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March 30, 2007

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Ms. Blanca S. Bayo, Director
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Application of Tampa Electric Company for authority to issue and sell securities pursuant to Section 366.04, F.S. and Chapter 25-8, F.A.C. during the twelve months ending December 31, 2006; Docket No. 050609-EI

Dear Ms. Bayo:

Pursuant to Rule 25-8.009, Florida Administrative Code, and this Commission's Order No. PSC-05-1102-FOF-EI issued November 3, 2005, we enclose an original and one copy of Tampa Electric Company's Consummation Report regarding the issuance and sale of securities during the fiscal year ended December 31, 2006.

Also enclosed is a CD containing the above Consummation Report using Word 2003 as the word processing software, and Windows XP as the operating system.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

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Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Tampa Electric Company)	
For Authority to Issue and Sell Securities Pursuant)	
To Section 366.04, F.S., and Chapter 25-8, F.A.C.)	DOCKET NO. 050609-EI
During the Twelve Months Ending)	FILED: March 30, 2007
December 31, 2006)	
)	

CONSUMMATION REPORT

The applicant, Tampa Electric Company (the "Company"), pursuant to Commission Order No. PSC-05-1102-FOF-EI dated November 3, 2005, submits the following information with respect to the issuance and/or sale of securities during the twelve months ending December 31, 2006.

Facts of Issues

On January 19, 2006, the Hillsborough County Industrial Development Authority ("HCIDA") issued $85,950,000 of Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project) due 2034, Series 2006 ("2006 HCIDA Bonds"). The 2006 HCIDA Bonds were issued for the purpose of refinancing the HCIDA's Pollution Control Revenue Bonds (Tampa Electric Company Project), Series 1994, outstanding in the principal amount of $85,950,000.

On May 12, 2006, the Company issued $250,000,000 of 6.55% Notes due 2036 ("2036 Notes") under a shelf registration statement for the purpose of repaying short-term debt and for general corporate purposes.

The Company regularly borrows under its two revolving credit facilities, both of which permit the Company to draw down, repay, and re-borrow funds. Given the frequency of these borrowings and repayments, it is not practicable to give the details of each action. However, the Company's borrowing activity in 2006 can be summarized as follows:

	($Millions)
Minimum Outstanding	$0.0
Maximum Outstanding	$245.0
Average Outstanding	$71.6
Weighted Average Interest Cost	4.88%

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Terms and Conditions

The 2006 HCIDA Bonds bear a floating interest rate commencing January 19, 2006, set by an auction that is conducted every seven days. Interest on the 2006 HCIDA Bonds is payable weekly commencing January 25, 2006. The auction and interest payment periods can be modified at the option of the Company, with such periods not to exceed five years, in accordance with the Loan and Trust Agreement.

The 2036 Notes bear interest at 6.55% per annum. Interest on the 2036 Notes is payable each May 15 and November 15, commencing May 15, 2006.

Net Proceeds

2006 HCIDA Bonds:	Bond Issue	$85,950,000
	Bond Repayment	(85,950,000)
	Net Proceeds	-
2036 Notes:	Bond Issue	$250,000,000
	Original Issue Discount	(1,562,500)
	Underwriting Fee	(2,187,500)
	Net Proceeds	$246,250,000

Statement of Capitalization

Statements of capitalization, pretax interest coverage, debt interest requirements and preferred stock dividend requirements of the Company for the year ending December 31, 2006 are as follows:

Capital Structure	($Millions)
Short-term Debt	$ 48.0
Long-term Debt	1,757.5
Preferred Stock	-
Common Equity	1,713.5
Total Capitalization	$ 3,519.0
Pretax Interest Coverage	
Including AFUDC	3.14 times
Excluding AFUDC	3.11 times
Debt Interest Requirements	$ 123.7
Preferred Stock Dividends	-

Expenses of the Issues

2006 HCIDA Bonds

The 2006 HCIDA Bonds were offered to the public at an initial offering price of 100 percent of their face amount and were underwritten as indicated below:

	Amount Underwritten	Underwriting Fee
JP Morgan	$28,650,000	$111,825
Merrill Lynch	28,650,000	111,825
Morgan Stanley	28,650,000	111,825
Total	$85,950,000	$335,475

Actual expenses incurred to date for this issuance are as follows:

Underwriting fee	$335,475
Legal fees and expenses of Company counsel	132,407
Legal fees and expenses of Underwriters' counsel	135,512
Legal fees and expenses of the Authority's counsel	7,500
Authority Fees	57,515
Legal fees and expenses of Trustee's counsel	7,554
Rating agency fees	79,500
Printing	9,679
Trustee fees	17,846
Fees and expenses of accountants	32,000
Bond Insurance	1,973,907
Total	$2,788,895

2036 Notes

The 2036 Notes were offered to the public at an initial offering price of 98.5 percent of their face amount and were underwritten as indicated below:

	Amount Underwritten	Underwriting Fee
Citigroup	$58,333,000	$510,414
JP Morgan	58,334,000	510,414
Morgan Stanley	58,333,000	510,414
BNP Paribas	15,000,000	131,250
BNY Capital	15,000,000	131,250
HSBC Securities	15,000,000	131,250
SocGen	15,000,000	131,250
Webush Morgan	15,000,000	131,250
Total	$250,000,000	$2,187,500

Actual expenses incurred to date for this issuance are as follows:

Underwriting fee	$2,187,500
Interest rate hedge	1,667,350
Legal fees and expenses of Company counsel	78,057
Legal fees and expenses of Underwriters' counsel	4,246
Legal fees and expenses of Trustee's counsel	3,700
Rating agency fees	133,250
Printing	21,966
Trustee fees	2,500
Fees and expenses of accountants	45,000
Total:	$4,143,569

Respectfully submitted this 30th day of March 2007

TAMPA ELECTRIC COMPANY

By: Deirdre A. Brown

Deirdre A. Brown
Vice President, Customer Service and Regulatory Affairs

Consummation Report Exhibits

Annual Report on Form 10-K filed with the SEC on February 28, 2007 ..... **8**

2006 HCIDA Documents **202**

Loan and Trust Agreement, dated as of January 5, 2006 203
among the Authority, the Company and the Trustee

Auction Agreement, dated as of January 5, 2006 among 320
the Company, the Trustee and the Auction Agent

Broker-Dealer Agreement, dated as of January 5, 2006 341
among the Auction Agent, J.P. Morgan and the Company

Broker-Dealer Agreement, dated as of January 5, 2006 371
among the Auction Agent, Merrill Lynch & Co. and the Company

Broker-Dealer Agreement, dated as of January 5, 2006 399
among the Auction Agent, Morgan Keegan & Co., Inc. and the Company

Official Statement, dated January 10, 2006 429

Bond Purchase Agreement, dated January 18, 2006 495
between the Underwriters and the Authority

Opinion of Counsel to the Authority 512

Opinion of Counsel to the Company 515

Opinion of Underwriters' Counsel 519

Opinion of Counsel to the Bond Insurer 522

Opinion of Bond Counsel regarding certain securities matters 524

Opinion of Bond Counsel 527

2036 Notes Documents **531**

Indenture dated as of July 1, 1998 by and between 532
the Company and the Trustee

Fifth Supplemental Indenture dated as of May 1, 2006 599
between the Company and the Trustee

Underwriting Agreement dated as of May 9, 2006 619
by and among the Company and the Underwriters

Preliminary Prospectus Supplement dated May _, 2006 657
filed with the Commission pursuant to Rule 424(b)(5) on May 9, 2006

Free Writing Prospectus filing term sheet dated 694

May 9, 2006 filed with the Commission pursuant to Rule 433 on May 9, 2006
Final Prospectus Supplement dated May 9, 2006 695
filed with the Commission pursuant to Rule 424(b)(5) on May 10, 2006
Current Report on Form 8-K filed with the 735
Commission on May 10, 2006 filing the Underwriting Agreement
Edwards Angell Palmer & Dodge LLP Opinion to Exhibit 5.1 740
Opinion dated as of May 12, 2006 of Company 742
counsel to Trustee, pursuant to Sections 102, 303 and 903 of the Indenture
Opinion dated as of May 12, 2006 of Company 745
counsel to Underwriters pursuant to section 6(b) of the Underwriting Agreement
Opinion dated as of May 12, 2006 of Sheila McDevitt 750
to Underwriters pursuant to section 6(b) of the Underwriting Agreement
Opinion dated as of May 12, 2006 of Underwriters' 754
counsel to Underwriters pursuant to section 6(c) of the Underwriting Agreement

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

X Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2006

OR

___ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File No.	Exact name of each Registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone number	I.R.S. Employer Identification Number
1-8180	**TECO ENERGY, INC.** (a Florida corporation) TECO Plaza 702 N. Franklin Street Tampa, Florida 33602 (813) 228-1111	**59-2052286**
1-5007	**TAMPA ELECTRIC COMPANY** (a Florida corporation) TECO Plaza 702 N. Franklin Street Tampa, Florida 33602 (813) 228-1111	**59-0475140**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
TECO Energy, Inc.	
Common Stock, $1.00 par value	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if TECO Energy, Inc. is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES [X] NO [ ]

Indicate by check mark if Tampa Electric Company is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES [ ] NO [X]

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

YES [ ] NO [X]

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.
YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether TECO Energy, Inc. is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer [X] Accelerated filer [ ] Non-Accelerated filer [ ]

Indicate by check mark whether Tampa Electric Company is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer [ ] Accelerated filer [ ] Non-Accelerated filer [X]

Indicate by check mark whether TECO Energy, Inc. is a shell company (as defined in Rule 12b-2 of the Act).

YES [ ] NO [X]

Indicate by check mark whether Tampa Electric Company is a shell company (as defined in Rule 12b-2 of the Act).

YES [ ] NO [X]

The aggregate market value of TECO Energy, Inc.'s common stock held by nonaffiliates of the registrant as of June 30, 2006 was $3,120,642,295 based on the closing sale price as reported on the New York Stock Exchange.

The aggregate market value of Tampa Electric Company's common stock held by nonaffiliates of the registrant as of June 30, 2006 was zero.

The number of shares of TECO Energy, Inc.'s common stock outstanding as of Feb. 23, 2007 was 209,588,944. As of Feb. 23, 2007, there were 10 shares of Tampa Electric Company's common stock issued and outstanding, all of which were held, beneficially and of record, by TECO Energy, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement relating to the 2007 Annual Meeting of Shareholders of TECO Energy, Inc. are incorporated by reference into Part III.

Tampa Electric Company meets the conditions set forth in General Instruction (I) (1) (a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format.

This combined Form 10-K represents separate filings by TECO Energy, Inc. and Tampa Electric Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Tampa Electric Company makes no representations as to the information relating to TECO Energy, Inc.'s other operations.

PART I

Item 1. BUSINESS.

TECO ENERGY

TECO Energy, Inc. (TECO Energy) was incorporated in Florida in 1981 as part of a restructuring in which it became the parent corporation of Tampa Electric Company. TECO Energy and its subsidiaries had 5,200 employees as of Dec. 31, 2006.

TECO Energy's Corporate Governance Guidelines, the charter of each committee of the Board of Directors, and the code of ethics applicable to all directors, officers and employees, *the Standards of Integrity*, are available in the Investors section of TECO Energy's website, www.tecoenergy.com, or in print free of charge to any investor who requests the information. TECO Energy also makes its Securities and Exchange Commission (SEC) (www.sec.gov) filings available free of charge on the Investors section of TECO Energy's website as soon as reasonably practicable after they are filed with or furnished to the SEC.

TECO Energy is a holding company for regulated utilities and other unregulated businesses. TECO Energy currently owns no operating assets but holds all of the common stock of Tampa Electric Company and through its subsidiary TECO Diversified, Inc., the other subsidiaries listed below. Unless otherwise indicated by the context, "TECO Energy" means the holding company, TECO Energy, Inc., and its subsidiaries, and references to individual subsidiaries of TECO Energy, Inc. refer to that company and its respective subsidiaries. TECO Energy's significant business segments, and revenues for those segments for the years indicated, are identified below.

Tampa Electric Company, a Florida corporation and TECO Energy's largest subsidiary, has two business segments. Its **Tampa Electric** division (**Tampa Electric**) provides retail electric service to more than 661,000 customers in West Central Florida with a net winter system generating capability of 4,383 megawatts (MW). **Peoples Gas System (PGS)**, the other division of Tampa Electric Company, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. With more than 332,000 customers, PGS has operations in Florida's major metropolitan areas. Annual natural gas throughput (the amount of gas delivered to its customers, including transportation-only service) in 2006 was 1.3 billion therms.

TECO Coal Corporation (TECO Coal), a Kentucky corporation, has 13 subsidiaries, located in Eastern Kentucky, Tennessee and Virginia. These entities own interests in coal processing and loading facilities, synthetic fuel production facilities and mineral rights, and own or operate surface and underground mines.

TECO Transport Corporation (TECO Transport), a Florida corporation, owns no operating assets but owns all of the common stock of, or membership interests in, nine subsidiaries which provide waterborne transportation, storage and transfer services of coal and other dry-bulk commodities.

TECO Guatemala, Inc. (TECO Guatemala), a Florida corporation, primarily has investments in unconsolidated subsidiaries that participate in independent power projects and electric distribution in Guatemala.

TWG Merchant, Inc. (TWG Merchant), a Florida corporation, had subsidiaries that formerly held interests in merchant power projects. TWG Merchant continuing operations included the results of operations for the Dell power plant, which was sold in 2005 and the uncompleted McAdams power plant, the turbines from which were sold to Tampa Electric in 2006 and the balance of the plant sold to an unrelated party in 2006. Effective with 2006 results, all assets were divested and any residual results of operations were included in the "Other and eliminations" segment.

Revenues from Continuing Operations

(millions)	*2006*	*2005*	*2004*
Tampa Electric	$ 2,084.9	$ 1,746.8	$ 1,687.4
PGS	577.6	549.5	417.2
Total regulated businesses	2,662.5	2,296.3	2,104.6
TECO Coal	574.9	505.1	327.6
TECO Transport	308.5	278.2	249.6
TECO Guatemala[1]	7.6	7.7	11.5
TWG Merchant	—	0.4	7.6
	3,553.5	3,087.7	2,700.9
Other and eliminations	(105.4)	(77.6)	(61.5)
	$ 3,448.1	$ 3,010.1	$2,639.4

[1] Revenues are exclusive of entities deconsolidated as a result of Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* (FIN 46R) and include only revenues for the consolidated Guatemalan entities.

For additional financial information regarding TECO Energy's significant business segments including geographic areas, see **Note 14** to the TECO Energy **Consolidated Financial Statements**. Also, see **Note 19** for additional information regarding the deconsolidation of Guatemala subsidiaries and its related revenues as of Jan. 1, 2004.

Discontinued Operations/Asset Dispositions

TECO Energy completed a number of asset dispositions in 2006, 2005, and 2004 as part of a business strategy to focus on the electric and gas utilities and long-term profitable unregulated businesses and to reduce exposure to the merchant power sector.

In the first quarter of 2006, TPS McAdams, LLC (TPS McAdams), an indirect subsidiary of the company, sold combustion turbines to Tampa Electric Company and in the second quarter, all remaining assets of TPS McAdams were sold to a third party. Also in the second quarter, the company sold the remaining assets of TECO Thermal which were classified as held for sale as of Dec. 31, 2005. Two remaining steam turbines located in Arizona were sold in the last half of 2006.

In 2005, TWG Merchant sold its membership interest in Commonwealth Chesapeake Power Station (CCC) in Virginia and substantially all the assets of the Dell Power Station in Arkansas. BCH Mechanical, Inc. (BCH Mechanical) was also sold in 2005.

In 2004, TWG Merchant completed both the sale of its 50% indirect interest in Texas Independent Energy, LP (TIE) and the sale of Frontera Generation Limited Partnership (Frontera), the owner of the Frontera Power Station in Texas. In 2004, TECO Guatemala sold its 50% indirect interest in the Hamakua Power Station (Hamakua) in Hawaii. TECO BGA, Inc. (TECO BGA), TECO AGC, Ltd. (TECO AGC), and substantially all the assets of Prior Energy were also sold in 2004. Also in 2004, TECO Energy completed the sale of its general and limited partnership interests in Heritage Propane Partners, L.P. as part of a larger transaction that involved the merging of privately held Energy Transfer Company with Heritage Propane Partners.

Results for CCC, BCH Mechanical, TECO Thermal, Frontera, Prior Energy, TECO BGA, and TECO AGC have been accounted for as discontinued operations for all periods reported. Revenues from these discontinued operations were $0.8 million, $10.6 million and $141.7 million in 2006, 2005 and 2004, respectively (see **Notes 16** and **20** to the TECO Energy **Consolidated Financial Statements**). Included in continuing operations prior to their respective sales were the results of the Dell Power Station, TIE, Hamakua and our interest in TECO Propane Ventures.

In 2005, TECO Energy completed the sale and transfer of the Union and Gila River project companies (see **Notes 16** and **20** to the TECO Energy **Consolidated Financial Statements**). TPGC's results are accounted for as discontinued operations for 2005 and 2004. Revenues from the discontinued operations of TPGC in 2005 and 2004 were $109.1 million and $510.7 million, respectively. Net income (loss) from the discontinued operations of TPGC were $65.1 million and $(96.0) million in 2005 and 2004, respectively.

TAMPA ELECTRIC – Electric Operations

Tampa Electric Company was incorporated in Florida in 1899 and was reincorporated in 1949. Tampa Electric Company is a public utility operating within the state of Florida. Its Tampa Electric division is engaged in the generation, purchase, transmission, distribution and sale of electric energy. The retail territory served comprises an area of about 2,000 square miles in West Central Florida, including Hillsborough County and parts of Polk, Pasco and Pinellas Counties, with an estimated population of over one million. The principal communities served are Tampa, Winter Haven, Plant City and Dade City. In addition, Tampa Electric engages in wholesale sales to utilities and other resellers of electricity. It has three electric generating stations in or near Tampa, one electric generating station in southwestern Polk County, Florida and one electric generating station located near Sebring, a city located in Highlands County in South Central Florida.

Tampa Electric had 2,452 employees as of Dec. 31, 2006, of which 897 were represented by the International Brotherhood of Electrical Workers and 237 were represented by the Office and Professional Employees International Union.

In 2006, approximately 46% of Tampa Electric's total operating revenue was derived from residential sales, 29% from commercial sales, 8% from industrial sales and 17% from other sales, including bulk power sales for resale. The sources of

operating revenue and megawatt-hour sales for the years indicated were as follows:

Operating Revenue

(millions)	*2006*	*2005*	*2004*
Residential	$ 956.7	$ 838.1	$ 820.2
Commercial	602.4	516.4	505.5
Industrial – Phosphate	61.5	63.3	68.7
Industrial – Other	113.0	96.3	97.3
Other retail sales of electricity	162.1	140.3	139.2
Total retail	1,895.7	1,654.4	1,630.9
Sales for resale	71.1	50.6	41.1
Other	118.1	41.8	15.4
	$ 2,084.9	$ 1,746.8	$ 1,687.4

Megawatt-hour Sales

(millions)	*2006*	*2005*	*2004*
Residential	8,721	8,558	8,293
Commercial	6,357	6,234	5,988
Industrial	2,279	2,478	2,556
Other retail sales of electricity	1,668	1,642	1,600
Total retail	19,025	18,912	18,437
Sales for resale	862	773	664
Total energy sold	19,887	19,685	19,101

No significant part of Tampa Electric's business is dependent upon a single customer or a few customers, the loss of any one or more of whom would have a significant adverse effect on Tampa Electric. The Mosaic Company, a large phosphate producer, is Tampa Electric's largest customer and represents less than 3% of Tampa Electric's 2006 base revenues.

Tampa Electric's business is not highly seasonal, but winter peak loads are experienced due to electric heating, fewer daylight hours and colder temperatures, and summer peak loads are experienced due to the use of air conditioning and other cooling equipment.

Regulation

The retail operations of Tampa Electric are regulated by the Florida Public Service Commission (FPSC), which has jurisdiction over retail rates, quality of service and reliability, issuances of securities, planning, siting and construction of facilities, accounting and depreciation practices, and other matters.

In general, the FPSC's pricing objective is to set rates at a level that allows the utility to collect total revenues (revenue requirements) equal to its cost of providing service, plus a reasonable return on invested capital.

The costs of owning, operating and maintaining the utility system, other than fuel, purchased power, conservation and certain environmental costs, are recovered through base rates. These costs include operation and maintenance expenses, depreciation and taxes, as well as a return on Tampa Electric's investment in assets used and useful in providing electric service (rate base). The rate of return on rate base, which is intended to approximate Tampa Electric's weighted cost of capital, primarily includes its costs for debt, deferred income taxes at a zero cost rate and an allowed return on common equity. Base rates are determined in FPSC rate setting hearings which occur at irregular intervals at the initiative of Tampa Electric, the FPSC or other parties.

Tampa Electric's rates and allowed return on equity (ROE) range of 10.75% to 12.75% with a midpoint of 11.75% are in effect until such time as changes are occasioned by an agreement approved by the FPSC or other FPSC actions as a result of rate or other proceedings initiated by Tampa Electric, the FPSC or other interested parties.

Fuel, purchased power, conservation and certain environmental costs are recovered through levelized monthly charges established pursuant to the FPSC's cost recovery clauses. These charges, which are reset annually in an FPSC proceeding, are based on estimated costs of fuel, environmental compliance, conservation programs and purchased power and estimated customer usage for a specific recovery period, with a true-up adjustment to reflect the variance of actual costs from the projected costs. The FPSC may disallow recovery of any costs that it considers imprudently incurred.

In September 2006, Tampa Electric filed with the FPSC for approval of fuel and purchased power, capacity, environmental and conservation cost recovery rates for the period January 2007 through December 2007. In November 2006, the FPSC approved Tampa Electric's requested changes. The rates include the impacts of natural gas and coal prices expected in 2007, the collection of the underestimated 2006 fuel and purchased power expenses, the collection of previously unrecovered 2005 fuel and purchased power expenses, the proceeds from the actual and projected sale of excess sulfur dioxide (SO_2) emissions allowances in 2006 and 2007 and the operating cost for and a return on the capital invested in the first pre-selective catalytic reduction (SCR) project to enter service on Big Bend Unit 4 as well as the operating and maintenance (O&M) costs associated with the Big Bend Units 1 – 3 pre-SCR projects, which are required by the Environmental Protection Agency (EPA) Consent Decree and Florida Department of

Environmental Protection (FDEP) Consent Final Judgment. In addition, the rates reflect the FPSC's September 2004 decision to reduce the annual cost recovery amount for water transportation services for coal and petroleum coke provided under Tampa Electric's contract with TECO Transport described below. See **Regulation - Cost Recovery Clauses - Tampa Electric** sections of **MD&A**.

Tampa Electric is also subject to regulation by the Federal Energy Regulatory Commission (FERC) in various respects, including wholesale power sales, certain wholesale power purchases, transmission services, and accounting and depreciation practices. In June 2006, Tampa Electric received a notice that FERC had commenced an audit, which arose out of the normal course of the enforcement activities, to determine whether and how Tampa Electric and its affiliates complied with: (1) the practices and procedures contained within its Open Access Transmission Tariff (OATT); (2) the conditions by which FERC granted market-based rate authority to each respective affiliate of Tampa Electric; (3) the Standards of Conduct requirements; (4) the preservation of records requirements; (5) Tampa Electric's wholesale fuel adjustment clause tariff; and (6) Tampa Electric's reporting of capacity and energy shortages. It is anticipated that the audit will be complete in the first half of 2007. See also the **Regulation – Regional Transmission Organization (RTO) and FERC Audit** sections of **MD&A**.

