a 4,000-watt solar panel at Walker Middle School, a 7,000-watt solar panel at Tampa Electric's Manatee Viewing Center and a 10,500-watt panel at Middleton High School in support of the school's curriculum and emergency supplemental power. These four installations combine for a total of almost 40,000 watts of solar energy. In addition, biomass, which is organic plant material from yard clippings and other vegetation, has been used to produce electricity. Tampa Electric has tested Bahia grass as a fuel to generate electricity at Polk Power Station. More than 60 tons of Bahia grass, grown on the 4,300-acre plant site, were ground and mixed with the pulverized coal slurry used in the plant's gasifier.

Peoples Gas, through its membership in the Florida Natural Gas Association, is participating in research into the feasibility of installing combination solar and natural gas water heating systems in multifamily residences. Conceptually, the installation would consist of solar water heating equipment with tankless gas water heaters to back up the solar hot water heater on days when the demand for hot water cannot be met by the solar heating system.

Prior studies have shown that relative to other parts of the country, Florida does not have significant resources for the production of renewable energy. Support for tax incentives for renewable energy development mindful of regional disparities will facilitate the development of new sources. Mandates for renewable portfolios at high percentages create concerns that credits will have to be purchased to meet the mandates, rates for customers will grow rapidly and such mandates will not likely result in significant quantities of renewables being developed in the state. There are several key principles that we believe should be used when proposing mandates on renewable power.

***Renewable Portfolio Standards (RPS) are best set by individual states, which understand their jurisdiction's unique characteristics and siting capabilities.***

We are concerned that a federal one-size-fits-all approach might fail to recognize that what works in other states may not work in Florida. We support the concept of an RPS for Florida, established by the Florida Public Service Commission

after the economic impacts to the state and to customers are analyzed and understood.

***Begin with an evaluation of available resources at the state level and determination of the appropriate amount of renewable generation that can be developed in Florida.*** Florida should evaluate and determine the amounts of renewable energy generation that can reasonably and economically be developed before setting renewable energy requirements. The renewable requirements should be phased in over a reasonable period of time and all electric providers should be required to participate.

***Ensure that the RPS goal is flexible and allow electric providers to use a broad collection of cost-effective, in-state resources to meet the renewable requirement.*** We support an RPS that is flexible, market driven and ensures that a wide range of sources of energy qualify.

***An RPS goal should allow electric providers to use renewable energy credits (RECs) to meet the renewable requirement, with mechanisms to promote favored renewable resources and practices.*** We support a state RPS that includes tradable RECs, but they must be produced within the state or attached to energy physically delivered to the state. Excess credits should be able to be carried forward (banked).

***Ensure appropriate administrative structure for compliance and full cost recovery of compliance costs.*** Electric providers should be ensured timely recovery of all costs incurred to secure renewable energy, plus a return on renewable supply acquisitions. We support the inclusion of consumer protections to avoid undue impacts associated with potential overheated market pricing and/or scarcity of renewable energy.

## Greenhouse Gas Policy

Tampa Electric believes the United States must promptly and actively pursue greenhouse gas reductions through strategies that recognize the interrelated nature of environmental, economic and energy policy. Effective global climate change policy can only be achieved if each of these priorities is properly balanced.

Tampa Electric is a national leader among coal-fired utilities in reducing greenhouse gas emissions. In 1999, the company became the first utility in the nation to develop a plan with the U.S. Environmental Protection Agency to address its coal-fired utility initiative. As part of this commitment, by the end of 2007, CO<sub>2</sub> emissions were reduced by more than 20 percent from 1998 levels. This represents one of the most significant reductions in CO<sub>2</sub> among coal-fired utilities and sets our company apart from many others. With this transition, about half of Tampa Electric's fuel mix consists of natural gas – a low carbon emitting resource relative to other fossil fuels.

## Our Environmental Policy continued

Tampa Electric's voluntary activities to reduce carbon emissions also include membership in the U.S. Department of Energy's Climate Challenge (now Power Partners) program since 1994, voluntary annual reporting to the Energy Information Administration of GHG emissions through the EIA-1605(b) Report since 1995 and participation in the Chicago Climate Exchange, a voluntary but legally-binding cap-and-trade program dedicated to reducing greenhouse gas emissions since 2003. Because of our membership in the Chicago Climate Exchange, our reported CO<sub>2</sub> emissions are audited annually by the Financial Industry Regulatory Authority, which has certified the results thus far. In January 2008, Tampa Electric was recognized by the Chicago Climate Exchange for successful completion of its Phase I greenhouse gas reduction commitment of 4 percent below the average of the years 1998-2001. In a letter to the company, Chicago Climate Exchange Chairman and CEO Richard Sandor said, "*Upon enrolling in Chicago Climate Exchange, Tampa Electric took bold and practical action to help build an international carbon reduction market at a time when leadership in this area was rare.*" Sandor commended the company's leadership in promoting best practices in greenhouse gas emissions management and corporate sustainability.

From 2005 to 2006, nationwide CO<sub>2</sub> emissions from electricity production decreased for the first time since 2000 to 2001. The U.S. electric power industry was able to decrease CO<sub>2</sub> emissions by 65,300,000 metric tons or 2.8 percent.

We believe voluntary programs have been an effective first step toward addressing greenhouse gas emissions. In 2005 alone, the U.S. electric power industry reduced, avoided or sequestered the equivalent of 186 metric tons of CO<sub>2</sub> – 65 percent of all such tons reported to the federal government that year.