The Energy Policy Act of 2005 repealed the Public Utility Holding Company Act of 1935 (PUHCA), which established a regulatory regime overseen by the SEC, and replaced it with a new statute focused on increased access to holding company books and records to assist the FERC and state utility regulators in protecting customers of regulated utilities. On Dec. 8, 2005, the FERC finalized rules to implement the congressionally mandated repeal of the PUHCA of 1935 and enactment of the PUHCA of 2005. FERC issued its final rules effective Feb. 8, 2006. TECO Energy is a holding company that was exempt from the provisions of the PUHCA of 1935, as amended, except for Section 9(c)(2).

Federal, state and local environmental laws and regulations cover air quality, water quality, land use, power plant, substation and transmission line siting, noise and aesthetics, solid waste and other environmental matters (see **Environmental Matters** section below).

The transactions between Tampa Electric and its affiliates are subject to regulation by the FPSC and FERC, and any charges deemed to be imprudently incurred may be disallowed for recovery from Tampa Electric's customers. For information about Tampa Electric's contract for coal transportation and dry-bulk storage services with TECO Transport, see the **Regulation – Coal Transportation Contract** section of **MD&A**.

Competition

Tampa Electric's retail electric business is substantially free from direct competition with other electric utilities, municipalities and public agencies. At the present time, the principal form of competition at the retail level consists of self-generation available to larger users of electric energy. Such users may seek to expand their alternatives through various initiatives, including legislative and/or regulatory changes that would permit competition at the retail level. Tampa Electric intends to retain and expand its retail business by managing costs and providing high-quality service to retail customers.

In 1999, the FERC approved a three-year market-based sales tariff for Tampa Electric, which allows Tampa Electric to sell excess wholesale power at market prices within Florida. The FERC had already approved market-based prices for interstate sales for Tampa Electric and the other investor-owned utilities (IOUs) operating in the state; however, Tampa Electric is the only IOU in the state with intrastate market-based sales authority.

In November 2004, Tampa Electric and the market-based rate authorized entities within TECO Energy filed a triennial market power study update. On Mar. 2, 2005, after a review of that filing and supporting information, the FERC determined that Tampa Electric had failed certain tests for market power within certain regions of Florida. The FERC instituted an investigation of Tampa Electric's potential market power in those regions and ordered Tampa Electric to make a compliance filing to determine if Tampa Electric has market power in other regions of the state. Tampa Electric submitted compliance filings after which FERC staff requested additional information to rebut the presumption that Tampa Electric has generation market power, which Tampa Electric submitted in September 2005. In November 2005, FERC found that Tampa Electric did have generation market power in its own control and within the area served by Reedy Creek. Rather than continuing to contest FERC's conclusion, Tampa Electric agreed to limit itself to only conducting wholesale cost-based transactions in these two parts of Florida. After gathering additional data and performing an updated market analysis, Tampa Electric filed to reinstate its ability to utilize market pricing for energy transactions with Reedy Creek in November 2006. FERC approved Tampa Electric's reinstatement request and the company is once again able to transact with Reedy Creek at market-determined prices, which will provide benefits for both entities.

There is presently competition in Florida's wholesale power markets, largely as a result of the Energy Policy Act of 1992 and related federal initiatives. However, the state's Power Plant Siting Act, which sets the state's electric energy and environmental policy and governs the building of new generation involving steam capacity of 75 megawatts or more, requires that applicants demonstrate that a plant is needed prior to receiving construction and operating permits. In 2003, the FPSC implemented rules that modified rules from 1994 that required IOUs to issue requests for proposals (RFPs) prior to filing a petition for Determination of Need for construction of a power plant with a steam cycle greater than 75 megawatts. The new rules became effective for requests for proposal for applicable capacity additions, prospectively. See **Regulation – Utility Competition – Electric** section of **MD&A**.

FERC requires transmission system owners to operate an Open Access Non-discriminatory Transmission, Standard Costs, Same-time Information System (OASIS) providing, via the Internet, access to transmission service information (including price and availability) and to rely exclusively on their own OASIS system for such information for purposes of their own wholesale power transactions. This rule works to open access for wholesale power flows on transmission systems and requires utilities such as Tampa

Electric, which own transmission facilities, to provide services to wholesale transmission customers comparable to those they provide to themselves on comparable terms and conditions, including price. Among other things, the rules require transmission services to be unbundled from power sales and owners of transmission systems to take transmission service under their own transmission tariffs. To facilitate compliance, owners must maintain Standards of Conduct to ensure that personnel involved in marketing wholesale power are functionally separated from personnel involved in transmission services and reliability functions. Tampa Electric, together with other utilities, has an OASIS system and believes it is in compliance with the Standards of Conduct.

In 2004, FERC also issued Standards of Conduct for Transmission Providers to ensure that all transmission customers, affiliated and non-affiliated, are treated on a non-discriminatory basis and required TECO Energy affiliates have implemented programs to ensure compliance.

Fuel

Approximately 62% of Tampa Electric's generation of electricity for 2006 was coal-fired, with natural gas representing approximately 37% and oil representing approximately 1%. Tampa Electric used its generating units to meet approximately 87% of the system load requirements, with the remaining 13% coming from purchased power. Tampa Electric's average delivered fuel cost per million British thermal unit (Btu) and average delivered cost per ton of coal burned, have been as follows:

Average cost per million Btu:	*2006*	*2005*	*2004*	*2003*	*2002*
Coal	$ 2.49	$ 2.25	$ 2.14	$ 2.02	$ 1.93
Oil	$ 13.39	$ 10.16	$ 6.81	$ 6.42	$ 5.33
Gas (Natural)	$ 9.61	$ 9.37	$ 7.14	$ 6.45	$ 5.86
Composite	$ 4.75	$ 4.79	$ 3.64	$ 2.83	$ 2.11
Average cost per ton of coal burned	$ 58.75	$ 53.00	$ 50.06	$ 48.32	$ 45.04

Tampa Electric's generating stations burn fuels as follows: Bayside 1, which entered commercial operation in April of 2003, and Bayside 2, which entered commercial operation in January of 2004, burn natural gas; Big Bend Station, which has sulfur dioxide scrubber capabilities, burns a combination of high-sulfur coal, petroleum coke and No. 2 fuel oil; Polk Power Station burns a blend of low-sulfur coal, and petroleum coke which is gasified and subject to sulfur and particulate matter removal prior to combustion, natural gas and oil; and Phillips Station burns residual fuel oil.

Coal. Tampa Electric burned approximately 5.0 million tons of coal and petroleum coke during 2006 and estimates that its combined coal and petroleum coke consumption will be about 4.9 million tons for 2007. During 2006, Tampa Electric purchased approximately 81% of its coal under long-term contracts with nine suppliers, and approximately 19% of its coal and petroleum coke in the spot market. Tampa Electric expects to obtain approximately 77% of its coal requirements in 2007 under long-term contracts with seven suppliers and the remaining 23% in the spot market.

Tampa Electric's long-term contracts provide for revisions in the base price to reflect changes in several important cost factors and for suspension or reduction of deliveries if environmental regulations should prevent Tampa Electric from burning the coal supplied, provided that a good faith effort has been made to continue burning such coal.

For information concerning transportation services by affiliated companies to Tampa Electric, see the **TECO Transport** section below.

In 2006, approximately 60% of Tampa Electric's coal supply was deep-mined, approximately 31% was surface-mined and the remaining was a processed oil by-product known as petroleum coke. Federal surface-mining laws and regulations have not had any material adverse impact on Tampa Electric's coal supply or results of its operations. Tampa Electric, however, cannot predict the effect of any future mining laws and regulations.

Natural Gas. As of Dec. 31, 2006, Tampa Electric has 90% of the expected gas needs for the January 2007 – September 2007 period and 80% for the October 2007 period under contract, and has already contracted for 40% of its November 2007 through March 2008 expected gas supply needs. Additional volume requirements in excess of expected gas needs are purchased on the short-term spot market.

Oil. Tampa Electric has agreements in place to purchase No. 2 oil, low sulfur No. 2 oil and No. 6 oil for its Big Bend, Polk and Phillips stations. All of these agreements have prices that are based on spot indices.

Franchises and Other Rights

Tampa Electric holds franchises and other rights that, together with its charter powers, govern the placement of Tampa Electric's facilities on the public rights of way as it carries on its retail business in the localities it serves. The franchises specify the negotiated terms and conditions governing Tampa Electric's use of public rights-of-way and other public property within the municipalities it serves during the term of the franchise agreement, and are irrevocable and not subject to amendment without the consent of Tampa Electric (except to the extent certain city ordinances relating to permitting and like matters are modified from time to time), although, in certain events, they are subject to forfeiture.

Florida municipalities are prohibited from granting any franchise for a term exceeding 30 years. None of the municipalities that have franchise agreements with Tampa Electric, except for the cities of Oldsmar and Temple Terrace, have reserved the right to purchase Tampa Electric's property used in the exercise of its franchise if the franchise is not renewed. In the absence of such right to

purchase, based on judicial precedent, if the franchise agreement is not renewed Tampa Electric would be able to continue to use public rights of way within the municipality, subject to reasonable rules and regulations imposed by the municipalities.

Tampa Electric has franchise agreements with 13 incorporated municipalities within its retail service area. These agreements have various expiration dates through September 2021.

Franchise fees payable by Tampa Electric, which totaled $35.0 million in 2006, are calculated using a formula based primarily on electric revenues and are collected on customers' bills.

Utility operations in Hillsborough, Pasco, Pinellas and Polk Counties outside of incorporated municipalities are conducted in each case under one or more permits to use state or county rights-of-way granted by the Florida Department of Transportation or the county commissioners of such counties. There is no law limiting the time for which such permits may be granted by counties. There are no fixed expiration dates for the Hillsborough County, Pinellas County and Polk County agreements. The agreement covering electric operations in Pasco County expires in 2023.

Environmental Matters

Consent Decree

Tampa Electric Company, as a result of negotiations with the EPA, the U.S. Department of Justice and the FDEP, signed a Consent Decree which became effective Feb. 29, 2000, and a Consent Final Judgment which became effective Dec. 6, 1999, both in settlement of federal and state litigation. Pursuant to these agreements, allegations of violations of New Source Review requirements of the Clean Air Act were resolved, provision was made for environmental controls and pollution reductions, and Tampa Electric began implementing a comprehensive program that has and will in the future dramatically decrease emissions from the company's power plants.

The emission reduction requirements included specific detail with respect to the availability of the flue gas desulfurization systems (scrubbers) to help reduce SO_2, projects for NO_x reduction efforts on Big Bend Units 1 through 4, and the repowering of the coal-fired Gannon Station to natural gas. The commercial operation dates for the two repowered Gannon units (now known as Bayside) were Apr. 24, 2003 and Jan. 15, 2004. The completed station has total station capacity of about 1,800 megawatts (nominal) of natural gas-fueled electric generation.

Tampa Electric is installing SCRs for NO_x control on Big Bend Unit 4, with an expected in-service date by Jun. 1, 2007. Tampa Electric is also installing SCRs on Big Bend Units 1, 2 and 3 with expected in-service dates for Unit 3 by May 1, 2008, Unit 2 by May 1, 2009 and Unit 1 by May 1, 2010. The engineering, design and construction of the SCRs are currently in progress. Tampa Electric's capital investment forecast includes amounts through 2011 for compliance with the NO_x, SO_2 and particulate matter reduction requirements (see **Environmental Matters** – *Capital Expenditures* section below).

Emission Reductions

Projects to which Tampa Electric has committed under the Consent Decree and Consent Final Judgment will result in significant reductions in emissions. Since 1998, Tampa Electric has reduced annual SO_2, NO_x, and particulate matter (PM) emissions from its facilities by 160,000 tons, 41,000 tons, and 4,000 tons, respectively. Reductions in SO_2 emissions were accomplished through the installation of scrubber systems on Big Bend Units 1 and 2 in 1999. Big Bend Unit 4 was originally constructed with a scrubber. The Big Bend Unit 4 scrubber system was modified in 1994 to allow it to scrub emissions from Big Bend Unit 3, as well. Currently, the scrubbers at Big Bend Station remove more than 95% of the SO_2 emissions from the flue gas streams.

The repowering of Gannon Station to Bayside Power Station in April 2003 (Bayside Unit 1) and January 2004 (Bayside Unit 2) resulted in the significant reduction in emissions of all pollutant types. Tampa Electric's decision to install additional NO_x emissions controls on all Big Bend Units will result in the further reduction of emissions. By 2010, these projects are expected to result in the total phased reduction of NO_x by 62,000 tons per year, which is a 91% reduction from 1998 levels.

To date, these projects have resulted in the reduction of SO_2, NO_x and PM emissions by 93%, 65%, and 77%, respectively, below 1998 levels. In total, by 2010 Tampa Electric's system-wide emission reduction initiatives will result in the reduction of SO_2, NO_x and PM emissions by 89%, 90%, and 72%, respectively, below 1998 levels. With these improvements in place, Tampa Electric's facilities will meet the same standards required of newer power generating facilities and help to significantly enhance the quality of the air in the community.

Due to pollution control co-benefits from the Consent Decree and Consent Final Judgment, reductions in mercury emissions have occurred due to the re-powering of Gannon Station to Bayside Station. At Bayside, where mercury levels have decreased 99% below 1998 levels, there are virtually zero mercury emissions. Additional mercury reductions are also anticipated from the installation of NO_x controls at Big Bend Station, which would lead to a mercury removal efficiency of approximately 70%.

Tampa Electric has supported voluntary efforts to reduce carbon emissions and has taken significant steps to reduce its overall emissions at its facilities. Since 1998, Tampa Electric has reduced its system-wide emissions of CO_2 by approximately 19%, bringing emissions to below 1990 levels and through 2010, those reductions are expected to be very close to 1990 levels. Emissions of CO_2 should remain near 1990 levels until the addition of the next base load unit which is expected after 2012. As of 2006, the repowering resulted in a decrease in CO_2 emissions of approximately 4.0 million tons below 1998 levels. During this same timeframe, the numbers of retail customers and retail energy sales have risen by approximately 25%.

For information concerning potential new state and/or federal legislation limiting CO_2 emissions, see the **Environmental Compliance – Carbon Reductions** section of **MD&A**.

Superfund and Former Manufactured Gas Plant Sites

Tampa Electric Company, through its Tampa Electric and Peoples Gas divisions, is a potentially responsible party (PRP) for certain superfund sites and, through its Peoples Gas division, for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of Dec. 31, 2006, Tampa Electric Company has estimated its ultimate financial liability to be approximately $12.3 million, with the majority attributable to the Peoples Gas division, and this amount has been reflected in the consolidated financial statements. The environmental remediation costs associated with these sites, which are expected to be paid over many years, are not expected to have a significant impact on customer prices.

The estimated amounts represent only the estimated portion of the cleanup costs attributable to Tampa Electric Company. The estimates to perform the work are based on actual estimates obtained from contractors or Tampa Electric Company's experience with similar work adjusted for site specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

Allocation of the responsibility for remediation costs among Tampa Electric Company and other PRPs is based on each party's relative ownership interest in or usage of a site. Accordingly, Tampa Electric Company's share of remediation costs varies with each site. In virtually all instances where other PRPs are involved, those PRPs are considered creditworthy.

Factors that could impact these estimates include the ability of other PRPs to pay their pro rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. These costs may be recoverable through customer rates established in future base rate proceedings.

Capital Expenditures

During the five years ended Dec. 31, 2006, Tampa Electric spent $147.5 million, excluding the Gannon repowering, on capital additions to meet environmental requirements.

In total, Tampa Electric spent an estimated $78.5 million in 2006 on environmental projects. Environmental expenditures are estimated at $120.8 million for 2007 and an additional $223.7 million in total for 2008 through 2011. These totals include the expenditures required to comply with the EPA Consent Decree and to undertake comprehensive environmental operations improvements at Big Bend Station, the largest project of which is to install SCRs on each of the coal-fired units.

In 2006, Tampa Electric spent approximately $3.6 million for compliance with the EPA Consent Decree requirements at Big Bend Station for early NO_x and PM emissions reductions and to improve the scrubber systems to reduce SO_2 emissions. Estimated expenditures for the on-going early NO_x emission reductions and to improve the scrubber systems in 2007 are estimated at $11.9 million and an additional $16.5 million in 2008-2011. In a letter dated Aug. 19, 2004, Tampa Electric notified the EPA that based on the results of a comprehensive study performed on Big Bend Station, Big Bend Units 1, 2, 3 and 4 would continue to be fired on coal and as such will comply with the applicable provisions of the Consent Decree associated with this decision, including installation of SCRs for the reduction of NO_x. Based on this decision, $68.1 million was spent in 2006 to support the on-going design, engineering and construction of the SCRs. Additional expenditures will be required in 2007, estimated at $87.1 million, and it is forecast that $210.6 million will be spent from 2008 through 2011.

In addition, Tampa Electric is undertaking a number of large environmental projects at Big Bend Station that were identified voluntarily to enhance environmental operations at the site, including the recycle/settling ponds, new slag de-watering bins that will replace the existing Industrial Waste Water permitted slag pond system, a new gypsum storage area, and upgrades to the storm water system. Also, the company will remove the vast majority of coal-combustion product source material from the exiting systems in conjunction with construction of the new/replacement systems. In 2006, Tampa Electric spent approximately $6.7 million on these environmental operations projects. Estimated expenditures for the continued implementation of these projects in 2007 are estimated at $21.7 million, with an additional $126.8 million in 2008-2011.

PEOPLES GAS SYSTEM – Gas Operations

PGS operates as the Peoples Gas System division of Tampa Electric Company. PGS is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in the State of Florida.

Gas is delivered to the PGS system through three interstate pipelines. PGS does not engage in the exploration for or production of natural gas. PGS operates a natural gas distribution system that serves over 332,000 customers. The system includes approximately 10,000 miles of mains and 6,000 miles of service lines. (See PGS' **Franchises** section below.)

In 2006, the total throughput for PGS was 1.3 billion therms. Of this total throughput, 11% was gas purchased and resold to retail customers by PGS, 70% was third-party supplied gas that was delivered for retail transportation-only customers, and 19% was gas sold off-system. Industrial and power generation customers consumed approximately 65% of PGS' annual therm volume, commercial customers used approximately 29%, and the balance was consumed by residential customers.

While the residential market represents only a small percentage of total therm volume, residential operations generally comprise 26% of total revenues.

Natural gas has historically been used in many traditional industrial and commercial operations throughout Florida, including production of products such as steel, glass, ceramic tile and food products. Within the PGS operating territory, large cogeneration facilities utilize gas-fired technology in the production of electric power and steam.

Revenues and therms for PGS for the years ended Dec. 31, are as follows:

	Revenues			Therms		
(millions)	*2006*	*2005*	*2004*	*2006*	*2005*	*2004*
Residential	$ 146.0	$ 138.9	$ 115.0	73.0	70.7	65.8
Commercial	164.4	173.8	151.8	375.7	380.3	368.1
Industrial	204.2	187.6	106.5	456.6	394.6	399.4
Power generation	14.0	13.7	11.1	395.7	291.7	291.7
Other revenues	43.3	35.5	32.8	—	—	—
Total	$ 571.9	$ 549.5	$ 417.2	1,301.0	1,137.3	1,125.0

PGS had 580 employees as of Dec. 31, 2006. A total of 88 employees in six of PGS' 15 operating divisions are represented by various union organizations.

Regulation

The operations of PGS are regulated by the FPSC separately from the regulation of Tampa Electric. The FPSC has jurisdiction over rates, service, issuance of securities, safety, accounting and depreciation practices and other matters. In general, the FPSC sets rates at a level that allows a utility such as PGS to collect total revenues (revenue requirements) equal to its cost of providing service, plus a reasonable return on invested capital.

The basic costs of providing natural gas service, other than the costs of purchased gas and interstate pipeline capacity, are recovered through base rates. Base rates are designed to recover the costs of owning, operating and maintaining the utility system. The rate of return on rate base, which is intended to approximate PGS' weighted cost of capital, primarily includes its cost for debt, deferred income taxes at a zero cost rate, and an allowed return on common equity. Base rates are determined in FPSC proceedings which occur at irregular intervals at the initiative of PGS, the FPSC or other parties. For a description of recent proceeding activity, see the **Regulation – PGS Rates** section of **MD&A.**

PGS recovers the costs it pays for gas supply and interstate transportation for system supply through the purchased gas adjustment clause. This charge is designed to recover the costs incurred by PGS for purchased gas, and for holding and using interstate pipeline capacity for the transportation of gas it sells to its customers. These charges may be adjusted monthly based on a cap approved annually in an FPSC hearing. The cap is based on estimated costs of purchased gas and pipeline capacity, and estimated customer usage for a specific recovery period, with a true-up adjustment to reflect the variance of actual costs and usage from the projected charges for prior periods. For a description of the most recent adjustment, see the **Regulation – Cost Recovery Clauses – Peoples Gas** section of **MD&A**.

In addition to its base rates and purchased gas adjustment clause charges for system supply customers, PGS customers (except interruptible customers) also pay a per-therm conservation charge for all gas; this charge is intended to permit PGS to recover its costs incurred in developing and implementing energy conservation programs, which are mandated by Florida law and approved and supervised by the FPSC. PGS is permitted to recover, on a dollar-for-dollar basis, expenditures made in connection with these programs if it demonstrates that the programs are cost effective for its ratepayers.

The FPSC requires natural gas utilities to offer transportation-only service to all non-residential customers. As a result, PGS receives its base rate for distribution regardless of whether a customer decides to opt for transportation-only service or continue bundled service. PGS had approximately 12,600 transportation customers as of Dec. 31, 2006 out of 29,400 eligible customers.

In addition to economic regulation, PGS is subject to the FPSC's safety jurisdiction, pursuant to which the FPSC regulates the construction, operation and maintenance of PGS' distribution system. In general, the FPSC has implemented this by adopting the Minimum Federal Safety Standards and reporting requirements for pipeline facilities and transportation of gas prescribed by the U.S. Department of Transportation in Parts 191, 192 and 199, Title 49, Code of Federal Regulations.

PGS is also subject to federal, state and local environmental laws and regulations pertaining to air and water quality, land use, noise and aesthetics, solid waste and other environmental matters.

Competition

PGS is not in direct competition with any other distributors of natural gas for customers within its service areas. At the present time, the principal form of competition for residential and small commercial customers is from companies providing other sources of energy, including electricity. In general, PGS faces competition from other energy source suppliers offering fuel oil, electricity and, in some cases, propane. PGS has taken actions to retain and expand its commodity and transportation business, including managing costs and providing high quality service to customers.

In Florida, gas service is unbundled for all non-residential customers. In 2000, PGS implemented its "NaturalChoice" program offering unbundled transportation service to all eligible customers. This means that non-residential customers can purchase commodity gas from a third party but continue to pay PGS for the transportation of the gas.

Competition is most prevalent in the large commercial and industrial markets. In recent years, these classes of customers have been targeted by competing companies seeking to sell alternate fuels or transport gas through other facilities, thereby bypassing

PGS facilities. In response to this competition, PGS has developed various programs, including the provision of transportation services at discounted rates. See the **Regulation – Utility Competition – Gas** section of **MD&A**.

Gas Supplies

PGS purchases gas from various suppliers depending on the needs of its customers. The gas is delivered to the PGS distribution system through three interstate pipelines on which PGS has reserved firm transportation capacity for delivery by PGS to its customers.

Gas is delivered by Florida Gas Transmission Company (FGT) through more than 57 interconnections (gate stations) serving PGS' operating divisions. In addition, PGS' Jacksonville Division receives gas delivered by the South Georgia Natural Gas Company pipeline through two gate stations located northwest of Jacksonville. Gulfstream Natural Gas Pipeline provides delivery through five gate stations. The addition of the Gulfstream pipeline enhances reliability of service and helps meet the capacity needs for PGS' growing customer base.

Companies with firm pipeline capacity receive priority in scheduling deliveries during times when the pipeline is operating at its maximum capacity. PGS presently holds sufficient firm capacity to permit it to meet the gas requirements of its system commodity customers, except during localized emergencies affecting the PGS distribution system and on abnormally cold days.

Firm transportation rights on an interstate pipeline represent a right to use the amount of the capacity reserved for transportation of gas on any given day. PGS pays reservation charges on the full amount of the reserved capacity whether or not it actually uses such capacity on any given day. When the capacity is actually used, PGS pays a volumetrically-based usage charge for the amount of the capacity actually used. The levels of the reservation and usage charges are regulated by FERC. PGS actively markets any excess capacity available on a day-to-day basis to partially offset costs recovered through the Purchased Gas Adjustment Clause.

PGS procures natural gas supplies using base-load and swing-supply contracts with various suppliers along with spot market purchases. Pricing generally takes the form of either a variable price based on published indices or a fixed price for the contract term.

Neither PGS nor any of the interconnected interstate pipelines have storage facilities in Florida. PGS occasionally faces situations when the demands of all of its customers for the delivery of gas cannot be met. In these instances, it is necessary that PGS interrupt or curtail deliveries to its interruptible customers. In general, the largest of PGS' industrial customers are in the categories that are first curtailed in such situations. PGS' tariff and transportation agreements with these customers give PGS the right to divert these customers' gas to other higher priority users during the period of curtailment or interruption. PGS pays these customers for such gas at the price they paid their suppliers, or at a published index price, and in either case pays the customer for charges incurred for interstate pipeline transportation to the PGS system.

Franchises

PGS holds franchise and other rights with approximately 100 municipalities throughout Florida. These franchises give PGS a right to occupy municipal rights-of-way within the franchise area. The franchises are irrevocable and are not subject to amendment without the consent of PGS, although in certain events, they are subject to forfeiture.

Municipalities are prohibited from granting any franchise for a term exceeding 30 years. Several franchises contain purchase options with respect to the purchase of PGS' property located in the franchise area, if the franchise is not renewed; otherwise, based on judicial precedent, PGS is able to keep its facilities in place subject to reasonable rules and regulations imposed by the municipalities.

PGS' franchise agreements with the incorporated municipalities within its service area have various expiration dates ranging from the present through 2032. PGS expects to negotiate 10 to 12 franchises in 2007, the majority of which will be renewals of existing agreements. Franchise fees payable by PGS, which totaled $9.5 million in 2006, are calculated using various formulas which are based principally on natural gas revenues. Franchise fees are collected from only those customers within each franchise area.

Utility operations in areas outside of incorporated municipalities are conducted in each case under one or more permits to use state or county rights-of-way granted by the Florida Department of Transportation or the county commissioners of such counties. There is no law limiting the time for which such permits may be granted by counties. There are no fixed expiration dates and these rights are, therefore, considered perpetual.

Environmental Matters

PGS' operations are subject to federal, state and local statutes, rules and regulations relating to the discharge of materials into the environment and the protection of the environment generally that require monitoring, permitting and ongoing expenditures.

Tampa Electric Company is one of several potentially responsible parties for certain superfund sites and, through PGS, for former manufactured gas plant sites. See the previous discussion in the **Environmental Matters** section of **Tampa Electric – Electric Operations**.

Expenditures
During the five years ended Dec. 31, 2006, PGS has not incurred any material capital expenditures to meet environmental requirements, nor are any anticipated for 2007 through 2011.

TECO COAL

Overview

TECO Coal, along with its subsidiaries, is a wholly owned subsidiary of TECO Energy, Inc. TECO Coal and its subsidiaries operate surface and underground mines as well as coal processing facilities in eastern Kentucky, Tennessee and southwestern Virginia. TECO Coal has administration offices located in Corbin, Kentucky.

TECO Coal Corporation, the holding company for TECO Coal and its subsidiaries, owns no operating assets but holds all of the common stock of Gatliff Coal Company, Rich Mountain Coal Company, Clintwood Elkhorn Mining Company, Pike-Letcher Land Company, Premier Elkhorn Coal Company, Perry County Coal Corporation, Bear Branch Coal Company, and all of the membership interests in TECO Synfuel Holdings, LLC and TECO Synfuel Operations, LLC. TECO Coal and its subsidiaries own or control, by lease, mineral rights, and owns or operates surface and underground mines, synthetic fuel production facilities and coal processing and loading facilities. TECO Coal and its subsidiaries produce, process and sell bituminous, predominately low sulfur coal of steam, industrial and metallurgical grades.

TECO Coal and its subsidiaries currently operate 24 underground mines which employ the room and pillar mining method and 17 surface mines.

In 2006, TECO Coal and its subsidiaries sold 9.8 million tons of coal. All of this coal was sold to customers other than Tampa Electric. Of the total sold, 5.3 million tons were produced and sold as synthetic fuel. As of Dec. 31, 2006, the TECO Coal operating companies had a combined estimated 273.9 million tons of proven and probable recoverable reserves.

History

In 1967, Cal-Glo Coal Company was formed. It mined a product containing low sulfur, low ash fusion characteristic and high energy content. Realizing the potential for this product to meet its combustion, quality, and environmental requirements, Tampa Electric purchased Cal-Glo Coal Company in 1974. In 1982, after several years of continued growth and success, TECO Coal Corporation was formed and Cal-Glo Coal Company was renamed as Gatliff Coal Company. Rich Mountain Coal Company was established in 1987 when leases were signed for properties in Campbell County, Tennessee.

1988 saw a marketing change in which Gatliff Coal Company began selling ferro-silicon and silicon grade products. In addition, in that year properties were also acquired in Pike County, Kentucky and Clintwood Elkhorn Mining Company was formed. Premier Elkhorn Coal Company and Pike Letcher Land Company were formed in 1991, when additional property was acquired in Pike and Letcher Counties, Kentucky.

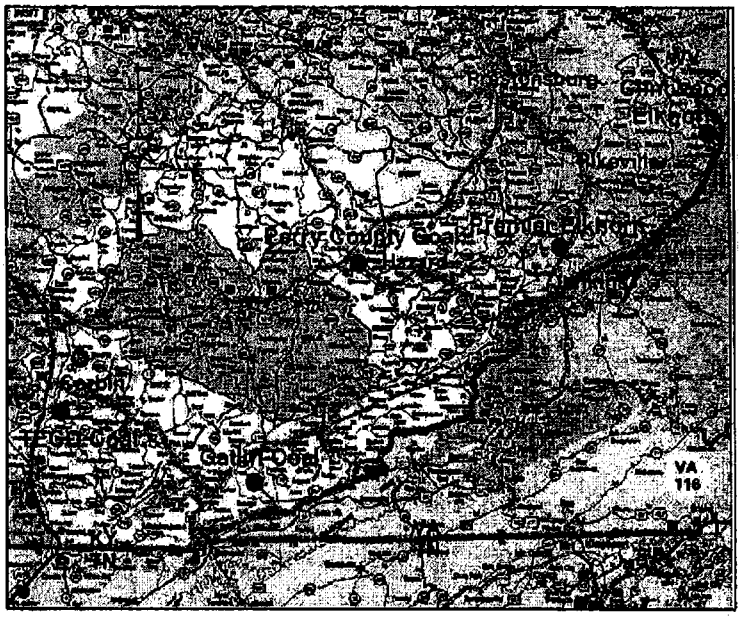
In 1997, Bear Branch Coal Company secured key leases for property located in Perry County, Kentucky.

The newest mining company in the TECO Coal family is Perry County Coal Corporation, which was purchased in 2000 and is located in Perry, Knott and Leslie Counties, Kentucky.

TECO Synfuel Holdings, LLC and TECO Synfuel Operations, LLC were formed in 2003 to administer the production and sale of synthethic fuel product at various TECO Coal subsidiaries.
In 2004, the acquisition of properties and the Millard Preparation Facilities (currently idle) from AEP, Kentucky Coal, LLC was completed. The properties and facilities are located in Pike County, Kentucky.

Mining Operations

TECO Coal and its subsidiaries have four mining complexes, all operating in Kentucky with a portion of Clintwood Elkhorn Mining Company operating in Virginia as well. A mining complex is defined as all mines that supply a single wash plant, except in the case of Clintwood Elkhorn Mining Company and Premier Elkhorn Coal Company, which provide production for two wash plants. These complexes blend, process and ship coal that is produced from one or more mines, with a single complex handling the coal production of as many as 15 individual underground or surface mines. TECO Coal and its subsidiaries use two distinct extraction techniques: continuous underground mining and dozer and front-end loader surface mining. The complexes have been developed at strategic locations in close proximity to the TECO Coal preparation plants and rail shipping facilities. Coal is transported from TECO Coal and its subsidiaries' mining complexes to customers by means of railroad cars, trucks, barge or vessels, with rail shipments representing approximately 92% of 2006 coal shipments. The map below shows the locations of the four mining complexes and TECO Coal's offices in Corbin, Kentucky.



Facilities

Coal mined by the operating companies of TECO Coal is processed and shipped from facilities located at each of the operating companies, with Clintwood Elkhorn Mining Company and Premier Elkhorn Coal Company having two facilities. The Clintwood facilities are located at Biggs, Kentucky and Hurley, Virginia, the Premier facilities are located at Myra, Kentucky and the Millard facility, which is presently idle, is located at Millard, Kentucky. The equipment at each facility is in good condition and regularly maintained by qualified personnel. Table 1 below is a summary of TECO Coal subsidiaries' processing facilities:

PROCESSING FACILITIES SUMMARY

Table 1

COMPANY	FACILITY	LOCATION	RAILROAD SERVICE	UTILITY SERVICE
Gatliff Coal	Ada Tipple	Himyar, KY	CSXT Railroad	Cumberland Valley Electric
Clintwood Elkhorn	Clintwood #2 Plant	Biggs, KY	Norfolk Southern	American Electric Power
Clintwood Elkhorn	Clintwood #3 Plant	Hurley, VA	Norfolk Southern	American Electric Power
Premier Elkhorn	Burk Branch Plant	Myra, KY	CSXT Railroad	American Electric Power
Premier Elkhorn	Millard Plant	Millard, KY	CSXT Railroad	American Electric Power
Perry County Coal	Perry County Plant	Hazard, KY	CSXT Railroad	American Electric Power

Significant Projects

Significant projects for 2006 included the following:

Perry County Coal

- The HZ4-1 mine, which opened in 1960, was closed in July 2006. The employees were moved to the E4-1 mine, creating the 4th working section at this mine.

- Construction of the E4-2 mine slope and shaft began in July 2006. Completion of the project is expected in late summer, 2007. This will be the access point for the reserves in the Southwest Project area, which is a large boundary of coal reserves in the Elkhorn #4 seam and located to the southwest of existing Perry County Coal facilities.

- A fine coal recovery circuit (column flotation) was installed at the preparation plant. The recovery of fines will result in more coal to be shipped (approximately 1 to 2 trains per month) and less coal being sent to the refuse area, thereby extending the life of the refuse facility.

- During 2006, a major lease was signed with Kentucky River Properties, adding 9,500 acres and 15.9 million tons to the Southwest Project area.

Premier Elkhorn Coal

- The Burke Branch Impoundment design revision was approved, extending the life of the impoundment to 2026.

Mining Complexes

Table 2 below shows annual production for each mining complex for each of the last three years.

MINING COMPLEXES
Table 2

	Location	Mine Type	Mining Equipment	Transportation	Tons Produced (in millions) 2006	2005	2004	Tons Sold (in millions) 2006	Year Established Or Acquired
Gatliff Coal Company	Bell County, KY/ Knox County, KY/ Campbell County, TN	S	D/L	T	0.36	0.34	0.29	0.35	1974
Clintwood Elkhorn Mining	Pike County, KY Buchanan County, VA	U, S	CM, D/L, HM, A	R, R/V	2.63	2.18	1.75	2.52	1988
Premier Elkhorn Coal	Pike County, KY/Letcher County, KY/ Floyd County, KY	U, S	CM, D/L	R,T,R/B,T/B	3.33	3.31	3.65	3.35	1991
Perry County Coal	Perry County, KY/ Leslie County, KY/ Knott County, KY	U, S	CM, D/L, HM	R,T,R/B,T/B	3.57	3.37	2.81	3.59	2000
TOTAL					9.89	9.20	8.50	9.81	

S – Surface
U – Underground
CM – Continuous Miner
D/L – Dozers and Front-End loaders
HM – Highwall Miner
A - Auger
R – Rail
R/B – Rail to Barge
R/V – Rail to Ocean Vessel
T – Truck
T/B – Truck to Barge

Gatliff Coal Company

Located in Bell County, Kentucky, Gatliff Coal Company is supplied by one surface mine. Principal products at this location consist primarily of high quality steam coal for utilities. Products from this operation are transported by trucking

contractors. Rich Mountain Coal Company formerly operated as a contractor for Gatliff Coal Company's Tennessee production which is currently in non-producing reclamation status. Gatliff Coal Company produced 0.36 million tons of coal in 2006, leaving a reserve base of 9.1 million recoverable tons.

Clintwood Elkhorn Mining Company

Clintwood Elkhorn Mining Company has two facilities. One is located near Biggs, Kentucky in Pike County, and is supplied by ten underground mines and four surface mines. Principal products at the Biggs, Kentucky location include high volatile metallurgical coals and steam coals. The second Clintwood Elkhorn Mining Company facility is located near Hurley, Virginia and is supplied by three underground mines and four surface mines. The Hurley Virginia operation facility also supplies high-volatile metallurgical coal as well as steam coal products. Products from both locations are shipped domestically to customers in North America via Norfolk Southern Corporation and vessels via the Great Lakes. International customers receive their products via ocean vessels from Lamberts Point, Virginia. In total, Clintwood Elkhorn Mining Company produced 2.63 million tons of coal in 2006, leaving a reserve base of 39.0 million recoverable tons.

Premier Elkhorn Coal Company

Located near Myra, in Pike County, Kentucky, Premier Elkhorn Coal Company is supplied by production from eight underground mines and seven surface mines. Principal products include high-quality steam coal for utilities, specialty stoker products for ferro-silicon and industrial customers, PCI and metallurgical coal for the steel mills. Facilities include a 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 Railroad and trucking contractors. Metallurgical coal is also shipped to be sold in international markets. All production is performed by Premier Elkhorn Coal Company even though Pike Letcher Land Company controls by fee and lease all of the recoverable reserves. Premier Elkhorn Coal Company produced 3.33 million tons of coal in 2006, leaving a reserve base of 84.9 million recoverable tons.

Perry County Coal Corporation

Located near Hazard, Kentucky in Perry County, Perry County Coal Corporation is supplied by three underground mines and one surface mine. Principal products include high quality steam coal for utilities and industrial stoker products. Facilities include an upgraded 1,350 ton per hour preparation plant and two unit train load-outs, each capable of loading at 5,000 tons per hour. Products from this location are shipped domestically via CSXT Railroad and trucking contractors. During 2006, a major lease was signed with Kentucky River Properties, adding over 9,500 acres and 15.9 million tons to the Southwest project area. Exploration for this project will continue in 2007. Perry County Coal Corporation produced 3.57 million tons of coal in 2006, leaving a reserve base of 140.9 million recoverable tons.

TECO Synfuel Operations, LLC

In April 2003, TECO Coal sold a 49.5 percent ownership interest in its synthetic fuel production facilities, an additional 40.5 percent in June of 2004 and 8 percent in July of 2005 (See the **TECO Coal** section of **MD&A**). Sales of the fuel processed through these types of facilities are eligible for non-conventional fuels tax credits under the Internal Revenue Code, which are available through 2007. TECO Coal received Private Letter Rulings from the Internal Revenue Service confirming that the facilities produce a qualified fuel eligible for synthetic fuel tax credits available for the production of such non-conventional fuels and resolved any uncertainty related to the sale of its interest in the production facilities.

The synthetic fuel tax credit, determined annually, is estimated to be $1.17 per million Btu in 2006. The actual tax credit for 2005 and 2004 was $1.15 per million Btu and $1.13 per million Btu, respectively. This rate escalates with inflation but could be limited by domestic oil prices. The weighted average price of domestic oil for 2006 exceeded $62 per barrel resulting in an estimated 35% phase-out of the credits allowed for 2006. See the **Outlook - Synthetic Fuel** Section of the **MD&A** for further discussion of the synthetic fuel tax credit.

Sales and Marketing

The TECO Coal marketing and sales force includes sales managers, distribution/transportation managers and administrative personnel. Primary customers are utilities, steel companies and industrial plants. TECO Coal sells coal under long-term agreements, which are generally greater than 12 months, and on a spot basis, which is generally less than 12 months.

The terms of these coal sales contracts result from bidding and negotiations with customers. Among our customers, these contracts typically vary in price, quantity, quality, duration and delivery point. In addition, individual contracts may contain terms and conditions that allow for periodic price reviews, price adjustment mechanisms, recovery of governmental impositions as well as provisions for force majeure, suspension, termination, treatment of environmental legislation and assignment.

Distribution

TECO Coal and its subsidiaries transport coal from its mining complexes to customers by rail, barge, vessel and trucks. TECO Coal and its subsidiaries employ transportation specialists who coordinate the development of acceptable shipping schedules with our customers, transportation providers and mining facilities.

Competition

Primary competitors of TECO Coal's subsidiaries are other coal suppliers, many of which are located in Central Appalachia. Even though consolidation and bankruptcy have decreased the number of coal suppliers, the industry is still intensely competitive. To date, TECO Coal and its subsidiaries have been able to compete for coal sales by mining high-quality steam and specialty coals and by effectively managing production and processing costs.

Employees

As of Dec. 31, 2006, TECO Coal and its subsidiaries employed a total of 1,019 employees.

Regulations

Mine Safety and Health

The operations of underground mines, including all related surface facilities, are subject to the Federal Coal Mine Safety and Health Act of 1969, the 1977 Amendment and the Miner Act of 2006. TECO Coal's subsidiaries are also subject to various Kentucky, Tennessee and Virginia mining laws which require approval of roof control, ventilation, dust control and other facets of the coal mining business. Federal and state inspectors inspect the mines to ensure compliance with these laws. TECO Coal and its subsidiaries believe it is in substantial compliance with the standards of the various enforcement agencies. It is unaware of any mining laws or regulations that would materially affect the market price of coal sold by its subsidiaries, although recent mining accidents within the industry could lead to new legislation that could impose additional costs on TECO Coal and its subsidiaries.

Black Lung Legislation

Under the Black Lung Benefits Revenue Act of 1977 and the Black Lung Benefits Reform Act of 1977, as amended in 1981, each coal mine operator must make payment of federal black lung benefits to claimants who are current and former employees, certain survivors of a miner who dies from black lung disease, and to a trust fund for the payment of benefits and medical expenses to claimants who last worked in the coal industry prior to Jul. 1, 1973. Historically, a small percentage of the miners currently seeking federal black lung benefits are awarded these benefits by the federal government. The trust fund is funded by an excise tax on coal production of up to $1.10 per ton for deep-mined coal and up to $0.55 per ton for surface-mined coal, neither amount to exceed 4.4% of the gross sales price.

In December 2000, the Department of Labor issued new amendments to the regulations implementing the federal Black Lung laws that, among other things, establish a presumption in favor of a claimant's treating physician, limit a coal operator's ability to introduce medical evidence, and redefine Coal Workers Pneumoconiosis to include chronic obstructive pulmonary disease. These changes in the regulations will increase the percentage of claims approved and the overall cost of Black Lung to coal operators. TECO Coal and its subsidiaries, with the help of its consulting actuaries, intend to continue monitoring claims very closely.

Workers' Compensation

TECO Coal and its subsidiaries are liable for workers' compensation benefits for traumatic injury and occupational exposure claims under state workers' compensation laws. Workers' compensation laws are administered by state agencies with each state having its own set of rules and regulations regarding compensation that is owed to an employee that is injured in the course of employment.

Environmental Laws

Surface Mining Control and Reclamation Act

Coal mining operations are subject to the Surface Mining Control and Reclamation Act of 1977 which places a charge of $0.15 and $0.35 on every net ton of underground and surface coal mined, respectively, to create a fund for reclaiming land and water adversely affected by coal mining. Other provisions establish standards for the control of environmental effects and reclamation of surface coal mining and the surface effects of underground coal mining and requirements for federal and state inspections.

Clean Air Act/Clean Water Act

While conducting their mining operations, TECO Coal's subsidiaries are subject to various federal, state and local air and water pollution standards. In 2006, TECO Coal spent approximately $2.6 million on environmental protection and reclamation programs. TECO Coal and its subsidiaries expect to spend a similar amount in 2007 on these programs.

For information concerning potential new state and/or federal legislation limiting CO_2 emissions, see the **Environmental Compliance - Carbon Reductions** section of **MD&A.**

CERCLA (Superfund)

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA" – commonly known as Superfund) affects coal mining and hard rock operations by creating liability for investigation and remediation in response to releases of hazardous substances into the environment and for damages to natural resources. Under Superfund, joint and several liabilities may be imposed on waste generators, site owners or operators and others regardless of fault.

Under EPA's Toxic Release Inventory process, companies are required to report annually listed toxic materials that exceed defined quantities.

Glossary of Selected Mining Terms

Assigned reserves. Coal which has been committed by the coal company to operating mine shafts, mining equipment, and plant facilities, and all coal which has been leased by the company to others.

Bituminous coal. The most common type of coal with moisture content less than 20% by weight and heating value of 10,500 to 14,000 Btu per pound. It is dense and black and often has well-defined bands of bright and dull material.

Btu. (British Thermal Unit). A measure of the energy required to raise the temperature of one pound of water one degree Fahrenheit.

Central Appalachia. Coal producing states and regions of eastern Kentucky, eastern Tennessee, western Virginia and southern West Virginia.

Coal seam. Coal deposits occur in layers. Each layer is called a "seam."

Coal washing. The process of removing impurities, such as ash and sulfur based compounds, from coal.

Compliance coal. Coal which, when burned, emits 1.2 pounds or less of sulfur dioxide per million Btus, which is equivalent to .72% sulfur per pound of 12,000 Btu coal. Compliance coal requires no mixing with other coals or use of sulfur dioxide reduction technologies by generators of electricity to comply with the requirements of the federal Clean Air Act.

Continuous miner. A machine used in underground mining to cut coal from the seam and load it onto conveyors or into shuttle cars in a continuous operation.

Continuous mining. One of two major underground mining methods now used in the United States. This process utilizes a continuous miner. The continuous miner removes or "cuts" the coal from the seam. The loosened coal then falls on a conveyor for removal to a shuttle car or larger conveyor belt system.

Deep mine. An underground coal mine.

Dozer and Front-end loader mining. An open-cast method of mining that uses large dozers together with trucks and loaders to remove overburden, which is used to backfill pits after coal removal.

Ferro-silicon. An alloy of iron and silicon used in the production of carbon steel.