We support the use of coal, as a plentiful, cost-efficient, and reliable source of energy. With state-of-the-art environmental controls in place and the reliable operation of coal gasification for the production of electricity for more than 10 years, Tampa Electric views coal as an environmentally sound electric generation source that is a low-cost fuel choice for our customers. In addition, clean coal technology, such as the coal gasification process at Polk Power Station, provides

the opportunity to use lower emission technology in a reliable, economic and environmentally intelligent way.

Our early leadership positions us well as federal and state leaders work toward enacting legislation to reduce greenhouse gases. We believe there are several key elements that should be the foundation of any legislative plan addressing greenhouse gases.

***Apply greenhouse gas policy economywide to all industries.*** A national approach eliminates the patchwork quilt approach to regulation. A comprehensive and seamless approach reflects the fact that several sectors contribute to man-made greenhouse gas emissions. An economywide effort ensures a comprehensive solution to the problem.

***Focus on, encourage and incentivize developing technologies.*** Research and development efforts should be aimed at technologies that are able to eliminate, reduce or control greenhouse gas emissions, including related generation technologies and concepts, such as carbon capture and sequestration for advanced clean coal projects. It has been proven that IGCC provides the best opportunity for carbon capture, and the technology for this is in use in other industries. To address what to do with the carbon once it has been captured – sequester or store it – Tampa Electric has already begun the process of determining the feasibility at Polk Power Station. We recognize there are public policy issues with the sequestration of carbon, including liability and leakage that must be answered, but we believe these can be addressed through the collaborative inter-agency study and policy initiatives. Continued financial support for this technology – including new regulatory mechanisms, demonstration projects and tax credits – is needed to address the capital costs associated with these projects. Furthering the science of carbon capture and sequestration would better enable the nation to use an abundant, domestically produced and affordable fuel.

***Support an input-based cap-and-trade program that minimizes economic disruptions and rewards those who actually reduce emissions, as opposed to rewarding non-emitters.*** The top priority in any cap-and-trade program should be to ensure the program recognizes actual reductions among those who emit greenhouse gases. A fuel



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specific, input-based allocation system for existing sources provides for a more equal distribution of allowances and is based on a standard that reflects true emissions reductions and improvements in air quality.

Imposing an output-based allocation system on existing sources would provide a windfall of allowances for non-emitters without adequately addressing compliance.

***Give credit for early action for steps taken by companies prior to any mandated CO<sub>2</sub> reduction program.***

Companies should be recognized for taking action prior to any mandates. Knowing they will receive credit for their efforts is an incentive to start sooner, rather than later. Tampa Electric long ago established itself as a leader in making sweeping changes voluntarily to comply with, rather than fight, ever-increasing environmental regulations. These and similar efforts should be recognized by providing credit for actions taken prior to the implementation of a mandatory greenhouse gas reduction program. Our voluntary participation in the Energy Information Administration of GHG emissions through the EIA-1605(b) process and the Chicago Climate Exchange both provide a verifiable means of quantifying early greenhouse gas reductions.

***Support a realistic timeframe for addressing climate change with a policy that balances the environment, economics and energy and encourages fuel diversity and advanced clean coal technology, including IGCC, and avoids fuel switching.***

Coal, natural gas, renewables and nuclear power all have a role in addressing greenhouse gas reductions. Regional resources, technological advances and the timeframe needed to build new capacity affect the implementation of each of these new technologies. Tampa Electric's fuel diversity includes coal, natural gas, oil and renewables. We support coal as a plentiful, cost-effective and domestic fuel that can be environmentally friendly when burned using advanced clean coal technology, especially IGCC, to generate power.

***Ensure that any greenhouse gas initiative that is implemented does not unduly disadvantage the United States economically.*** Since the publication of TECO Energy's 2006 Corporate Social Responsibility Report, there has been

increasing discussion of the need for cost containment mechanisms, including provisions for the use of safety valves, banking and borrowing, to be included in the design of greenhouse gas legislation. Because climate policy affects the entire economy, we believe it should include a long-term price signal for carbon that keeps energy prices affordable and does not harm economic competitiveness. Such economic certainty is also needed to promote major investment in new technology.

In addition, there has been significant discussion of the appropriate mechanisms to allow inclusion of project-based offsets – both domestic and international – associated with greenhouse gas emission reduction projects for use in compliance. TECO Energy believes that these concepts should be included in developing policies to provide regulated entities the maximum flexibility in finding cost-effective solutions – on or off their system.

Climate change is a truly global issue, and comprehensive strategies must include meaningful commitments from other developed and developing nations. Without such commitments, the significant efforts to reduce greenhouse gases domestically will be rendered null and void if other countries, such as China and India, do not pursue meaningful greenhouse gas reductions simultaneously. Tampa Electric has participated in the Asia-Pacific Partnership to facilitate education and training on clean coal technology and other initiatives to assist developing nations addressing emission concerns.

These and additional elements of sound policy are embodied in the Edison Electric Institute's Global Climate Change Principles, which Tampa Electric supports.

The principles are available at:

[www.eei.org/industry\\_issues/environment/climate/070208\\_climate\\_principles.pdf](http://www.eei.org/industry_issues/environment/climate/070208_climate_principles.pdf).

As we face a future that favors low emission facilities, Tampa Electric is accomplishing what others are just now considering. Congress and the State of Florida are actively developing comprehensive climate change proposals. TECO Energy believes effective strategies can be achieved that encompass sound environmental, economic and energy policy.