Force majeure. An event that may prevent the company from conducting its mining operations as a result of in whole or in part by: Acts of God, wars, riots, fires, explosions, breakdowns or accidents; strikes, lockouts or other labor difficulties; lack or shortages of labor, materials, utilities, energy sources, compliance with governmental rules, regulations or other governmental requirements; any other like causes.

High vol met coal. Coal that averages approximately 35% volatile matter. Volatile matter refers to a constituent that becomes gaseous when heated to certain temperatures.

Highwall miner. An auger-like apparatus that drives parallel rectangular entries from the surface up to 1,000 feet deep.

Industrial coal. Coal used by industrial steam boilers to produce electricity or process steam. It generally is lower in Btu heat content and higher in volatile matter than metallurgical coal.

Long term contracts. Contracts with terms of one year or longer.

Low ash fusion. Coal that when burned typically produces ash that has a melting point below 2,450 degrees Fahrenheit.

Low sulfur coal. Coal which, when burned, emits 1.6 pounds or less of sulfur dioxide per million Btus.

Metallurgical coal. The various grades of coal suitable for carbonization to make coke for steel manufacture. Also known as "met" coal, it possesses four important qualities: volatility, which affects coke yield; the level of impurities, which affects coke quality; composition, which affects coke strength; and basic characteristics, which affect coke oven safety. Met coal has a particularly high Btu, but low ash content.

Overburden. Layers of earth and rock covering a coal seam. In surface mining operations, overburden is removed prior to coal extraction.

Overburden ratio. The amount of overburden commonly stated in cubic yards that must be removed to excavate one ton of coal.

Pillar. An area of coal left to support the overlying strata in a mine; sometimes left permanently to support surface structures.

Pneumoconiosis. A lung disease caused by long-continued inhalation of mineral or metallic dust.

Preparation plant. Usually located on a mine site, although one plant may serve several mines. A preparation plant is a facility for crushing, sizing and washing coal to prepare it for use by a particular customer. The washing process has the added benefit of removing some of the coal's sulfur content.

Probable (Indicated) reserves. Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart; therefore, the degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Proven (Measured) reserves. Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established.

Pulverized coal injection (PCI). A system whereby coal is pulverized and injected into blast furnaces in the production of steel and/or steel products.

Reclamation. The process of restoring land and the environment to their approximate original state following mining activities. The process commonly includes "recontouring" or reshaping the land to its approximate original appearance, restoring topsoil and planting native grass and ground covers. Reclamation operations are usually underway before the mining of a particular site is completed. Reclamation is closely regulated by both state and federal law.

Recoverable reserves. The amount of proven and probable reserves that can actually be recovered from the reserve base taking into account all mining and preparation losses involved in producing a saleable product using existing methods and under current law.

Reserves. That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Resource (Non-reserve coal deposit). A coal-bearing body that does not qualify as a commercially viable coal reserve. Resources may be classified as such by either limited property control, geologic limitations, insufficient exploration or other limitations. In the future, it is possible that portions of the resource could be re-classified as reserve if those limitations are removed or mitigated by: improving market conditions, additional property control, favorable results of exploration, advances in technology, etc.

Roof. The stratum of rock or other mineral above a coal seam; the overhead surface of a coal working place. Same as "top."

Room and pillar mining. In the underground room and pillar method of mining, continuous mining machines cut three to nine

entries into the coal bed and connect them by driving crosscuts, leaving a series of rectangular pillars, or columns of coal to help support the mine roof and control the flow of air. As mining advances, a grid-like pattern of entries and pillars is formed. Additional coal may be recovered from the pillars as this panel of coal is retreated.

Spot market. Sales of coal under an agreement for shipments over a period of one year or less.

Steam coal. Coal used by power plants and industrial steam boilers to produce electricity or process steam. It generally is lower in Btu heat content and higher in volatile matter than metallurgical coal.

Sulfur. One of the elements present in varying quantities in coal that contributes to environmental degradation when coal is burned. Sulfur dioxide is produced as a gaseous by-product of coal combustion.

Sulfur content. Coal is commonly described by its sulfur content due to the importance of sulfur in environmental regulations. "Low sulfur" coal has a variety of definitions but is typically used to describe coal consisting of 1.0% or less sulfur. A majority of TECO Coal's Central Appalachian reserves are of low sulfur grades.

Surface mine. A mine in which the coal lies near the surface and can be extracted by removing overburden.

Synthetic Fuel (Synfuel). A solid fuel that is produced by mixing coal and/or coal waste with various additives, causing a chemical change to occur within the original product.

Tipple. A structure that facilitates the loading of coal into rail cars.

Tons. A "short" or net ton is equal to 2,000 pounds. A "long" or British ton is 2,240 pounds; a "metric" tonne is approximately 2,205 pounds. The short ton is the unit of measure referred to in this Form 10-K.

Unassigned reserves. Coal which has not been committed, and which would require new mineshafts, mining equipment, or plant facilities before operations could begin in the property.

Underground mine. Also known as a "deep" mine. Usually located several hundred feet below the earth's surface, an underground mine's coal is removed mechanically and transferred by shuttle car or conveyor to the surface.

Unit train. A train of a specified number of cars carrying only coal. A typical unit train can carry at least 10,000 tons of coal in a single shipment.

Utility coal. Coal used by power plants to produce electricity or process steam. It generally is lower in Btu heat content and higher in volatile matter than metallurgical coal.

TECO TRANSPORT

TECO Transport directly or indirectly owns an interest in nine subsidiaries which are involved in waterborne transportation, storage and transfer of coal and other dry-bulk commodities. These subsidiaries include TECO Ocean Shipping, Inc. (Ocean Shipping), TECO Barge Line, Inc. (Barge Line), TECO Bulk Terminal, LLC (Bulk Terminal) and TECO Towing Company. TECO Transport currently owns no operating assets. TECO Transport and its subsidiaries had 849 employees as of Dec. 31, 2006.

TECO Transport's subsidiaries perform substantial services for Tampa Electric. In 2006, approximately 30% of TECO Transport's revenues were from Tampa Electric and approximately 70% were from third-party customers including phosphate customers, steel industry customers, grain customers, coal and petroleum coke customers, and participation in the U.S. Government's cargo preference programs. The pricing for services performed by TECO Transport's operating companies for Tampa Electric is based on a market-based fixed-price per ton, generally adjusted quarterly for changes in certain fuel and price indices. Most of the third-party utilization of the ocean-going vessels (ships and barges) is for domestic and international movements of dry-bulk commodities and domestic phosphate movements. Both the terminal and river transport operations handle a variety of dry-bulk commodities for third-party customers.

Ocean Shipping transports products in the Gulf of Mexico and worldwide, while Barge Line operates on the Mississippi, Ohio and Illinois rivers and their tributaries. Their primary competitors are other barge and shipping lines and railroads, as well as a number of other companies offering transportation services on the waterways used by TECO Transport's subsidiaries. Ocean Shipping is the largest U.S. flag coastwise dry-bulk operator based on capacity, while Barge Line is one of the ten largest companies in its business, based on number of barges. To date, physical and technological improvements have allowed ship and barge operators to maintain competitive rate structures with alternate methods of transporting bulk commodities when the origin and destination of such shipments are contiguous to navigable waterways.

Bulk Terminal operates the largest transfer and storage terminal on the Gulf coast. Demand for the use of such terminals is

dependent upon customers' use of water transportation versus alternate means of moving bulk commodities and the demand for these commodities. Competition consists primarily of mid-stream operators who operate floating cranes or other floating discharge and loading equipment, and other land-based terminals.

Competition within TECO Transport's markets is based primarily on geographic markets served, pricing, and service level. The majority of the ocean business and all of the river business is subject to the Jones Act, which prohibits the use of non-U.S. flag vessels for movement between U.S. ports.

The business of TECO Transport's subsidiaries, taken as a whole, is not subject to significant seasonal fluctuation, but is sensitive to weather and economic conditions.

The Interstate Commerce Act exempts from regulation water transportation of certain dry-bulk commodities. In 2006, all transportation services provided by TECO Transport's subsidiaries were within this exemption.

TECO Transport's subsidiaries are subject to the provisions of the Clean Water Act of 1977 which authorizes the Coast Guard and the EPA to assess penalties for oil and hazardous substance discharges. Under this Act, these agencies are also empowered to assess clean-up costs for such discharges. In 2006, TECO Transport spent $0.2 million for environmental compliance. Environmental expenditures are estimated at $0.4 million in 2007, primarily for work on solid waste disposal and storm water drainage at the Bulk Terminal facility in Louisiana and for expenses related to oil and bilge water disposal at its river-barge repair facility in Illinois.

TECO GUATEMALA

TECO Guatemala, Inc. (Formerly TWG Non-Merchant, Inc.), has subsidiaries that have interests in independent power projects in Guatemala and a minority ownership interest in an electrical distribution utility. The TECO Guatemala subsidiaries had 123 employees as of Dec. 31, 2006.

TECO Guatemala indirectly owns 100% of Central Generadora Eléctrica San José, Limitada (CGESJ), the owner of a project located in Guatemala, which consists of a single-unit pulverized-coal baseload facility (the San José Power Station). This facility was the first coal-fueled plant in Central America and meets environmental standards set by the World Bank. In 1996, CGESJ signed a U.S. dollar-denominated power purchase agreement (PPA) with Empresa Eléctrica de Guatemala, S.A. (EEGSA), the largest private distribution and generation company in Central America, to provide 120 megawatts of capacity and energy for 15 years beginning in 2000. In 2001, CGESJ signed an option with EEGSA to extend that PPA for five years at the end of its current term for approximately $2.5 million. In 2002, CGESJ transferred the port assets to Tecnología Marítima, S.A. (TEMSA), a new indirect wholly-owned subsidiary. TEMSA, in addition to receiving the coal shipments for CGESJ, provides unloading services to third parties. Affiliates of TECO Guatemala had originally obtained $114 million of limited recourse financing from Bank of America (BOA), Overseas Private Investment Corporation (OPIC) and Trust Company of the West (TCW) for the San José Power Station. In 2004, CGESJ paid off its loans with BOA, OPIC and TCW with proceeds from a non-recourse $120 million loan from a syndication led by Banco Industrial, a local bank in Guatemala. Political risk insurance is in place for currency inconvertibility, expropriation and political violence covering up to 100% of TECO Guatemala's indirect equity investment and economic returns.

Tampa Centro Americana de Electricidad, Limitada (TCAE), an entity 96.06% owned by TPS Guatemala One, Inc., a subsidiary of TECO Guatemala, and the owner of a natural gas-powered facility (the Alborada Power Station), has a U.S. dollar-denominated PPA with EEGSA to provide 78 megawatts of capacity for a 15-year period ending in 2010. In 2001, TCAE signed an option with EEGSA to extend that PPA for five years at the end of its current term for approximately $2.9 million. EEGSA is responsible for providing the fuel for the plant, with a subsidiary of TECO Guatemala providing assistance in fuel administration. Affiliates of TECO Guatemala had originally obtained $29 million of limited recourse financing from OPIC for the Alborada Power Station. In 2002, TCAE paid off its loan with OPIC with a portion of the proceeds from a non-recourse $25 million loan from Banco Industrial, a local bank in Guatemala. Political risk insurance is in place for currency inconvertibility, expropriation and political violence covering up to 100% of TECO Guatemala's indirect equity investment and economic returns.

In 1998, a consortium that includes affiliates of TECO Energy, Iberdrola, an electric utility in Spain, and Electricidade de Portugal, an electric utility in Portugal, completed the purchase of an 80.9% ownership interest in EEGSA for $520 million. TECO Guatemala contributed $100 million in equity and owns a 30% interest in this consortium. At this time, the consortium maintains a controlling interest in EEGSA and other affiliate companies. EEGSA serves more than 800,000 customers in and around the metropolitan area of Guatemala City. TECO Guatemala has obtained political risk insurance for currency inconvertibility, expropriation and political violence covering up to 100% of TECO Guatemala's indirect equity investment and economic returns.

Our existing plants in Guatemala operate under environmental permits issued by the local environmental authorities. The plants were built in accordance to World Bank Guidelines of 1988 and 1994, at the time of construction of these assets. TECO Guatemala complies with strict monitoring programs established by the local Ministry of Environment – MARN, which regulates local environmental laws and monitors compliance. TECO Guatemala has an environmental emission controls plan, monitoring programs as per the approved permits and lender requirements, pursuant to the referenced World Bank Guidelines.

TECO Guatemala operates its facilities under an approved environmental management plan, providing for efficient facility operation while assuring worker health and safety and reducing environmental impacts.

As a result of the adoption of FIN 46R, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, effective Jan. 1, 2004, CGESJ and TCAE were deconsolidated. See **Note 19** to the TECO Energy **Consolidated Financial Statements** for additional information about the adoption of FIN 46R. For financial information about geographic areas, see **Note 14** to the TECO Energy **Consolidated Financial Statements**.

TWG MERCHANT, INC.

The TWG Merchant entity was created to own interests in merchant power projects. In 2003, TECO Energy announced that its strategy going forward was to focus on the Florida utilities and profitable unregulated businesses and to reduce the company's exposure to the merchant power markets. As of Dec. 31, 2006, TWG Merchant has sold its interests in all independent power projects and has effectively reduced the company's exposure. Any residual results of operations for the fiscal year ending Dec. 31, 2006, are reported in "Other and eliminations", removing TWG Merchant as a reportable segment. Also effective as of Dec. 31, 2006, TWG Merchant has no remaining employees.

Item 1A. RISK FACTORS.

RISK FACTORS

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.

Financing Risks

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

We have significant indebtedness, which has resulted in an increase in the amount of 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 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, 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. See the **Credit Facilities** section and **Significant Financial Covenants** table in the **Liquidity, Capital Resources** sections of **MD&A** for descriptions of these tests and covenants.

As of Dec. 31, 2006, 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, as described under **Off Balance Sheet Financing** and **Liquidity, Capital Resources** sections of the **MD&A**. In addition, our unconsolidated affiliates have incurred non-recourse debt. Although we are not obligated on that debt, our investments in those unconsolidated affiliates are at risk if the affiliates default on their debt.

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 below investment grade by Standard & Poor's (S&P) at BB with a stable outlook, by Moody's Investor's Services (Moody's) at Ba2 with a stable outlook and by Fitch Ratings (Fitch) at BB+ with a 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 stable 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 our current credit ratings or future downgrades. In addition, downgrades could adversely affect our relationships with customers and counterparties.

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

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 FPSC's mandated design changes to harden transmission and distribution facilities against hurricane damage, and to improve coal-fired generating unit reliability. We are also in the early stages of exploring the technology options for the next large generating capacity needs at Tampa Electric. There are

large differences in the capital needs depending on the final technology chosen. Pending a technology decision, the costs for the next large generating capacity addition are not factored into our current capital spending forecast shown in the **Capital Expenditures** section of **MD&A**.

Our capital expenditures may exceed the planned amount. 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.

If we are not able to complete the sale of TECO Transport we are considering, our plans to accelerate the retirement of parent level debt and support Tampa Electric's increased capital spending needs may be adversely affected.

If we are unable to complete a sale of TECO Transport, we would not be positioned to accelerate our goal of retiring our parent level debt earlier than our current forecast. In addition, if a sale were not completed, we would have to consider other options to support Tampa Electric's capital spending plans, which could include the sale of other businesses or capital markets transactions.

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, 2006, Tampa Electric Company's consolidated shareholders' equity was approximately $1.7 billion. Also, our wholly owned subsidiary, TECO Diversified, Inc., the holding company for TECO Transport, TECO Coal and TECO Solutions, 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, including the floating rate notes we issued in June 2005. 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.

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.

Our unregulated businesses, TECO Transport, 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 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 regulatory structures 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.

Tampa Electric's earnings may decrease and it may not be able to earn its allowed return with the current base rates.

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.

In order to earn within its allowed ROE range given its higher operations and maintenance costs and the increased investment in infrastructure and facilities, Tampa Electric may have to file for higher rates with the FPSC. While the FPSC has a history of constructive regulation, we cannot predict the outcome of any such regulatory proceeding.

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. TECO Transport is also impacted by weather because of its effects on the supply of and demand for the products transported. Severe weather conditions could interrupt or slow service and increase operating costs of those businesses.

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 natural gas and pipeline capacity are recovered through retail customers' bills, but increases in natural 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 residential customer declined in 2006. We believe that this was in response to mild weather, higher energy prices reflected both through the fuel charge on electric bills and for higher energy prices in general, and to changes in residential construction patterns in Tampa Electric's service area.

Tampa Electric's forecasts are based on normal weather patterns and long-term historical trends in customer energy use patterns. Tampa Electric's 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.

In 2006, the number of multi-family residences completed in Tampa Electric's service area was the highest level since 2001. 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 Tampa Electric's service area in 2006 compared to detached residences indicates that this trend may continue in 2007. 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.

Changes in the relationship between the Producer First Purchase Price and the NYMEX oil prices could affect the value of our hedges.

We have entered into oil price hedge transactions to protect the earnings and cash benefits for the vast majority of our expected 2007 synthetic fuel production. We have hedged approximately $195 million of the expected proceeds from investors related to the production of synthetic fuel in 2007 on the assumption that the Producer First Purchase Price would average 90% of the NYMEX per barrel oil price. Changes in this relationship could change the range over which the oil price hedge instruments that we have in place protect our synthetic fuel production benefits.

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.

There is increasing debate and discussion regarding the regulation of greenhouse gas 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 greenhouse gas emission regulation, either federal or state, is unknown at this time and potential costs to reduce greenhouse gases 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 greenhouse gas 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.

TECO Transport does a significant amount of business under certain U.S. government programs that are dependent on annual appropriations.

TECO Transport participates in the U.S. Cargo Preference Program and the PL480 program for shipments of U.S. aid grain, which are funded annually through the U.S. government's appropriation process. While these programs have been funded at stable levels for many years, Congress could reduce funding in the future. Our outlook, however, assumes that these programs continue to be funded at levels similar to the last several years.

A repeal of the Jones Act could result in increased competition and reduced profitability for TECO Transport.

TECO Transport is a U.S. flag carrier with a major portion of its business subject to the Jones Act. The Jones Act restricts oceangoing shipments directly between U.S. ports and all inland waterway business to U.S. vessels built in U.S. shipyards, owned by citizens of the U.S., and with U.S. citizen crews and it has, on occasion, been cited as a cause for higher costs by certain domestic industries which have lobbied for repeal of the act or waivers for shipments carried by non-U.S. flag vessels under certain circumstances. A repeal or modification of the Jones Act opening this trade to non-U.S. flag vessels could potentially increase competition and reduce profitability.

Our international projects and the operations of TECO Transport 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.

TECO Transport is exposed to operational risks in international ports, primarily due to its need for suitable labor and equipment to safely discharge its cargoes in a timely manner. TECO Transport attempts to manage these risks through a variety of risk mitigation measures, including retaining agents with local knowledge and experience in successfully discharging cargoes and vessels similar to those used by TECO Transport, but these measures may not be successful.

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.

We are currently defending lawsuits in which we could be liable for damages.

TECO Energy and certain of its subsidiaries have been named as defendants in lawsuits, as more fully described under **Legal Contingencies**, in **Note 12** to the **TECO Energy Consolidated Financial Statements**. We intend to vigorously defend all of these proceedings, however, we cannot predict the ultimate resolution of any of these matters at this time, and there can be no assurance that these matters will not have a material adverse impact on our financial condition or results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

TECO Energy believes that the physical properties of its operating companies are adequate to carry on their businesses as currently conducted. The properties of Tampa Electric are subject to a first mortgage bond indenture under which no bonds are currently outstanding.

TAMPA ELECTRIC

Tampa Electric has five electric generating plants and five combustion turbine units in service with a total net winter generating capability of 4,383 megawatts, including Big Bend (1,697-MW capability from four coal units), Bayside (1,841-MW capability from two natural gas units), Phillips (36-MW capability from two diesel units), Polk (260-MW capability from one integrated gasification combined cycle (IGCC) unit), three combustion turbine units (CTs) located at Big Bend (175-MW) and two CTs at Polk (368-MW). Additionally, Tampa Electric has 6-MW of generating capability from generation units located at the Howard Curren Advanced Waste Water Treatment Plant in the City of Tampa. The capability indicated represents the demonstrable dependable load carrying abilities of the generating units during winter peak periods. Units at Big Bend went into service from 1970-1985. The Polk IGCC unit began commercial operation in 1996. In 1991, Tampa Electric purchased two power plants (Dinner Lake and Phillips) from the Sebring Utilities Commission (Sebring). Phillips was placed in service by Sebring in 1983. Dinner Lake was retired from service in January 2003. Bayside Unit 1 was completed in April 2003, and Bayside Unit 2 was completed in January 2004.

Tampa Electric owns 184 substations having an aggregate transformer capacity of 21,226 Mega Volts Amps (MVA). The transmission system consists of approximately 1,307 pole miles (including underground and double-circuit) of high voltage transmission lines, and the distribution system consists of 7,079 pole miles of overhead lines and 3,425 trench miles of underground lines. As of Dec. 31, 2006, there were 661,278 meters in service. All of this property is located in Florida.

All plants and important fixed assets are held in fee except that title to some of the properties is subject to easements, leases, contracts, covenants and similar encumbrances and minor defects of a nature common to properties of the size and character of those of Tampa Electric.

Tampa Electric has easements for rights-of-way adequate for the maintenance and operation of its electrical transmission and distribution lines that are not constructed upon public highways, roads and streets. It has the power of eminent domain under Florida law for the acquisition of any such rights-of-way for the operation of transmission and distribution lines. Transmission and distribution lines located in public ways are maintained under franchises or permits.

Tampa Electric has a long-term lease for the office building in downtown Tampa which serves as headquarters for TECO Energy, Tampa Electric, PGS, TECO Transport, and TECO Guatemala.

PEOPLES GAS SYSTEM

PGS' distribution system extends throughout the areas it serves in Florida and consists of approximately 16,000 miles of pipe, including approximately 10,000 miles of mains and 6,000 miles of service lines. Mains and service lines are maintained under rights-of-way, franchises or permits.

PGS' operations are located in 15 operating divisions throughout Florida. While most of the operations and administrative facilities are owned, a small number are leased.

TECO COAL

Property Control

Operations of TECO Coal and its subsidiaries are conducted on both owned and leased properties totaling nearly 250,000 acres in Kentucky, Tennessee and Virginia. TECO Coal's current practice is to obtain a title review from a licensed attorney prior to purchasing or leasing property. As is typical in the coal mining industry, TECO Coal generally has not obtained title insurance in connection with its acquisitions of coal reserves and/or related surface properties. In many cases, the seller or lessor will grant the purchasing or leasing entity a warranty of property title. When leasing coal reserves and/or related surface properties where mining has previously occurred, TECO Coal may opt not to perform a separate title confirmation due to the previous mining activities on such a property. Consistent with industry practices, title and boundaries to less significant properties are now verified during lease or purchase negotiations.

In situations where property is controlled by lease, the lease terms are generally sufficient to allow the reserves for the associated operation to be mined within the initial lease term. In fact, the terms of many of these leases extend until the exhaustion of the mineable and merchantable coal from the leased property. If, however, extensions of the original lease term become necessary, provisions have generally been made within the original lease to extend the lease term upon continued payment of minimum royalties.

Coal Reserves

As of Dec. 31, 2006, the TECO Coal operating companies had a combined estimated 273.9 million tons of proven and probable recoverable reserves. All of the reserves consist of High Vol A Bituminous Coal. Reserves are the portion of the proven and probable tonnage that meet TECO Coal's economic criteria regarding mining height, preparation plant recovery, depth of overburden and stripping ratio. Generally, these reserves would be commercially mineable at year-end price and cost levels. Additionally, 48.2 million tons of coal classified as "resource" were identified in earlier third-party audit reports. Another 15.8 million tons of coal classified as "resource" were identified in the third-party audit report prepared by Marshall Miller & Associates, bringing the total identified resource to 64.0 million tons of coal.

Reserves are defined by SEC Industry Guide 7 as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Proven and probable coal reserves are defined by SEC Industry Guide 7 as follows:

Proven (Measured) Reserves - Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, working or drill holes: grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

Probable (Indicated) Reserves - Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but for which the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Drill hole spacing for confidence levels in reserve calculations is based on guidelines in U.S. Geological Survey Circular 891 (Coal Resource Classification System of the U.S. Geological Survey). In this method of classification, "proven" reserves are considered to be those lying within one-quarter mile (1,320 feet) of a valid point of measurement and "probable" reserves are those lying between one-quarter mile and three-quarters mile (3,960 feet) from such an observation point.

Our reserve estimates are prepared by our staff of geologists, whose experience range from 15 years to 30 years. We also have two chief geologists with the responsibility to track changes in reserve estimates, supervise TECO Coal's other geologists and coordinate third party reviews of our reserve estimates by qualified mining consultants. In 2006, a third-party reserve audit was performed by Marshall Miller & Associates on the portion of reserves acquired during 2006. The results of that audit are reflected in the numbers within this report.

Table 3 below shows recoverable reserves by quantity and the method of property control as well as the Assigned and Unassigned reserves per mining complex.

RECOVERABLE RESERVES BY QUANTITY [1]
(Millions of tons)
Table 3

							Assigned [2]		Unassigned[2]	
Mining Complex	**Location**	**Total**	**Proven**	**Probable**	**Owned**	**Leased**	**2006**	**2005**	**2006**	**2005**
Gatliff Coal Company	Bell County, KY/ Knox County, KY/ Campbell County, TN	9.1	6.5	2.6	1.0	8.1	0.7	1.1	8.4	8.4
Clintwood Elkhorn Mining	Pike County, KY Buchanan County, VA	39.0	33.2	5.8	3.9	35.1	39.0	35.6	-	-
Premier Elkhorn Coal	Pike County, KY/Letcher County, KY/ Floyd County, KY	84.9	68.0	16.9	44.1	40.8	84.9	83.1	-	-
Perry County Coal	Perry County, KY/ Leslie County, KY/ Knott County, KY	140.9	55.7	85.2	-	140.9	140.9	130	-	-
	Total	273.9	163.4	110.5	49.0	224.9	265.5	249.8	8.4	8.4

Notes:
(1) Recoverable reserves represent the amount of proven and probable reserves that can actually be recovered from the reserve base taking into account all mining and preparation losses involved in producing a saleable product using existing methods under current law. Reserve information reflects a moisture of 6.5%. This moisture factor represents the average moisture present in TECO Coal's delivered coal.
(2) Assigned reserves means coal which has been committed by the coal company to operating mine shafts, mining equipment, and plant facilities, and all coal which has been leased by the company to others. Unassigned reserves represent coal which has not been committed, and which would require new mineshafts, mining equipment, or plant facilities before operations could begin in the property.

Table 4 below shows the recoverable reserves by quality, including sulfur content and coal type, per mining complex:

RECOVERABLE RESERVES BY QUALITY [1]
(Millions of tons)
Table 4

		Sulfur Content				
Mining Complex	**Recoverable Reserves (Millions of tons)**	**<1% [2]**	**>1% [2]**	**Compliance Tons [3]**	**Average BTU/lb As received**	**Coal Type [4]**
Gatliff Coal Company	9.1	8.3	0.8	-	13,500	LSU
Clintwood Elkhorn Mining	39.0	17.4	21.6	17.4	13,400	HVM, LSU, PCI,SF
Premier Elkhorn Coal	84.9	30.4	54.5	23.7	13,350	IS, LSU, PCI, SF
Perry County Coal	140.9	133.0	7.9	78.5	13,195	LSU, PCI, SF, V
Total	273.9			119.6		

Notes:
(1) Reserve information reflects a moisture factor of 6.5%. This moisture factor represents the average moisture present in TECO Coal's delivered coal.
(2) <1% or >1% refers to sulfur content as a percentage in coal by weight.
(3) Compliance coal is any coal that emits less than 1.2 pounds of sulfur dioxide per million BTU when burned. Compliance coal meets sulfur emission standards imposed by Title IV of the Clean Air Act.
(4) Reserve holdings include metallurgical coal reserves. Although these metallurgical coal reserves receive the highest selling price in the current market when marketed to steel-making customers, they can also be marketed as an ultra-high BTU, low sulfur utility coal for electricity generation.

HVM – High Vol Met
LSU – Low Sulfur Utility
PCI – Pulverized Coal Injection
SF – Synthethic fuel Product
V – Various

Reserve Estimation Procedure

TECO Coal's reserves are based on over 2,700 data points, including drill holes, prospect measurements, and mine measurements. Our reserve estimates also include information obtained from our on going exploration drilling and in-mine channel sampling programs. Reserve classification is determined by evaluation of engineering and geologic information along with economic analysis. These reserves are adjusted periodically to reflect fluctuations in the economics in the market and/or changes in engineering parameters and/or geologic conditions. Additionally, the information is constantly being updated to reflect new data for existing property as well as new acquisitions and depleted reserves.

This data may include elevation, thickness, and, where samples are available, the quality of the coal from individual drill holes and channel samples. The information is assembled by qualified geologists and engineers located throughout TECO Coal. Information is entered into sophisticated computer modeling programs from which preliminary reserves estimations are generated. The information derived from the geological database is then combined with data on ownership or control of the mineral and surface interests to determine the extent of the reserves in a given area. Determinations of reserves are made after in-house geologists have reviewed the computer models and manipulated the grids to better reflect regional trends.

During TECO Coal's reserve evaluation and mine planning, TECO Coal takes into account factors such as restrictions under railroads, roads, buildings, power lines, or other structures. Depending on these factors, coal recovery may be limited or, in some instances, entirely prohibited. Current engineering practices are used to determine potential subsidence zones. The footprint of the relevant structure, as well as a safety angle-of-draw, are considered when mining near or under such facilities. Also, as part of TECO Coal's reserve and mineability evaluation, TECO Coal reviews legal, economic and other technical factors. Final review and recoverable reserve determination is completed after a thorough analysis by in-house engineers, geologists and finance associates.

TECO TRANSPORT

Bulk Terminal's storage and transfer terminal is on a 1,070-acre site fronting on the Mississippi River, approximately 40 miles south of New Orleans. Bulk Terminal owns 342 of these acres in fee, with the remainder held under long-term leases.

Barge Line operates a fleet of 14 line vessels, 6 harbor vessels, and 627 river barges, approximately 74% of which it owns, on the Mississippi, Ohio and Illinois rivers and their tributaries. TECO Barge owns 15 acres of land fronting on the Ohio River at Metropolis, Illinois on which its operating offices, warehouse and repair facilities are located. Fleeting and repair services for its barges and those of other barge lines are performed at this location. Additionally, Barge Line performs fleeting activities in Davant, Louisiana, where Bulk Terminal is located.

As of Dec. 31, 2006, Ocean Shipping owns or operates a fleet of 8 ocean-going tug/barge units, a 33,500 short ton ocean-going ship, a 40,900 short ton ocean-going ship, and a 41,400 short ton ocean-going ship, with a combined cargo capacity of over 376,500 tons.

TECO GUATEMALA

TPS San José, LDC, a subsidiary of TECO Guatemala, Inc., has a 100% ownership in a project entity, CGESJ, which owns approximately 152 acres in Masagua, Guatemala on which the 120 MW coal-fired San José Power Station is located. TPS Guatemala One, Inc., a subsidiary of TECO Guatemala, has a 96.06% interest in TCAE, which owns approximately 11 acres in Escuintla, Guatemala on which the 78 MW oil-fired Alborada Power Station is located. TPS Operairones, a subsidiary of TECO Guatemala which provides operations, maintenance and administrative support to CGESJ and TCAE, owns approximately 43 acres in Masagua, Guatemala.

Item 3. LEGAL PROCEEDINGS.

For significant legal proceedings and discussion of environmental matters see **Notes 12** and **8, Commitments and Contingencies**, of the TECO Energy and Tampa Electric Company **Consolidated Financial Statements**, respectively.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted during the fourth quarter of 2006 to a vote of TECO Energy's security holders, through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, current positions and principal occupations during the last five years of the current executive officers of TECO Energy are described below.

Name	Age	Current Positions and Principal Occupations During Last Five Years
Sherrill W. Hudson	64	Chairman of the Board and Chief Executive Officer, TECO Energy, Inc. and Tampa Electric Company, July 2004 to date; and prior thereto, Managing Partner for South Florida, Deloitte & Touche, LLP (public accounting), Miami, Florida.
Charles R. Black	55	President, Tampa Electric Company, October 2004 to date; Senior Vice President-Generation, TECO Energy, Inc. and Tampa Electric Company, September 2003 to October 2004; and prior thereto, Vice President-Energy Supply, Engineering and Construction, Tampa Electric Company.
William N. Cantrell	54	President, Peoples Gas System, since prior to 2002; President, Tampa Electric Company, September 2003 to October 2004.
Clinton E. Childress	58	Senior Vice President-Corporate Services and Chief Human Resources Officer, TECO Energy, Inc., October 2004 to date and Chief Human Resources Officer and Procurement Officer, Tampa Electric Company, September 2003 to date; and prior thereto, Chief Human Resources Officer, TECO Energy, Inc. and Vice President-Human Resources, Tampa Electric Company.
Gordon L. Gillette	47	Executive Vice President and Chief Financial Officer, TECO Energy, Inc., July 2004 to date; President, TECO Guatemala, October 2004 to date; Senior Vice President-Finance and Chief Financial Officer, TECO Energy, Inc., April 2001 to July 2004; Senior Vice President-Finance and Chief Financial Officer, Tampa Electric Company, since prior to 2002.
Sal Litrico	51	President, TECO Transport Corporation, July 2004 to date; and prior thereto, Vice President of TECO Ocean Shipping, Inc.
Sheila M. McDevitt	60	Senior Vice President-General Counsel and Chief Legal Officer, TECO Energy, Inc. since prior to 2002.
John B. Ramil	51	President and Chief Operating Officer, TECO Energy, Inc., July 2004 to date; Executive Vice President and Chief Operating Officer, TECO Energy, Inc., September 2003 to July 2004; Executive Vice President, TECO Energy, Inc., December 2002 to September 2003; President, Tampa Electric Company, April 1998 to September 2003.
J. J. Shackleford	60	President of TECO Coal Corporation, since prior to 2002.

There is no family relationship between any of the persons named above or between executive officers and any director of the company. The term of office of each officer extends to the meeting of the Board of Directors following the next annual meeting of shareholders, scheduled to be held on May 2, 2007, and until such officer's successor is elected and qualified.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table shows the high and low sale prices for shares of TECO Energy common stock, which is listed on the New York Stock Exchange, and dividends paid per share, per quarter.

	1st Quarter	*2nd Quarter*	*3rd Quarter*	*4th Quarter*
2006				
High	$ 16.75	$ 16.75	$ 16.20	$ 17.50
Low	$ 15.97	$ 14.40	$ 14.86	$ 15.57
Close	$ 16.12	$ 14.94	$ 15.65	$ 17.23
Dividend	$ 0.19	$ 0.19	$ 0.19	$ 0.19
2005				
High	$ 16.50	$ 19.05	$ 19.30	$ 18.25
Low	$ 14.87	$ 15.30	$ 17.15	$ 15.72
Close	$ 15.68	$ 18.91	$ 18.00	$ 17.18
Dividend	$ 0.19	$ 0.19	$ 0.19	$ 0.19

The approximate number of shareholders of record of common stock of TECO Energy as of Feb. 23, 2007 was 17,933.

Dividends on TECO Energy's common stock are declared and paid at the discretion of its Board of Directors. The primary sources of funds to pay dividends to its common shareholders are dividends and other distributions from its operating companies. TECO Energy's $200 million credit facility contains a covenant that could limit the payment of dividends exceeding $50 million, subject to increase in the event TECO Energy issues additional shares of common stock, in any quarter, under certain circumstances. Certain long-term debt at PGS contains restrictions that limit the payment of dividends and distributions on the common stock of Tampa Electric.

In addition, TECO Diversified, Inc., a wholly-owned subsidiary of TECO Energy and the holding company for TECO Transport and TECO Coal, has a guarantee related to a coal supply agreement that limits the payment of dividends to its common shareholder, TECO Energy, but does not limit loans or advances.

See **Liquidity, Capital Resources – Covenants in Financing Agreements** section of **MD&A**, and **Notes 6, 7** and **12** to the TECO Energy ***Consolidated Financial Statements*** for additional information regarding significant financial covenants.

All of Tampa Electric Company's common stock is owned by TECO Energy, Inc. and, therefore, there is no market for the stock. Tampa Electric Company pays dividends substantially equal to its net income applicable to common stock to TECO Energy. Such dividends totaled $140.0 million in 2006, $173.4 million in 2005, and $163.2 million in 2004. See the **Restrictions on Dividend Payments and Transfer of Assets** section in **Note 1** to the Tampa Electric Company **Consolidated Financial Statements** for a description of restrictions on dividends on its common stock.

Set forth below is a table showing shares of TECO Energy common stock deemed repurchased by the issuer.

	(a) Total Number of Shares (or Units) Purchased [1]	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Oct. 1, 2006 – Oct. 31, 2006	191	$16.18	—	—
Nov. 1, 2006 – Nov. 30, 2006	7,384	$16.65	—	—
Dec. 1, 2006 – Dec. 31, 2006	2,158	$17.25	—	—
Total 4th Quarter 2006	9,733	$16.77	—	—

(1) These shares were not repurchased through a publicly announced plan or program, but rather relate to compensation or retirement plans of the company. Specifically, these shares represent shares delivered in satisfaction of the exercise price and/or tax withholding obligations by holders of stock options who exercised options (granted under TECO Energy's incentive compensation plans), shares delivered or withheld (under the terms of grants under TECO Energy's incentive compensation plans) to offset tax withholding obligations associated with the vesting of restricted shares and shares purchased by the TECO Energy Group Retirement Savings Plan pursuant to directions from plan participants or dividend reinvestment.

Item 6. SELECTED FINANCIAL DATA OF TECO ENERGY, INC.

(millions, except per share amounts) *Years ended Dec. 31,*	*2006*	*2005*	*2004*	*2003*	*2002*
Revenues [1]	$ 3,448.1	$ 3,010.1	$ 2,639.4	$ 2,562.9	$ 2,487.3
Net income (loss) from continuing operations [1]	$ 244.4	$ 211.0	$ (355.5)	$ 100.7	$ 265.4
Net income (loss) from discontinued operations [1][2]	1.9	63.5	(196.5)	(1,005.8)	64.7
Cumulative effect of change in accounting principle, net	-	-	-	(4.3)	-
Net income (loss)	$ 246.3	$ 274.5	$ (552.0)	$ (909.4)	$ 330.1
Total assets	$ 7,361.8	$ 7,170.1	$ 8,972.4	$ 9,964.3	$ 8,738.2
Long-term debt	$ 3,212.6	$ 3,709.2	$ 3,880.0	$ 4,392.6	$ 3,324.3
Earnings per share (EPS) – basic;					
From continuing operations [1]	$ 1.18	$ 1.02	$ (1.85)	$ 0.56	$ 1.73
From discontinued operations [1]	0.01	0.31	(1.02)	(5.59)	0.42
From cumulative effect of change in accounting principle	-	-	-	(0.02)	-
EPS basic	$ 1.19	$ 1.33	$ (2.87)	$ (5.05)	$ 2.15
Earnings per share (EPS) – diluted;					
From continuing operations [1]	$ 1.17	$ 1.00	$ (1.85)	$ 0.56	$ 1.73
From discontinued operations [1]	0.01	0.31	(1.02)	(5.58)	0.42
From cumulative effect of change in accounting principle	-	-	-	(0.02)	-
EPS diluted	$ 1.18	$ 1.31	$ (2.87)	$ (5.04)	$ 2.15
Dividends paid per common share	$ 0.76	$ 0.76	$ 0.76	$ 0.93	$ 1.41

(1) Amounts shown include reclassifications to reflect discontinued operations as discussed in **Note 20** to the TECO Energy **Consolidated Financial Statements**.

(2) 2004 and 2003 include impairment charges of $558.6 million and $100.1 million, respectively. See **Notes 17** and **18** to the TECO Energy **Consolidated Financial Statements**.

Item 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS.

This Management's Discussion and Analysis 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. Such statements are based on our current expectations, and we do not undertake to update or revise such forward-looking statements. These forward-looking statements include references to our anticipated capital expenditures, liquidity and financing requirements, projected operating results, future transactions, and other plans. Important factors that could cause actual results to differ materially from those projected in these forward-looking statements are discussed under "Risk Factors."

TECO Energy, Inc. is a holding company, and all of its business is conducted through its subsidiaries. In this Management's Discussion and Analysis, "we," "our," "ours" and "us" refer to TECO Energy, Inc. and its consolidated group of companies, unless the context otherwise requires.

OVERVIEW

We are a diversified energy-related holding company with five businesses consisting of regulated electric and gas utility operations in Florida and other operating companies engaged in coal mining and synthetic fuel production, waterborne transportation services and, in Guatemala, unregulated electric generation with long-term contracts and regulated electricity distribution.

Our regulated utility companies, Tampa Electric and Peoples Gas System (PGS) operate in the high-growth Florida market. Tampa Electric serves more than 661,000 retail customers in a 2,000 square mile service area in west central Florida and has electric generating plants with a winter peak generating capacity of 4,383 megawatts. PGS, Florida's largest regulated gas distribution utility, serves more than 332,000 residential, commercial, industrial and electric power generating customers in all of the major metropolitan areas of the state, with a total natural gas throughput of 1.3 billion therms in 2006.

Our other energy-related operating companies are TECO Coal, TECO Transport and TECO Guatemala. TECO Coal, through its subsidiaries, operates surface and underground mines and related coal processing facilities in eastern Kentucky, Tennessee and southwestern Virginia producing metallurgical-grade and high-quality steam coals. Sales in 2006 were 9.8 million tons, of which 5.3 million tons were sold as synthetic fuel. TECO Transport, our waterborne transportation company, through its subsidiaries, operates a fleet of inland river barges and towboats on the Ohio, Mississippi and Illinois rivers and their tributaries; a fleet of eight oceangoing tug-barge combination units and three ships that operate in the Gulf of Mexico and worldwide transporting dry-bulk cargos; and a dry-bulk storage and transfer terminal located on the Mississippi River southeast of New Orleans. TECO Guatemala, through its subsidiaries, owns a coal-fired generating facility and has a 96% ownership interest in an oil-fired peaking power generating plant, both under long-term contracts with a regulated distribution utility in Guatemala. It also has a 24% ownership interest in Guatemala's largest distribution utility.

Since 2003, our business strategy has been to focus on these five businesses and also to divest of our merchant power and unregulated energy services businesses, which was substantially completed in 2005. This strategy was implemented following a series of major investments in unregulated domestic power generation facilities outside of Florida, and other smaller unregulated energy service providers within Florida made during the years 2000 through 2003. These investments were made in anticipation of a movement toward competitive energy markets in Florida and other states. 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. These changes reduced the prospects for the profitability of the investments in our unregulated domestic independent power generation facilities for several years to come, such that we decided to reduce the risk to cash flow and earnings from our involvement in the merchant power sector by divesting the assets (see the **TWG Merchant** section). In the exiting of the merchant power business, we sold assets at prices below those we paid and recorded large write-offs, and in the case of the large Union and Gila River power plants we wrote off our entire equity investment. 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.

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, our business risk profile has been reduced, and all three of the debt rating agencies moved their outlook on TECO Energy's and Tampa Electric's debt ratings from "negative" to "stable" in 2005. One of our goals, over time, is to return to an investment-grade credit rating at the parent level and to improve Tampa Electric's credit ratings through our actions to improve our cash flows, reduce debt and reduce business risk.

Our cash priorities are to reduce parent debt levels and to invest in Tampa Electric to support its capital needs associated with customer growth and environmental compliance. As part of our efforts to return to investment grade, in 2006 we announced plans to retire $500 million of TECO Energy parent-level debt beyond the retirement of the $357 million maturing in 2007 and the $200 million of 8.5% trust preferred securities (TruPS) retired in 2005 and 2006. We are now considering various options to meet or exceed our debt retirement goals, and to make additional investments in Tampa Electric to support its growing capital requirements (see the **Tampa Electric** and **Capital Expenditures** sections).

Given the growth opportunities available in water transportation, we want to ensure that TECO Transport is best positioned to realize its potential in today's strong marine transportation market. Among the alternatives we are considering to address our financial and business priorities is a review of the options for the long-term future of TECO Transport, including its sale.

The sale of TECO Transport is not a decision we take lightly, as it has a long history as a solid and profitable performer in our family of companies. However, the current strong market for transportation services and for transportation company mergers and acquisitions makes this an opportunity that we must consider, with the potential for good value to TECO Energy and growth for

TECO Transport from an investor focused on marine transportation markets.

2006

In 2006, we remained focused on growing earnings and building our cash and liquidity position to enable us to grow our utility businesses and to further reduce TECO Energy parent debt. Our per-share results, excluding charges, gains and synthetic fuel results, improved over 2005 levels. Despite the reduced cash generation from the production of synthetic fuel due to high oil prices, our businesses provided strong cash generation, which allowed us to build a significant cash position. This allowed us to continue our accelerated efforts to reduce parent debt with the retirement of the remaining $100 million of our highest cost debt, the 8.5% TruPS due in 2041. We also made a planned $52 million cash equity contribution to Tampa Electric to support its higher capital expenditures as the construction of the two peaking units at the Polk Power Station and the selective catalytic reduction (SCR) equipment for nitrogen oxides (NO_x) control on the coal-fired units at the Big Bend Power Station continued, and we made a voluntary, previously unplanned $30 million contribution to the TECO Energy pension plan to accelerate improvement in the funded status of the plan. We also invested in additional facilities at TECO Coal to replace higher cost mines that are being idled and to increase production after 2007, if market conditions warrant it. Even after these actions, and despite reduced cash proceeds from investors in our synthetic fuel production facilities, we ended 2006 with over $400 million of cash available at the TECO Energy parent level.

Our earnings in 2006 reflected improved results at PGS and TECO Transport, the elimination of operating losses related to merchant power activities, and lower parent interest expense as a result of the early retirement of $380 million of 10.5% notes in June 2005 and the first $100 million of TruPS in late 2005. Tampa Electric continued to benefit from strong customer growth, but the planned increased spending on customer service enhancements, distribution system reliability, and reliability and capacity factor improvements on its coal-fired generating units offset higher base revenues. Results also reflected the impact of the temporary idling of our synthetic fuel production facilities for approximately eight weeks during the summer due to high oil prices and the partial phase-out of the tax credits for the production of synthetic fuel due to high oil prices and the resulting reduction in revenues from the third-party investors. Excluding synthetic fuel, TECO Coal benefited from the contracts signed in 2005 and early 2006 during a period of very strong coal prices.

We also completed the disposition of the remaining assets associated with the merchant power plants and small energy services businesses in 2006. We sold the remaining McAdams Power Station assets along with the site, two unused stream turbines and a district cooling plant in Miami, Florida.

OUTLOOK

Focus on our core businesses

For 2007, we plan to continue to focus on improving earnings and maintaining our strong cash and liquidity positions (see the **Liquidity, Capital Resources** section). We currently estimate our 2007 per share results from continuing operations, excluding synthetic fuel, to be in a range of $0.97 to $1.07. This estimate is driven by the expected continued customer and energy sales growth at the Florida utilities, lower coal production at TECO Coal at margins consistent with 2006 levels, continued strong river barge rates and good operations in the oceangoing business at TECO Transport, and continued strong operating results at TECO Guatemala. This estimate also includes expected lower parent interest expense as a result of debt retirements completed in 2006 and planned in 2007.

In 2007, we expect reported net income calculated in accordance with Generally Accepted Accounting Principles (GAAP) to include approximately $0.33 per share of benefits expected from synthetic fuel production. Cash generated by synthetic fuel production in 2007 will help add to the cash position that we have built for future debt retirement. Due to the idling of the synthetic fuel production facilities for a portion of 2006 and the end of the program after 2007, we think it is important to provide a non-GAAP results measure that excludes all costs or benefits related to the production of synthetic fuel. This measure provides investors additional information to assess the company's results and future earnings potential without the production of synthetic fuel.

Since July 2006, we have provided two measures to allow comparison of our results both with and without synthetic fuel. They are non-GAAP results from continuing operations including benefits from the production of synthetic fuel (Non-GAAP Results With Synthetic Fuel), which exclude certain charges and gains but include synthetic fuel, and non-GAAP results excluding synthetic fuel (Non-GAAP Results Excluding Synthetic Fuel), which excludes charges, gains and benefits associated with the production of synthetic fuel (see the **Non-GAAP Information** section). We will continue to provide Non-GAAP Results Excluding Synthetic Fuel, and are providing our 2007 results expectations on this basis.

With the expiration of the synthetic fuel tax credits at the end of 2007, we expect to partially mitigate the corresponding reduction in earnings and cash flow that will result by optimizing our coal operations, improving results from all of the operating companies, and reducing interest expense at the parent level. We expect that interest expense will be lower in 2008 as a result of our planned retirement of the remaining TECO Energy parent debt maturing in 2007, as well as the retirements accomplished in 2006.

These forecasted results are based on our current assumptions described in each operating company discussion, which are subject to risks and uncertainties (see the **Risk Factors** section).

We are maintaining our priorities for the use of cash to improve our financial profile through debt reductions at the TECO Energy parent level and to invest in our regulated businesses. Our near-term debt reduction efforts are focused on the retirement of the remaining 2007 debt maturities and longer-term on reducing parent-level debt by an additional $500 million in the 2008 to 2010

period. We expect to make an additional $80 million equity contribution to Tampa Electric in 2007 to support its continued capital spending for environmental controls and to serve its growing customer base.

Capital expenditures increased in 2006, primarily at Tampa Electric for additional peak-load generating units, equipment to control NO_x emissions and heat rate and capacity factor improvements in coal-fired units. We also invested in new mining equipment and mines at TECO Coal. We forecast capital expenditures to increase further in the 2007 through 2011 period at Tampa Electric to meet normal customer growth and generation plant maintenance, 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 completion of incremental production capacity increases at TECO Coal that commenced in 2006 (see the **Liquidity, Capital Resources** section). In addition, Tampa Electric is evaluating alternatives for meeting its needs for additional generating capacity in the 2009 – 2013 period, including the potential for new baseload generating capacity in 2013, which will affect capital spending in 2008 through 2012 and is not reflected in our current forecast (see the **Capital Expenditures** section).

Expected Effects of Synthetic Fuel Production on Cash and Earnings

A major source of the GAAP earnings and cash that we expect to generate in 2007 comes from TECO Coal's previously completed sales of ownership interests in its synthetic fuel production facilities and the synthetic fuel related tax credits generated for the third-party owners. In 2007, the synthetic fuel tax credits could be reduced if oil prices exceed a certain threshold level and completely phased out if oil prices exceed the top of a range, which we estimate to be a range of $63 to $79 per barrel, as measured on a New York Mercantile Exchange (NYMEX) basis.

In January 2007, TECO Coal entered into oil price hedge instruments that protect against the risk of a reduction in the revenues we expect from the third-party investors from the production of synthetic fuel in 2007 due to high oil prices. When combined with hedges entered into in October 2006, the additional instruments protect approximately $195 million of the gross cash benefits expected from the third-party investors for the production of synthetic fuel over the full expected average annual oil price range of $63 to $79 per barrel on a NYMEX basis. The hedges in place provide very close to a dollar-for-dollar recovery of lost synthetic fuel revenues in the event of a phase-out over the estimated phase-out range. The total cost of the hedges was approximately $37 million.

The value of the hedge instruments may vary during the year, depending on year-to-date actual oil prices plus oil price futures for the remainder of the year, which will be reflected as mark-to-market adjustments in quarterly earnings from synthetic fuel production.

The following table illustrates the estimated components of synthetic fuel earnings and cash at various oil prices for the 5.7 million tons of synthetic fuel production expected in 2007.

(millions) **2007 Synthetic Fuel Earnings and Cash**

NYMEX Price	Phase Out	Investor Revenue	Production Cost [1]	Hedge Cost	Hedge Payoff	Net Cash	Net Income
<$63	0%	$ 195	$ 58	$ 37	$ 0	$ 100	$ 70
65	12%	172	58	37	23	100	70
67	25%	146	58	37	49	100	70
69	38%	121	58	37	74	100	70
71	50%	98	58	37	97	100	70
73	63%	72	58	37	123	100	70
$79	100%	$ 0	$ 58	$ 37	$ 195	$ 100	$ 70

(1) Incremental costs associated with the production of synthetic fuel.

TECO Coal has agreements with the investors in its synthetic fuel production facilities that provide TECO Coal with flexibility to cease producing synthetic fuel under certain conditions. If the calendar-year average oil price, on the basis of actual plus futures prices, exceeds $62 per barrel on a NYMEX basis, TECO Coal has the right to cease or reduce production, and the third-party investors have the right to not participate in the production (see the **TECO Coal** section).

The tax credit program will expire on Dec. 31, 2007, and while we do not expect the period for the tax credit program to be extended or renewed in the current form, we are assuming that there will be no change in the current legislation. Based on the assumption that the program expires as scheduled, both net income and cash flow at TECO Coal are expected to decline in 2008, due to the loss of the benefits from the sale of the third-party ownership interests.

In 2008, TECO Coal expects to no longer produce synthetic fuel, but it expects to produce conventional coal at a level that keeps its total production similar to amounts expected to be sold in 2007. When production of synthetic fuel ends in 2008, TECO Coal will stop mining the high cost coals currently being mined for use in the production of synthetic fuel and will stop operating the synthetic fuel production equipment, which are expected to reduce production costs. At that time, the earnings and cash flow from TECO Coal will be dependent on the selling price of coal, and its ability to manage production costs.

RESULTS SUMMARY

Our results in 2006 reflect lower earnings from the production of synthetic fuel at TECO Coal, lower earnings at Tampa Electric, and lower earnings at TECO Guatemala partially offset by improved results at TECO Transport, slightly higher results at PGS, the elimination of operating losses related to merchant power activities, and lower parent-level interest expense. In 2006, net income and earnings-per-share were $246.3 million, or $1.19 per share, compared to $274.5 million, or $1.33 per share, in 2005. Net income and earnings-per-share from continuing operations were $244.4 million, or $1.18 per share, in 2006, compared to $211.0 million, or $1.02 per share, in 2005. Results in 2006 included a $32.1 million, or $0.16 per share, benefit to earnings from synthetic fuel production, compared to $82.4 million, or $0.40 per share, in the 2005 period. In 2006, results from continuing operations also included an $8.1 million after-tax gain from the sale of the McAdams Power Station assets, $5.7 million of after-tax gains from the sale of two unused steam turbines, and $3.0 million of after-tax charges related to Hurricane Katrina damage at TECO Transport. In 2005, results from continuing operations included $46.7 million, or $0.23 per share, of after-tax charges for early debt retirement, and a $14.6 million after-tax, or $0.07 per share, loss at TWG Merchant related primarily to the unfinished Dell and McAdams merchant power plants. Results from discontinued operations in 2006 primarily included the recovery of amounts that had been previously written off and tax adjustments at the small energy services companies.

The table below compares our GAAP net income to our non-GAAP measures. A reconciliation between GAAP net income and the two non-GAAP measures is contained in the **GAAP to non-GAAP reconciliation** tables for each year shown, which follows hereafter. 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 **Non-GAAP Information** section).

Results Comparisons			
(millions)	**2006**	**2005**	**2004**
Net income (loss)	$246.3	$274.5	$(552.0)
Net income (loss) from continuing operations	$244.4	$211.0	$(355.5)
Non-GAAP Results With Synthetic Fuel	$233.6	$254.7	$ 153.1
Non-GAAP Results Excluding Synthetic Fuel	$201.5	$172.3	$ 73.1

Our results in 2005 were driven by stronger markets for TECO Coal and TECO Transport, continued customer and energy sales growth at Tampa Electric and Peoples Gas, and lower TECO Energy parent-level interest expense. In 2005, net income and earnings-per-share were $274.5 million and $1.33, respectively, compared to a loss of $552.0 million and a per-share loss of $2.87 in 2004. Results in 2005 included the $45.0 million after-tax debt-extinguishment charge associated with the June 2005 redemption of $380 million of 10.5% notes and a $76.5 million after-tax gain recorded in discontinued operations upon the final sale and transfer of the Union and Gila River power stations to the lenders in May 2005. The gain represented the reversal of the accumulated unfunded operating losses recorded against equity for the period from Dec. 31, 2003, the date we decided to exit the projects, through the effective date of the transfer to the lenders group. Also included in results are smaller charges and gains, which are detailed in the table that reconciles 2005 GAAP net income to non-GAAP results. Results from discontinued operations in 2005 include the operating results for the Union, Gila River and Commonwealth Chesapeake power stations until the time of the transfers to the respective buyers, including the gain on the transfer discussed above, and true-up amounts from previously divested assets.

In 2005, net income and earnings-per-share from continuing operations were $211.0 million and $1.02, respectively, compared to a loss of $355.5 million and a per-share loss of $1.85 for 2004. Non-GAAP Results With Synthetic Fuel, which exclude certain charges and gains included in GAAP net income from continuing operations but includes synthetic fuel, were $254.7 million in 2005, compared to $153.1 million in 2004. In 2005, results from continuing operations reflected improved results from the business segments, particularly the unregulated businesses. TECO Coal's net income was significantly higher, driven by higher prices for coal and the sale of an additional 8% ownership interest in its synthetic fuel production facilities. TECO Transport's increased earnings reflected higher river barge rates due to better balance in supply and demand, and the qualification of two vessels for the positive benefit of tax law changes under the Jobs Creation Act. TECO Guatemala reported strong results from continued good operation of the power generating plants, customer and energy sales growth at the distribution utility and favorable tax rates due to the Jobs Creation Act. Tampa Electric and Peoples Gas both experienced continued customer and energy sales growth.

2006 Earnings Summary

(millions) Except per-share amounts	2006	2005	2004
Consolidated revenues	**$ 3,448.1**	$ 3,010.1	$ 2,639.4
Earnings (loss) per share – basic			
Earnings (loss) per share	**$1.19**	$1.33	$(2.87)
Discontinued operations	**0.01**	0.31	(1.02)
Earnings (loss) from continuing operations	**$1.18**	$1.02	$(1.85)
Earnings (loss) per share – diluted			
Earnings (loss) per share	**$1.18**	$1.31	$(2.87)
Discontinued operations	**0.01**	0.31	(1.02)
Earnings (loss) from continuing operations	**$1.17**	$1.00	$(1.85)
Net income (loss)	**$ 246.3**	$ 274.5	$ (552.0)
Net income (loss) from discontinued operations	**1.9**	63.5	(196.5)
Charges and (gains) from continuing operations[1]	**(10.8)**	43.7	508.6
Non-GAAP Results With Synthetic Fuel[2]	**233.6**	254.7	153.1
Synthetic fuel impact	**(32.1)**	(82.4)	(80.0)
Non-GAAP Results Excluding Synthetic Fuel[2]	**$ 201.5**	$ 172.3	$ 73.1
Average common shares outstanding			
Basic	**207.9**	206.3 [4]	192.6 [3]
Diluted	**208.7**	208.2 [4]	192.6 [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 (see the **Non-GAAP Information** section).

(3) Average shares outstanding for 2004 include the issuance of 10.2 million shares in September in conjunction with the early settlement of the 9.5% adjustable conversion-rate equity security units.

(4) 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.

The following tables show the specific adjustments made to GAAP net income for each segment to develop our non-GAAP results.

2006 Reconciliation of GAAP net income from continuing operations to non-GAAP results

Net income impact (millions)	Tampa Electric	Peoples Gas	TECO Coal	TECO Transport	TECO Guatemala	Parent/ other	Total
GAAP Net income from continuing operations	$135.9	$29.7	$78.8	$22.8	$37.6	$ (60.4)	$244.4
Hurricane costs	--	--	-	4.5	--	--	4.5
Hurricane insurance recoveries	--	--	--	(1.5)	--	--	(1.5)
Dell and McAdams valuation adjustment and gain on sale, net	--	--	--	--	--	(8.1)	(8.1)
Gain on sale of unused steam turbines	--	--	--	--	--	(5.7)	(5.7)
Total charges and (gains)	--	--	--	3.0	--	(13.8)	(10.8)
Non-GAAP Results With Synthetic Fuel	135.9	29.7	78.8	25.8	37.6	(74.2)	233.6
Synthetic fuel impact	--	--	(32.1)	--	--	--	(32.1)
Non-GAAP Results Excluding Synthetic Fuel	$135.9	$29.7	$46.7	$25.8	$37.6	$ (74.2)	$201.5

2005 Reconciliation of GAAP net income from continuing operations to non-GAAP results

Net income impact (millions)	Tampa Electric	Peoples Gas	TECO Coal	TECO Transport	TECO Guatemala	TWG Merchant	Parent/ other	Total
GAAP Net income from continuing operations	$ 147.1	$29.6	$115.4	$20.2	$40.4	$ (14.6)	$ (127.1)	$ 211.0
Debt extinguishment charges	--	--	--	--	--	--	46.7	46.7
Hurricane costs	--	--	--	12.6	--	--	--	12.6
Hurricane insurance recoveries	--	--	--	(13.7)	--	--	--	(13.7)
Dell & McAdams valuation adjustment	--	--	--	--	--	(1.9)	--	(1.9)
Total charges and (gains)	--	--	--	(1.1)	--	(1.9)	46.7	43.7
Non-GAAP Results With Synthetic Fuels	147.1	29.6	115.4	19.1	40.4	(16.5)	(80.4)	254.7
Synthetic fuel impact	--	--	(82.4)	--	--	--	--	(82.4)
Non-GAAP Results Excluding Synthetic Fuel	$ 147.1	$29.6	$33.0	$19.1	$40.4	$ (16.5)	$ (80.4)	$172.3

2004 Reconciliation of GAAP net income from continuing operations to non-GAAP results

Net income impact (millions)	Tampa Electric	Peoples Gas	TECO Coal	TECO Transport	TECO Guatemala	TWG Merchant	Parent/ other	Total
GAAP Net income from continuing operations	$ 146.0	$27.7	$61.3	$10.2	$ 5.7	$ (534.1)	$ (72.3)	$(355.5)
Merchant power valuations	--	--	--	--	--	480.7	--	480.7
Steam turbine valuations	--	--	--	--	12.8	--	--	12.8
Debt extinguishment charges	--	--	--	--	6.7	--	(0.5)	6.2
Taxes on cash repatriation	--	--	--	--	17.4	--	--	17.4
Asset impairment	--	--	--	0.6	--	--	--	0.6
Restructuring charges	--	0.4	--	1.1	--	--	5.0	6.5
Valuation adjustment	--	--	--	--	--	--	3.4	3.4
Tax credit reversals	--	--	(7.0)	--	--	--	--	(7.0)
Gain on sale of propane business	--	--	--	--	--	--	(12.0)	(12.0)
Total charges and (gains)	--	0.4	(7.0)	1.7	36.9	480.7	(4.1)	508.6
Non-GAAP Results With Synthetic Fuel	146.0	28.1	54.3	11.9	42.6	(53.4)	(76.4)	153.1
Synthetic fuel impact	--	--	(80.0)	--	--	--	--	(80.0)
Non-GAAP Results Excluding Synthetic Fuel	$ 146.0	$28.1	$(25.7)	$11.9	$42.6	$ (53.4)	$ (76.4)	$ 73.1

Non-GAAP Information

From time to time, in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we present non-GAAP results, which present financial results after elimination of the effects of certain identified gains and charges. We believe that the presentation of this non-GAAP financial performance provides investors a measure that reflects the company's operations under our business strategy. We also believe that it is helpful to present a non-GAAP measure of performance that clearly reflects the ongoing operations of our business and allows investors to better understand and evaluate the business as it is expected to operate in future periods. Management and the Board of Directors use this non-GAAP presentation as a yardstick for measuring our performance, making decisions that are dependent upon the profitability of our various operating units and in determining levels of incentive compensation.

The non-GAAP measure of financial performance we use is not a measure of performance under accounting principles generally accepted in the United States and should not be considered an alternative to net income or other GAAP figures as an indicator of our financial performance or liquidity. Our non-GAAP presentation of net income may not be comparable to similarly titled measures used by other companies.

While none of the particular excluded items is expected to recur, there may be true-ups to charges related to merchant power facilities or additional debt extinguishment activities. We recognize that there may be items that could be excluded in the future. Even though charges may occur, we believe the non-GAAP measure is important in addition to GAAP net income for assessing our potential future performance, because excluded items are limited to those that we believe are not indicative of future performance. With the exception of synthetic fuel, hurricane costs and hurricane related insurance recoveries, substantially all of the

items included in charges and gains for the periods detailed in the tables above are associated with our exit from the merchant power business and small energy services businesses.

OPERATING RESULTS

Management's Discussion & Analysis of Financial Condition and Results of Operations utilizes TECO Energy's consolidated financial statements, which have been prepared in accordance with GAAP and separate non-GAAP measures, to analyze the financial condition of the company. Our reported operating results are affected by a number of critical accounting estimates such as those involved in our accounting for regulated activities, asset impairment testing, and others (see the **Critical Accounting Policies and Estimates** section).

The following table shows the segment revenues, net income, and earnings per share contributions from continuing operations of our business segments (see **Note 14** to the TECO Energy **Consolidated Financial Statements**).

(millions) Except per share amounts		2006	2005	2004
Segment Revenues [1]				
Regulated companies	Tampa Electric	$2,084.9	$1,746.8	$1,687.4
	Peoples Gas	577.6	549.5	417.2
Total regulated		2,662.5	2,296.3	2,104.6
Unregulated companies	TECO Coal	574.9	505.1	327.6
	TECO Transport	308.5	278.2	249.6
	TECO Guatemala [2]	7.6	7.7	11.5
	TWG Merchant [3]	-	0.4	7.6
Total unregulated		$ 891.0	$ 791.4	$ 596.3
Net Income (loss) [4]				
Regulated companies	Tampa Electric	$ 135.9	$ 147.1	$ 146.0
	Peoples Gas	29.7	29.6	27.7
Total regulated		165.6	176.7	173.7
Unregulated companies	TECO Coal	78.8	115.4	61.3
	TECO Transport	22.8	20.2	10.2
	TECO Guatemala [5]	37.6	40.4	5.7
	TWG Merchant	-	(14.6)	(534.1)
Total unregulated		139.2	161.4	(456.9)
Parent/other		(60.4)	(127.1)	(72.3)
Net income from continuing operations		244.4	211.0	(355.5)
Discontinued operations		1.9	63.5	(196.5)
Net income (loss)		$ 246.3	$ 274.5	$ (552.0)
Earnings per Share - Basic [6]				
Regulated companies	Tampa Electric	$ 0.65	$ 0.71	$ 0.76
	Peoples Gas	0.14	0.14	0.14
Total regulated		0.79	0.85	0.90
Unregulated companies	TECO Coal	0.38	0.56	0.32
	TECO Transport	0.11	0.10	0.05
	TECO Guatemala [5]	0.18	0.20	0.03
	TWG Merchant	-	(0.07)	(2.77)
Total unregulated		0.67	0.79	(2.37)
Parent/other		(0.28)	(0.62)	(0.38)
Earnings (loss) from continuing operations		1.18	1.02	(1.85)
Discontinued operations		0.01	0.31	(1.02)
EPS Total		$1.19	$ 1.33	$ (2.87)

(1) Revenues for all periods have been adjusted to reflect the presentation of energy marketing-related revenues on a net basis and the reclassification of the results from those businesses that have been sold to discontinued operations (see the **Discontinued Operations** section). Segment revenues include intercompany transactions that are eliminated in the preparation of TECO Energy's consolidated financial statements.

(2) TECO Guatemala was deconsolidated under FIN 46R effective Jan. 1, 2004. Actual revenues in 2006, 2005 and 2004, which are not included in this table due to the effects of deconsolidation, were $113.7 million, $104.0 million and $102.1 million, respectively. **Note 14** to the **TECO Energy Consolidated Financial Statements** provides additional

information and the condensed financial information for the Guatemalan operations.

(3) Effective with 2006 only historical information is provided for TWG Merchant. Any remaining results are included in Parent/other.

(4) Segment net income and earnings are reported on a basis that includes internally allocated financing costs to the unregulated companies. Internally allocated finance costs for 2006, 2005 and 2004 were at a pretax rate of 8%, based on the average investment in each unregulated subsidiary.

(5) In 2004, results for TECO Guatemala included various charges related to merchant power activities recorded in that segment, but unrelated to its basic operations (see the **2004 GAAP to non-GAAP reconciliation** table).

(6) The number of shares used in the earnings-per-share calculations are basic shares.

TAMPA ELECTRIC

Electric Operations Results

Tampa Electric is entering a period of growth through increasing capital expenditures to support customer growth, statewide transmission system reliability standards, implementation of the storm hardening plans mandated by the Florida Public Service Commission (FPSC) and additional baseload generating capacity needs.

Tampa Electric's 2006 net income was $135.9 million, compared to $147.1 million in 2005. These results were driven by the planned increase in non-fuel operations expense, which more than offset continued strong customer growth and slightly higher energy sales. Weather patterns in 2006 resulted in 3% lower total degree-days than normal but 1% higher total degree-days than 2005, when total degree-days were 5% below normal. Results also included a $9.4 million after-tax disallowance by the FPSC for the recovery of a portion of the waterborne transportation costs for the delivery of solid fuel (see the **Regulation** section).

Tampa Electric's 2005 net income was $147.1 million, compared to $146.0 million in 2004. These results were driven by continued strong customer growth and higher energy sales partially offset by weather patterns that resulted in 5% lower total degree-days than normal and 1% lower total degree-days than 2004, when total degree-days were 3% below normal, and higher non-fuel operating expenses, which include higher depreciation expense from normal plant additions. Results also included an $8.6 million after-tax disallowance by the FPSC for the recovery of a portion of the waterborne transportation costs for the delivery of solid fuel (see the **Regulation** section).

Summary of Operating Results

(millions)	*2006*	*% Change*	*2005*	*% Change*	*2004*
Revenues	$ 2,084.9	19.4	$ 1,746.8	3.5	$ 1,687.4
Other operating expenses	220.3	9.7	200.8	5.4	190.5
Maintenance	107.7	22.2	88.1	1.0	87.2
Depreciation	186.3	-0.4	187.1	3.4	180.9
Taxes, other than income	138.1	9.8	125.8	4.1	120.8
Non-fuel operating expenses	652.4	8.4	601.8	3.9	579.4
Fuel	906.8	65.8	546.8	-10.8	612.9
Purchased power	221.3	-17.9	269.7	56.5	172.3
Total fuel expense	1,128.1	38.2	816.5	4.0	785.2
Total operating expenses	1,780.5	25.5	1,418.3	3.9	1,364.6
Operating income	$ 304.4	-7.3	$ 328.5	1.8	$ 322.8
AFUDC equity	$ 2.7	–	$ –	–	$ 0.7
Net income	$ 135.9	-7.6	$ 147.1	0.8	$ 146.0
Megawatt-Hour Sales (thousands)					
Residential	8,721	1.9	8,558	3.2	8,293
Commercial	6,357	2.0	6,234	4.1	5,988
Industrial	2,279	-8.0	2,478	-3.1	2,556
Other	1,668	1.6	1,642	2.6	1,600
Total retail	19,025	0.6	18,912	2.6	18,437
Sales for resale	862	11.5	773	16.4	664
Total energy sold	19,887	1.0	19,685	3.1	19,101
Retail customers-thousands (average)	653.7	2.8	635.7	2.6	619.5

Tampa Electric Operating Revenues

Retail megawatt-hour sales rose 0.6% in 2006, driven by customer growth despite the effects of mild weather. In 2006,

average annual customer growth of 2.8% (almost 18,000 new customers) was partially offset by mild weather and 1% lower average residential per-customer energy usage. Total degree days in Tampa Electric's service area were 3% below normal but 1% above 2005. Tampa Electric estimates that the pattern of mild weather characterized by relatively few sustained periods of extreme temperatures reduced energy sales approximately 1% in 2006 compared to normal weather patterns.

In 2006, energy consumption per residential customer declined due to the combined effects of weather, price elasticity and changes in residential building trends. One of the factors contributing to this phenomenon is an increase in the number of condominiums and multi-family units, such as apartments, recently completed in the Tampa metropolitan area. Condominiums and multi-family units, which comprised about 36% of new customers in 2006, tend to have fewer square feet of air conditioned space per residence and use less energy per square foot due to more energy efficient construction. In addition, the higher costs for natural gas and coal, which are reflected in customers' bills through the fuel adjustment clause, have caused customers to use less electricity in general. On a weather-normalized basis, retail energy sales to customers other than the phosphate industry, which is not weather-sensitive, increased 1.8% in 2006 compared to 2005.

Electricity sales to the lower margin industrial customers in the phosphate industry decreased an additional 18.5% in 2006 after a 6.5% decrease in 2005. The decline in sales to phosphate customers was driven by the idling of some mining operations in 2006 due to market conditions for the product. The longer-term decline in sales to phosphate customers reflects the natural reserve depletion and migration of mining operations out of Tampa Electric's service area. Base revenues from phosphate sales represented less than 2% of base revenues in 2006 and less than 3% in 2005. Sales to commercial customers increased 2.0% in 2006, driven by the strong local economy.

Base rates for all customers were unchanged in 2006. Fuel-related revenues increased in 2006 and 2005 under the FPSC-approved fuel cost recovery clause, due to the recovery of previous under-recoveries of fuel expense in 2005 and 2004 and higher gas prices. Customers' rates under the fuel clause increased in 2007 in accordance with the rates approved by the FPSC in November 2006, to reflect higher fuel costs, the under-recovery of $51 million of 2006 fuel cost due to higher cost of natural gas early in the year and the remaining $107 million portion of previously under-recovered 2005 fuel costs partially offset by the sale of a net $45 million of excess sulfur dioxide (SO_2) emission credits, which appears as a credit on customers' bills through the Environmental Cost Recovery Clause (see the **Regulation** section).

Energy sold to other utilities for resale increased 11% in 2006 due to a new contract for wholesale energy sales with a new customer and increased wholesale sales volumes to an existing customer. Energy sold to other utilities for resale increased in 2005 due to a planned increase in the energy sold under a long-term contract.

Energy Sales Growth Forecast

Based on projected growth from continued population increases and business expansion, Tampa Electric expects weather-normalized average retail energy sales growth of more than 2.5% annually over the next five years, with combined energy sales growth in the residential and commercial sectors of about 2.8% annually. This energy sales growth projection is 0.2% lower than previous projections to reflect the change in usage patterns experienced in 2006. Tampa Electric's forecasts indicate that summer retail peak demand growth is expected to average more than 135 megawatts per year for the next five years. These growth projections assume continued local area economic growth, normal weather, and a continuation of the current energy market structure (see the **Risk Factors** section).

The economy in Tampa Electric's service area continued to grow in 2006, aided by continued population growth in Florida, the region's relatively low labor rates and attractive cost of living. The Tampa metropolitan area's non-farm employment grew 2.0% in 2006, despite a 3.9% decline in construction employment, due to the strong local economy. Employment grew 2.5% in 2005 as the local economy recovered from the U.S. economic slowdown in the first half of 2004. The local Tampa area unemployment rate increased slightly to 3.0% at year-end 2006, compared with 2.9% in December 2005, and 4.6% in December 2004. These rates are lower than the year-end 3.3% unemployment rate for the State of Florida and 4.5% for the nation at Dec. 31, 2006.

As in many areas of the country, the housing market in Tampa Electric's service area slowed in 2006 after significant growth in 2004 and 2005. The numbers of existing homes for sale and unsold new homes has increased over the 2005 and 2004 levels. Economists and real estate associations indicate that, while inventories of unsold homes are above the past two years, the housing market is expected to start to recover in late 2007.

Tampa Electric Operating Expenses

Total operating expense increased in 2006 primarily due to higher costs for coal partially offset by lower purchased power expense due to increased coal-fired generation from improved coal-fired unit availability. Non-fuel operations and maintenance expense increased, as planned, by $24.3 million after-tax. This increase reflected, among other items, after-tax increases of $8.3 million of additional spending on transmission and distribution system reliability and customer service enhancements, $5.3 million of additional spending on coal-fired unit performance improvements, $6.3 million of higher employee-related costs and $3.3 million of increased property insurance cost.

Total operating expenses increased in 2005 due to higher purchased power expenses as a result of lower coal-fired unit availability and the higher cost of natural gas for all utilities in Florida that is reflected in the cost of purchased power. Non-fuel operating and maintenance expenses increased as a result of higher power distribution expenses in 2005 due to more normal work activities following the 2004 hurricane restoration efforts. Other non-fuel operations and maintenance expenses increased due to increased employee-related expenses for items such as pensions, disability and medical reserves, and higher customer expenses, which included higher levels of uncollectible accounts.

Non-fuel operations and maintenance expenses are expected to increase at about inflationary levels in 2007 after the significant step up in 2006. The 2006 non-fuel operations and maintenance expense increase was for enhanced customer service, distribution system reliability improvements and to improved coal-fired generating unit availability and capacity factors. That portion of the higher non-fuel operations and maintenance expense related to the initial implementation of elements of the storm hardening plan that was submitted to and approved by the FPSC in 2006 are expected to continue with the full implementation of the storm hardening plan in 2007.

Depreciation decreased in 2006 due to the retirement of short-lived fully depreciated assets, such as telecommunications equipment, tools and test equipment, which more than offset the additional depreciation associated with normal plant additions. Depreciation expense is projected to increase in 2007, due to normal plant additions to serve Tampa Electric's growing customer base and maintain system reliability and a partial year of depreciation on the first NO_x control project to be completed on Big Bend Unit 4, which is expected to enter service in May. Depreciation expense increased in 2005 due to normal plant additions to serve the growing customer base.

Fuel Prices and Fuel Cost Recovery

Under regulatory accounting, the cost of fuel on the income statement represents the amounts authorized by the FPSC for recovery through the fuel adjustment clause, but the actual cost of fuel purchased may differ from those amounts. The difference between actual fuel cost and the amount authorized for recovery is deferred on the balance sheet as either under- or over-recovered fuel cost, and therefore does not impact net income.

Included in Tampa Electric's fuel adjustment filing for rates effective in 2007 was $51 million of 2006 under-recovered fuel cost and the remaining $107 million of 2005 under-recovered fuel cost that was incurred after the 2006 fuel filing was made. In November 2006, the FPSC authorized the recovery of this amount and the full projected 2007 fuel expense (see the **Regulation** section). The increase in the fuel adjustment clause will be partially offset by a $35 million net benefit to customers primarily from the sale of excess SO_2 emission credits, which appears as a credit on customers' bills through the Environmental Cost Recovery Clause (see the **Regulation** section).

Fuel prices increased in 2006 driven primarily by higher natural gas prices early in the year and higher coal prices throughout the year. For the year, at $9.61/mmBTU, the average delivered cost of natural gas decreased compared to 2005 when natural gas prices spiked upward following hurricanes Katrina and Rita. Coal prices also increased during that period from a delivered cost of $2.14 per million BTU in 2004 to $2.49 per million BTU in 2006 due to supply and demand for utility steam coal.

Natural gas prices were extremely volatile during the 2004 through 2006 period as a result of supply constraints due to damage to production and transportation infrastructure from hurricanes and increased demand nationwide due to the higher percentage of electricity now being generated from natural gas-fired generation, particularly during peak-load periods. Natural gas price volatility is expected to continue due to the balance in supply and demand and market prices being driven by commodity investors rather than physical supply users. Coal prices, while less volatile, have increased steadily for the past three years. Coal prices are expected to decline in 2007 due to the current over supply of steam coal in the U.S. market following a mild summer in 2006 and a mild start to the winter (see the **TECO Coal** section).

Energy Supply

On a retail energy supply basis, Tampa Electric generation accounted for 95%, 92% and 95% of the total retail energy sales in 2006, 2005 and 2004, respectively, with the remainder of the energy supplied by purchased power. Purchased power expense decreased 18% and the volume of power purchased decreased 17% in 2006 due to improved coal-fired unit availability and generation. The amount of power purchased by Tampa Electric to serve its customers increased in 2005 following a decrease in 2004, primarily due to lower coal-fired unit availability. Purchased power is expected to increase in 2007 due to the planned extended maintenance period on Big Bend Unit 4 for the completion of the SCR project for that unit.

Prior to 2003, nearly all of Tampa Electric's generation was from coal. Starting in April 2003, the mix started to shift, with increased use of natural gas at Bayside. Nevertheless, coal is expected to continue to be more than half of Tampa Electric's fuel mix due to the baseload units at Big Bend and the coal gasification unit, Polk Unit One. Beginning in 2007 and through 2010, one of the four Big Bend coal-fired units will undergo an extensive outage each year to complete the construction of the NO_x control equipment (see the **Environmental Compliance** section), which is expected to reduce the generation from coal in those years.

Hurricane Storm Hardening

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 initiated proceedings to explore methods of designing and building transmission and distribution systems that would minimize long-term outages and restoration costs.

The FPSC subsequently 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 plan and estimates that the average incremental non-fuel operations and maintenance expense of this plan to be approximately $15 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. The new design standards also encourage the placement of new or modified facilities underground when feasible. These new requirements are expected to increase the capital expenditures required to expand the system to meet growing customer demand and to maintain system reliability by approximately $20 million annually (see the **Regulation** section).

Higher Capital Spending

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

Based on its current forecast of energy demand and sales growth, Tampa Electric has identified a need for new baseload capacity in early 2013 due to continued customer growth and the expiration of a long-term power purchase agreement with Hardee Power Partners. Its options to satisfy the baseload capacity need range from purchasing the power to constructing its own generating facility. Tampa Electric has initiated a request for proposal (RFP) process, for interim peak capacity needs and, as required in Florida for baseload capacity additions, to potentially purchase the needed power under power purchase agreements. If construction of a baseload generating unit by Tampa Electric is found to be the most cost-effective method to meet customers' needs, there are additional regulatory and permitting steps required prior to Tampa Electric moving forward with such a construction program.

The capital expenditures required under the various options currently being evaluated vary significantly from only transmission system improvements to allow the import of power to the construction of peaking capacity and baseload capacity. In addition to an evaluation of the purchase versus build option, Tampa Electric has options regarding the type of baseload plant to be constructed, ranging from natural gas-fired combined cycle to an Integrated Gasification Combined Cycle (IGCC) unit. Tampa Electric's preferred option is a 630-megawatt, coal- and petroleum coke-fueled IGCC unit in order to diversify its own fuel mix (which is expected to be more than 50% natural gas by that time); to meet the State of Florida's goal of diversifying the fuel supplies used to generate power; and to take advantage of an IGCC unit's ability to more easily capture and sequester carbon dioxide (CO_2) emissions if required in the future (see the **Capital Expenditures** and **Environmental Compliance** sections). In 2006, under the Energy Policy Act of 2005, Tampa Electric was awarded an opportunity to receive $133.5 million of tax credits from the Internal Revenue Service (IRS) and U.S. Department of Energy (DOE) for its proposed IGCC plant.

In 2006, the Florida Legislature enacted a new statute related to new nuclear plants that might be constructed in Florida that provided for, among other things, the recovery of pre-construction costs and carrying costs of construction through the capacity cost recovery clause; a base rate increase when the plant is put in service to recover the costs of the plant; and the recovery of prudently incurred costs in the event that the plant is not completed. Tampa Electric is seeking similar legislative treatment for IGCC plants as they accomplish the same goal of increasing fuel diversity in Florida.

Tampa Electric has not sought a base rate increase since 1992. Since that last rate proceeding it has earned within its allowed ROE range while adding almost 190,000 customers and making significant investments in facilities and infrastructure, including baseload and peaking generating capacity additions, to serve the growing customer base. Over time, current base rates may not support the additional transmission and distribution system reliability capital spending, storm hardening capital and operations and maintenance spending, other recurring capital expenditures and generally higher non-fuel operations and maintenance expenditures and still earn a return within its allowed ROE range.

PEOPLES GAS

Operating Results

PGS reported net income of $29.7 million in 2006, compared to $29.6 million in 2005. Customer growth of 3.3%, increased sales to residential customers, and strong sales to power generating and off-system customers due to declining natural gas prices were partially offset by non-fuel operation and maintenance expenses that were $2.2 million higher. The higher off-system sales and increased volumes transported for power generation customers helped offset the impact of mild winter weather early in the year and then again in December 2006. After a very strong 2005 performance, sales to commercial customers declined slightly due to higher natural gas prices in early 2006. Results in 2006 included $1.7 million from the small energy services companies, which provide marketing, sales support and gas management services.

In 2006, the total throughput for PGS was 1.3 billion therms. Of this total throughput, 11% was gas purchased and resold to retail customers by PGS, 70% was third-party supplied gas that was delivered for retail transportation-only customers, and 19% was gas sold off-system. Industrial and power generation customers consumed approximately 65% of PGS' annual therm volume, commercial customers used approximately 29%, and the balance was consumed by residential customers.

PGS had 2005 net income of $29.6 million, compared with $27.7 million for the same period in 2004, including the 2004 restructuring charge (see the **2004 GAAP to Non-GAAP reconciliation** table). Customer growth of 3.6%, increased sales to residential and commercial customers and increased off-system sales were partially offset by higher operations and maintenance

expenses in 2005. Results in 2005 reflected strong sales to commercial customers as a result of growth in the Florida economy and high levels of tourism, which enhanced commercial sales to hotels and restaurants, while sales of low-margin transportation service for interruptible customers declined.

In 2005, residential and commercial therm sales increased through customer growth and increased usage per customer. Increased residential usage reflected increased sales to customers with multiple uses for gas as a result of marketing to high-end residential developers. The increased commercial usage reflected the continued strong Florida economy and the strong 2005 tourist business at hotels, restaurants and theme parks served by PGS.

While the residential market represents only a small percentage of total therm volume, residential operations generally comprise 25% of total revenues. New residential construction that includes natural gas and conversions of existing residences to gas have steadily increased since the late 1980s. Like all natural gas distribution utilities, PGS is faced with potential decreases in per-customer usage due to improving appliance efficiency. As customers replace existing gas appliances with newer more efficient models, usage may decline.

Natural gas has historically been used in many traditional industrial and commercial operations throughout Florida, including production of products such as steel, glass, ceramic tile and food products. Within the PGS operating territory, large cogeneration facilities utilize gas-fired technology in the production of electric power and steam.

The actual cost of gas and upstream transportation purchased and resold to end-use customers is recovered through a Purchased Gas Adjustment (PGA). The PGA rate, which is approved by the FPSC annually, is a band and can vary monthly due to changes in actual fuel costs and normally results in lower under- or over-recovered gas cost variances at PGS than at Tampa Electric.

Summary of Operating Results

(millions)	*2006*	*% Change*	*2005*	*% Change*	*2004*
Revenues	$ 577.6	5.1	$ 549.5	31.7	$ 417.2
Cost of gas sold	365.3	4.3	350.2	54.8	226.2
Operating expenses	148.5	9.0	136.2	3.9	131.1
Operating income	63.7	1.0	63.1	5.3	59.9
Net income	29.7	0.3	29.6	6.9	27.7
Restructuring charges	–	–	–	–	0.4
Non-GAAP results	$ 29.7	0.3	$ 29.6	5.3	$ 28.1

Therms sold - by customer segment					
Residential	73.0	3.3	70.7	7.4	65.8
Commercial	375.7	-1.2	380.3	3.3	368.1
Industrial	456.6	15.7	394.6	-1.2	399.5
Power generation	395.7	35.7	291.7	–	291.6
Total	1,301.0	14.4	1,137.3	1.1	1,125.0

Therms sold - by sales type					
System supply	391.1	16.0	337.1	3.3	326.4
Transportation	909.9	13.7	800.2	0.2	798.6
Total	1,301.0	14.4	1,137.3	1.1	1,125.0
Customers (thousands) – average	329.0	3.3	318.4	3.6	307.4

In Florida, natural gas service is unbundled for any non-residential customers that elect this option, affording these customers the opportunity to purchase gas from any provider. The net result of this unbundling is a shift from bundled transportation and commodity sales to transportation sales. Because the commodity portion of bundled sales is included in operating revenues at the cost of the gas on a pass-through basis, there is no net financial impact to the company when a customer shifts to transportation-only sales. PGS markets its unbundled gas delivery services to these customers through its "NaturalChoice" program. At year end 2006, approximately 42% of PGS' non-residential customers had elected to take service under this program. Participation in this program was essentially unchanged in 2006.

Non-fuel operations and maintenance expense increased in 2006 primarily due to higher employee-related costs, such as pay and benefits. Operations and maintenance expense increased in 2005 primarily due to higher customer charges for uncollectible accounts, which have risen due to the high natural gas prices and higher personnel-related expenses. Depreciation expense increased in both years, in line with the capital expenditures made over the past several years to expand the system.

Depreciation is expected to increase in 2007 from normal plant additions and as a result of a depreciation study required every five years by the FPSC, which was approved in January 2007. Operations and maintenance expense, excluding costs related to FPSC-approved energy conservation programs recovered separately, are expected to increase at about inflationary levels.

PGS forecasts customer growth of approximately 2.5% in 2007, which is lower than the average customer growth

experienced for the past five years. A major contributor to the slower growth is the slowdown in the housing market. PGS does serve some of the areas of Florida that experienced some of the most rapid growth and greatest housing price appreciation in 2005 and 2006, including the Ft. Myers and Naples areas. These areas are now experiencing the most significant impacts of the slowdown in the housing market.

Since its acquisition by TECO Energy in 1997, PGS has expanded its gas distribution system through system extensions into areas of Florida not previously served by natural gas, such as the lower southwest coast in the Ft. Myers and Naples areas and the northeast coast in the Jacksonville area. PGS' expansion strategy for the past several years has been to take advantage of the significant capital investments in main pipeline expansions to connect customers to that existing infrastructure. In 2007, PGS expects its capital spending to support modest system expansion. It also expects continued customer additions and related revenues from its build-out efforts throughout the state of Florida, assuming continued local economic growth, normal weather, and other factors (see the **Risk Factors** section).

Gas Supplies

PGS purchases gas from various suppliers depending on the needs of its customers. The gas is delivered to the PGS distribution system through three interstate pipelines on which PGS has reserved firm transportation capacity for delivery by PGS to its customers.

Gas is delivered by the Florida Gas Transmission Company (FGT) through more than 57 interconnections (gate stations) serving PGS' operating divisions. In addition, PGS' Jacksonville Division receives gas delivered by the South Georgia Natural Gas Company pipeline through two gate stations located northwest of Jacksonville. Gulfstream Natural Gas Pipeline initiated gas delivery in 2003 through five gate stations. The addition of the Gulfstream pipeline enhances reliability of service and helps meet the capacity needs for PGS' growing customer base.

PGS procures natural gas supplies using baseload and swing-supply contracts with various suppliers along with spot market purchases. Pricing generally takes the form of either a variable price based on published indices, or a fixed price for the contract term.

TECO COAL

TECO Coal recorded 2006 net income of $78.8 million, compared to $115.4 million in 2005. Excluding the $32.1 million benefit associated with the production of synthetic fuel, TECO Coal's full-year 2006 Non-GAAP Results Excluding Synthetic Fuel were $46.7 million, compared to $33.0 million in 2005, which excluded $82.4 million of earnings benefits from the production of synthetic fuel, (see the **2006 GAAP Results Reconciliation to Non-GAAP** table). Compared to 2005, results reflect a 13% higher average net per-ton selling price across all products, excluding transportation allowances, partially offset by higher production costs. Results also reflect a $3.8 million after-tax charge to reduce deferred tax assets consistent with a recent reduction in the Kentucky state income tax rate and a $2.7 million after-tax benefit from the true-up in 2006 of the 2005 synthetic fuel tax credit rate. The 2005 tax credit was adjusted to reflect $1.17 per million Btu on an actual basis versus the estimated $1.15 per million Btu used in 2005.

In 2006, the cash cost of production increased 12% over 2005. Higher production costs reflect higher costs associated with new safety regulations, the costs associated with relocating mining equipment from high cost mining areas and areas where the reserves were depleted, costs associated with additional exploration expenses to optimize future mining plans, and higher costs for diesel fuel, explosives, conveyor belts and steel-related products .

Total sales were 9.8 million tons in 2006, including 5.3 million tons of synthetic fuel, compared to 9.7 million tons, including 6.4 million tons of synthetic fuel in 2005. Lower synthetic fuel sales volumes reflect the idling of production facilities from late July through mid-September due to estimated average annual oil prices above the break-even level. Total coal sales were not impacted as synthetic fuel sales contracts permitted the substitution of conventional coal for synthetic fuel while the synthetic fuel production was idled.

TECO Coal's 2005 net income was $115.4 million, driven by higher selling prices and margins, on total sales of 9.7 million tons, compared to $61.3 million for the same period in 2004, which included the $7.0 million benefit from a tax credit true-up, on sales of 9.1 million tons. Full-year tonnage includes 6.4 million tons of synthetic fuel sales in 2005, compared to 6.3 million tons in the 2004 period. Results reflect an average net selling price per ton, which excludes transportation allowances, almost 48% higher than in 2004; average cash cost of sales, excluding synthetic fuel costs, almost 20% higher than in 2004; and increased third-party ownership in the synthetic fuel production facilities. The cash cost of sales was driven by higher prices for diesel fuel, labor and steel products. Results in 2005 also included a $1.6 million after-tax benefit from the 2004 synthetic fuel tax credit rate, which was $1.13 per million Btu on an actual basis versus the $1.12 per million Btu estimated in 2004, and a $2.4 million negative adjustment to deferred tax assets due to a reduction in the Kentucky state income tax rate.

Synthetic Fuel

(after-tax millions)	12 Months Ended Dec. 31,	
	2006	2005
Synthetic fuel net benefit before phase-out	$ 70.5	$82.3
Phase-out impact	(36.7)	--
Mark-to-market (loss) gain	(1.7)	0.1
Net synthetic fuel earnings benefit	$ 32.1	$ 82.4

The benefits from the production of synthetic fuel reflect the estimated 35% reduction in revenues from third-party synthetic fuel investors based on estimated average annual oil prices of $66/Bbl at Dec. 31, 2006. The phase-out range will be based on oil prices represented by the annual average of Producer First Purchase Prices reported by the U.S. Department of Energy. Based on the actual relationship of these prices reported through October and NYMEX prices, TECO Coal estimates the initial phase-out level for 2006 to begin at $62/Bbl on a NYMEX basis, and that the tax credits would be fully phased out at $76/Bbl on a NYMEX basis. Actual Department of Energy Producer First Purchase Prices for the full year, which are normally reported in late March of the following year, may cause positive or negative adjustments to estimated 2006 results and would be recorded in the first quarter of 2007.

Actual net cash generation from synthetic fuel production in 2006 was approximately $65 million, which includes the reduction of revenue from third-party investors, the effects of the temporary idling of synthetic fuel production and the cost of production, compared to a potential $140 million without the effects of high oil prices.

In 2005, synthetic fuel production and sales were 6.4 million tons, compared to 6.3 million tons in 2004. TECO Synfuel Holdings, LLC had sold 90% of its ownership interest to two third party investors by the end of 2004, along with associated percentage rights to benefits in the business that adjust from time to time. Allocation of the benefits varied in 2004 such that more than 90% of the benefits were to third parties. Allocation of the benefits in 2005 was temporarily increased 8% in the first and second quarters such that 98% of the benefits went to the third parties. In July 2005, a permanent increase in the third-party ownership of the synthetic fuel facilities to 98% was achieved through the sale of an additional 8% interest to a new participant.

Under these third-party ownership transactions, TECO Coal is paid to provide feedstock, operate the synthetic fuel production facilities and sell the output; TECO Coal also recognizes a gain on the sale of the ownership interests in the facilities for each ton of synthetic fuel sold. The purchasers have the risks and rewards of ownership and are allocated 98% of the tax credits and operating costs. The net cash benefit to TECO Coal from the investors for the production of synthetic fuel was approximately $65 million and $158 million in 2006 and 2005, respectively.

TECO Coal has agreements with the investors in its synthetic fuel production facilities that were amended to provide TECO Coal with flexibility to cease producing synthetic fuel. These amendments were entered into in order to provide the parties additional flexibility in the event that high oil prices impact the level of the tax credits. Under the amendments, TECO Coal and the investors will review actual and forecasted oil prices monthly to determine if and at what level synthetic fuel production should continue. If the calendar-year average oil price, on the basis of actual plus futures prices exceed $62 per barrel on the NYMEX basis, TECO Coal has the right to cease or reduce production and the third-party investors have the right to not participate in the production. If production is idled, and oil prices then moderate, full production can resume later in the year.

The economics of the sale of the ownership interests in the synthetic fuel production facilities are reasonably constant, as they are determined by the level of the tax credits and not the price received from the sale of output. The synthetic fuel tax credit is determined annually and is estimated to be $1.21 per million Btu for 2006, and was $1.17 per million Btu in 2005 and $1.13 per million Btu in 2004. This rate escalates with inflation but could be limited by domestic oil prices. TECO Coal has hedged its risk from high oil prices for 2007 (see the discussion above and the **Synthetic Fuel** discussion in the **Outlook** section).

TECO Coal recorded $2.1 million of after-tax benefits from the production associated with its remaining synthetic fuel ownership interest in 2006, but recorded no synthetic fuel tax credits in earnings for 2005 or 2004 because of TECO Energy's actual 2004 and 2005 tax positions, which were driven by tax losses incurred upon the disposition of merchant power plants. In 2004, a $7.0 million positive true-up to income taxes was related to synthetic fuel tax credits that, due to projected limitations on taxable income, were reserved for in 2003 but were found to be recognizable in 2004 upon finalizing the 2003 tax return.

TECO Coal Outlook

We expect TECO Coal's Non-GAAP Results Excluding Synthetic Fuel to decline in 2007. Total sales are expected to be in a range between 9 and 9.5 million tons in 2007, which includes 5.7 million tons of synthetic fuel, compared to 9.8 million tons, including 5.3 million tons of synthetic fuel in 2006. The lower expected sales volume reflects the current coal market conditions where inventory accumulation due to mild weather in 2006 and early 2007 has depressed prices for utility steam coal. Excluding synthetic fuel, the average fully-loaded cash and pretax margins per ton are expected to be in line with 2006 margins of about $10 and $6 per ton, respectively.

In January 2007, TECO Coal entered into oil price hedge instruments that protect against the risk of high oil prices reducing the value of the tax credits related to the production of synthetic fuel in 2007. When combined with the hedges entered into in October 2006, the additional instruments protect approximately $195 million of the gross cash benefits expected from the third-party investors for the production of synthetic fuel over the full expected average annual oil price range of $63 to $79 per barrel on a NYMEX basis. The oil price range between $63 and $79 per barrel is the expected phase-out range for synthetic fuel benefits for 2007. The hedges in place provide approximately a dollar-for-dollar recovery of lost synthetic fuel revenues in the event of a phase-out over the estimated phase-out range. The total cost of the hedges was approximately $37 million (see the **Synthetic Fuel** discussion in the **Outlook** section). The value of the hedge instruments may vary during the year, depending on year-to-date actual oil prices plus oil price futures for the remainder of the year, which will be reflected as mark-to-market adjustments in quarterly earnings from synthetic fuel production.

Following the expiration of the synthetic fuel tax credit program on Dec. 31, 2007, we expect both net income and cash flow at TECO Coal to decline due to the loss of the benefits from the sale of the third-party ownership interests. In 2008, TECO

Coal expects to no longer produce synthetic fuel, and it expects to produce only conventional coal at levels consistent with 2007 in the current market conditions. When production of synthetic fuel ends, TECO Coal will stop mining the high-cost coals currently being mined for use in the production of synthetic fuel and will stop operating the synthetic fuel production equipment, which are expected to reduce total production costs. At that time, the earnings and cash flow from TECO Coal will be dependent on the selling price of coal in 2008, and its ability to manage production costs.

Coal Markets

In 2004 and 2005 the coal industry benefited from higher prices for competing fuels, increased demand worldwide for metallurgical coal, better balance in supply and demand, lower producer and consumer inventories and consolidation in the mining industry all of which contributed to higher prices for coal. In addition, changes that have occurred over the past several years, including industry consolidation, longer environmental permitting time for new mines, fewer skilled coal miners, and gradual depletion of high-quality Central Appalachian reserves allowed producers to contract production for 2006 at average prices above 2005 average levels.

Following a mild 2006 summer and a mild start to the 2006 – 2007 winter, spot market prices for Central Appalachian utility steam coal have declined more than 40% since the summer of 2006 due to low usage and increased inventories at utility users to above normal levels. A number of Central Appalachian coal producers, including TECO Coal, have announced plans to produce less coal in 2007 in response to the weaker market conditions. Current indications within the domestic coal industry are that until the utility inventories return to more normal levels and supply and demand are balanced there will be few long-term contracts signed for 2008 and beyond and that prices are expected to remain weaker than those experienced in 2005 and 2006.

TECO Coal sells almost all of its annual production under either multi-year contracts or contracts that are finalized late in the previous year or early in the current year. In 2006, TECO Coal benefited from contracts, which included some multi-year contracts, signed in the stronger 2005 price environment. It currently has 86% of its planned 2007 sales under contract with most of the uncontracted tons expected to be sold to European metallurgical coal customers. Contract negotiations with these customers were underway in January and are expected to be completed by the end of the first quarter of 2007 for sales in 2007. Due to its high percentage of coal under contract, TECO Coal expects its average realized price per ton in 2007 to be at levels similar to 2006. For 2008, TECO Coal currently has 45% of its expected sales contracted, all of which is utility steam coal.

The significant factors that could influence TECO Coal's results in 2007 are the higher expected costs of production and the weaker prices for the 14% of production that remains unsold. Longer-term factors that could influence results include inventories at steam coal users, weather, general economic conditions, the level of oil and natural gas prices, commodity price changes which impact the cost of production, and CO_2 reductions if required (see the **Environmental Compliance** and **Risk Factors** sections).

TECO TRANSPORT

In 2006, TECO Transport recorded net income of $22.8 million, compared to $20.2 million in 2005. The 2006 results reflected higher river barge rates and equipment utilization, improved oceangoing equipment utilization, lower repair costs at TECO Ocean Shipping, and higher Tampa Electric movements, partially offset by higher fuel costs and lower tonnage for third-party customers. Non-GAAP results of $25.8 million in 2006 excluded $4.5 million of after-tax direct costs associated with damage from Hurricane Katrina at TECO Bulk Terminal and TECO Barge Line, and $1.5 million of after-tax insurance recovery at TECO Barge Line, compared to 2005 non-GAAP results of $19.1 million, which excluded $12.6 million of direct Hurricane Katrina costs and $13.7 million of insurance recovery (see the **2006** and **2005 GAAP to non-GAAP reconciliation** tables). Results in 2006 reflect four oceangoing vessels in international trade which qualified them for the favorable tax treatment of tax law changes under the Jobs Creation Act, which reduces taxes on income earned by U.S.-flag vessels engaged in full-time international trade.

TECO Transport's 2005 net income was $20.2 million, compared to $10.2 million in the same period in 2004. Non-GAAP results in 2005 were $19.1 million, which excluded direct hurricane costs and insurance recovery, compared to $11.9 million in 2004, which excluded management restructuring costs and valuation adjustments on oceangoing equipment. Non-GAAP results in 2005 excluded the $12.6 million after-tax direct costs associated with the restoration and recovery efforts for Hurricane Katrina and the $13.7 million after-tax benefit for insurance recovery related to the hurricane restoration costs at TECO Bulk Terminal (see the **2005 GAAP to non-GAAP reconciliation** table). Results in 2005 were positively affected by the qualification of two oceangoing vessels for the benefits of the tax law changes related to vessels operating in full-time international trade. Results in 2005 were also affected by improved operating efficiencies at TECO Barge Line, higher river barge rates and increased northbound river shipments as well as increased movements of export coal, petroleum coke and other products through TECO Bulk Terminal early in 2005. Higher fuel costs were partially offset by a $3.0 million after-tax benefit from fuel hedges. In 2005, TECO Transport's net income was reduced by an estimated $4.9 million due to the ongoing business interruptions associated with operations at TECO Bulk Terminal as a result of Hurricane Katrina.

In 2005, TECO Bulk Terminal, which is located about 55 miles below New Orleans on the Mississippi River in Davant, Louisiana, was directly in the path of Hurricane Katrina and experienced side effects from Hurricane Rita. Following Hurricane Katrina, the terminal was flooded and without power. There was no damage to the oceangoing fleet and manageable impacts to the river fleet. The more lightly utilized of two cranes that unload in-bound oceangoing vessels was destroyed by the storm. The majority of the river fleet was returned to service and the terminal resumed major operations both in mid-October. Repairs at the terminal continued with near normal river barge unloading achieved in early January 2006. Near normal oceangoing vessel loading operations resumed in early 2006 and major repairs were completed in April 2006.

The river barge industry continues to experience a better balance in supply and demand for river barge services due to improvements in the U.S. economy, increased international movements and the scrapping of a large number of obsolete river barges by operators throughout the country. A number of river barges which were built in the 1980s, driven mainly by tax incentives, are now at the end of their useful lives and are being scrapped. The increased rate of barge retirements and the high cost of steel, which has increased the cost of construction of replacement barges, have reduced the supply of barges at a time of increasing demand. The improved U.S. economy and the reduced supply of barges is expected to maintain the improved pricing for river barge services in 2007. TECO Barge Line received 50 new river barges in mid-2006 to replace older barges that it retired in 2005 and 2006. It also received an additional 50 new barges starting in February 2007 to replace older barges that it expects to retire in 2007. The new barges received in 2006 and 2007 were chartered under an operating lease.

The demand for non-U.S. flag oceangoing vessels to meet the demand for shipments to China caused rates for these vessels, as measured by the Baltic Dry Index, to climb to a record high in November 2004. These rates have since declined to about 50% of the peak values but they are still more than double the long-term historical levels. As a U.S. flag carrier, TECO Transport does not benefit directly from these increased rates since it does not compete against non-U.S. flag vessels in these markets. However, the high international shipping rates create additional opportunities for spot cargo shipments for TECO Transport's oceangoing vessels.

In 2007, TECO Transport expects higher net income from higher oceangoing rates, higher utilization of tonnage tax qualified vessels, improved operating efficiencies at the terminal and increased tonnage through the terminal in Louisiana. TECO Ocean Shipping expects increased shipyard days and associated repair expense due to the normal cycle of regulatory required inspections and repairs.

Future growth at TECO Transport is dependent upon improved pricing, higher asset utilization, and potential asset additions at both the river and oceangoing businesses. Significant factors that could influence results include weather, bulk commodity prices, fuel prices, domestic and international economic conditions, and import and export patterns (see the **Risk Factors** section).

Potential Sale of TECO Transport

In February 2007, we announced that we were considering our options to fund investments in Tampa Electric's growth and to continue our debt retirement plans.

As discussed in the **Overview** section, in 2006, we committed to a plan to retire an additional $500 million of parent debt in the 2008 to 2010 period, beyond the $357 million of parent debt maturing in 2007. We are now exploring our options to meet or exceed our debt retirement goals, and to make additional investments in Tampa Electric to support its growing capital requirements.

At the same time, given the growth opportunities available to TECO Transport, we want to ensure that the business is best positioned to realize its potential in today's transportation market. For this reason, among the alternatives we are considering to address our capital priorities is a review of the options for the long-term future of TECO Transport, including its sale.

We have retained Morgan Stanley to assist in evaluating potential strategic opportunities for TECO Transport. At this early stage in the strategic review process, it is not practical to predict the cash and earnings impacts of actions that might result if a sale were completed (see the **Overview** section).

TECO GUATEMALA

Our TECO Guatemala operations consist of two non-merchant power plants operating in Guatemala and an ownership interest in Guatemala's largest distribution utility, Empresa Eléctrica de Guatemala (EEGSA). The San José and Alborada power stations in Guatemala both have long-term power purchase contracts. TECO Guatemala's ownership interest in EEGSA is held jointly with partners Iberdrola of Spain and Electricidad of Portugal (EDP) that together own an 81% controlling interest in EEGSA and other affiliate companies in Guatemala. Iberdrola is the operating partner of EEGSA.

The Guatemalan operations are utility-like in nature due to the long-term contracts and stable operations of the power generating facilities. The San José Power Station is a baseload coal-fired station with high capacity and availability factors. In 2005, the San José Power Station supplied approximately 13% of Guatemala's energy needs.

The Alborada Power Station, which consists of oil-fired, simple-cycle combustion turbines, is a peak-load facility with high availability, but low capacity factor by design. Guatemala is heavily dependent on hydro-electric sources for power generation. Seasonally or in periods of low rainfall, the Alborada Power Station will operate more.

TECO Guatemala had net income of $37.6 million in 2006, compared to $40.4 million in 2005, which was driven by 4.3% customer growth at EEGSA, 3% higher generation at the San José Power Station, higher capacity payments at the Alborada Power Station, lower insurance and interest expense, and operating and maintenance expenses essentially unchanged from 2005 levels more than offset by a higher tax rate. Results in 2005 included the one-year benefit of the 5% tax rate on dividends under the Jobs Creation Act, while 2006 reflects the normal 35% tax rate.

Net income for TECO Guatemala in 2005 was $40.4 million, compared to $5.7 million in 2004, which included a $6.7 million after-tax charge related to debt extinguishment, $17.4 million of taxes on repatriated cash, and a $12.8 million after-tax write-off of unused steam turbines. Although it is included in the TECO Guatemala segment for accounting purposes due to the redefining of our segments, the 2004 steam turbine write-off was not directly related to the Guatemalan operation; it related to turbines purchased in anticipation of a non-merchant project for TWG Merchant that was terminated. The 2005 results reflect higher operations and maintenance expenses early in the year and somewhat higher tax rates, partially offset by energy sales and customer growth at EEGSA and higher non-fuel revenues for the power plants.

At TECO Guatemala, we expect 2007 net income consistent with the strong 2006 levels. We expect continued strong operations and sales at the power plants and EEGSA. 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 flat results as continued customer and energy sales growth will be essentially offset by lower transmission wheeling revenues. Customer and energy sales growth are expected to be 3.5% and 1%, respectively, in 2007. We also expect benefits and other costs to be higher.

The Comisión Nacional de Energia Eléctrica (CNEE) was created under the General Electricity Law of 1996 as a branch of the Ministry of Energy and Mines in Guatemala and regulates the energy sector in Guatemala. EEGSA expects to undergo a new rate case process and renegotiation of the Value Added Distribution (VAD) charge applicable in the tariffs, leading up to new rates effective in May 2008. The new VAD rates that EEGSA can charge its customers for the use of its distribution lines will be set for a term of five years. The current VAD rates were established in May 2003. The Ministry of Energy and Mines and the CNEE are also in the midst of a review of the existing electricity regulations for the country. TECO Guatemala personnel are monitoring and participating in this process.

PARENT/OTHER

In 2006, the Parent/Other cost was $60.4 million, compared to $127.1 million in 2005. In 2006, the Parent/other non-GAAP cost was $74.2 million, compared to $80.4 million in 2005. 2006 Non-GAAP results in Parent/Other excluded the $8.1 million after-tax gain on the sale of the remaining assets of the unfinished McAdams Power Station, which had been previously impaired, and $5.7 million of after-tax gains on unused steam turbines that had been previously impaired. Non-GAAP results in 2005 excluded $46.7 million of after-tax charges associated with the early retirement of debt (see the **2005** and **2006 GAAP to non-GAAP reconciliation** tables). These results were driven by pretax parent interest expense which was $18.1 million lower in 2006 due to the debt redemption and refinancing actions initiated in mid-2005. This was offset, in part, by no longer allocating interest to TWG Merchant. Parent interest allocated to the operating companies was $23.1 million in 2006, compared to $36.2 million in 2005. Investment income on cash and short-term investments increased $6.6 million over 2005 as a result of higher interest rates and higher investment balances.

We expect costs at TECO Energy parent to decline in 2007 due to the retirement of the remaining $100 million of 8.5% trust preferred securities in December 2006; the repayment of the $57 million of 5.93% junior subordinated notes, which was completed in January 2007; and the repayment of the $300 million of 6.125% notes maturing in May 2007. Investment income is expected to decline due to lower cash balances as debt is retired.

TWG MERCHANT

In 2003, we announced that our strategy going forward was to focus on our Florida utilities and our profitable unregulated businesses and to reduce our exposure to the merchant power markets. In 2005, we essentially completed our exit from the merchant power business and the sales of the minor remaining assets were completed in 2006 (see the **Overview** section).

In 1999, we announced that a component of our strategy was to expand our presence in the domestic independent energy industry. Our decision to invest in this industry was based on the outlook at that time for the energy markets beyond 2001, and the expectation that there would be wide-spread deregulation of these markets. Starting in late 2001 and early 2002, after we had committed to the major investments in unregulated power, conditions in energy markets changed. Wholesale power prices declined significantly in markets across the country for many reasons, including a general slowing, or in some states a reversal, of the movement towards wholesale electric competition. In addition, the large amount of new generating capacity which came online in 2002 and 2003 contributed to significant excess generating capacity in many areas of the country and thus lower wholesale power prices.

These changed market conditions and the prospects for operating losses and negative cash flow at most of the merchant facilities we were constructing for several years, caused us to delay some projects and sell others commencing in 2003.

In 2004 and 2005, we took aggressive actions to complete our exit from the merchant power business. We completed the sale and transfer of the ownership of the Union and Gila River projects to the lenders; we sold our interests in the remaining operating projects and the uncompleted Dell Power Station. In 2005, we announced our decision to terminate the uncompleted McAdams Power Station and to transfer combustion turbines from that project to Tampa Electric in 2006 to meet its peaking generation needs. In 2006, we completed the sale of the remaining assets associated with the McAdams Power Station.

LIQUIDITY, CAPITAL RESOURCES

The table below sets forth the Dec. 31, 2006 consolidated liquidity and cash balances, the cash balances at the operating companies and TECO Energy parent, and amounts available under the TECO Energy and Tampa Electric credit facilities.

(millions)	Consolidated	Tampa Electric	Other	Parent
Credit facilities	$ 675.0	$ 475.0	$ --	$ 200.0
Drawn amounts / Letters of credit	57.5	48.0	--	9.5
Available credit facilities	617.5	427.0	--	190.5
Cash	441.6	5.1	34.2	402.3
Total liquidity	$1,059.1	$432.1	$34.2	$592.8
Consolidated restricted cash (not included above)	$37.3	$ --	$30.2	$ 7.1

Consolidated restricted cash of $37.3 million includes $30.0 million held in escrow until early 2008 related to the sale of an interest in the synthetic coal production facilities. In addition to consolidated cash, as of Dec. 31, 2006, unconsolidated affiliates owned by TECO Guatemala, CGESJ (San José) and TCAE (Alborada), had unrestricted cash balances of $18.7 million and restricted cash of $8.2 million, which are not included in the table above, as these project companies were deconsolidated due to the adoption of FIN 46R, *Consolidation of Variable Interest Entities,* effective Jan. 1, 2004.

In 2006, we met our cash needs from a mix of internal sources, asset sales and long-term notes issued at Tampa Electric Company. Cash from operations was $567 million in 2006. Other sources of cash in 2006 included $123 million of proceeds from third-party investors for ownership interests in TECO Coal's synthetic fuel production facilities, $250 million from the issuance of long-term debt at Tampa Electric, and $42 million from the sale of the land at TECO Properties and the remaining merchant power and energy services assets. We used cash to retire the remaining $100 million of 8.5% trust preferred securities outstanding prior to maturity, and the regulated companies reduced short-term borrowings $167 million. We paid dividends in 2006 of $159 million on TECO Energy common stock. Our capital expenditures for the year were $456 million.

In 2005, we met our cash needs from a mix of internal sources, asset sales and short-term borrowings under Tampa Electric Company's credit facilities. Cash from operations was $177 million in 2005. Other sources of cash in 2005 included $206 million of proceeds from third-party investors for ownership interests in TECO Coal's synthetic fuel production facilities, $180 million from the final settlement of the 9.5% adjustable conversion-rate equity security units, $300 million from the issuance of long-term debt, regulated short-term borrowings of $100 million and $165 million from the sale of the Commonwealth Chesapeake and Dell power stations. We utilized the proceeds from the long-term debt issuance in combination with cash on hand to retire prior to maturity $480 million of our highest-cost debt. We paid dividends in 2005 of $158 million on TECO Energy common stock. Our capital expenditures for the year were $295 million, and we paid $32 million to the lenders upon the final transfer of the Union and Gila River power stations.

In 2006 the impact of discontinued operations on cash from operations was not material. In 2005 and 2004, consolidated cash from operations included the cash operating losses from the Union and Gila River power stations that were in discontinued operations prior to the final transfer to the lenders in May 2005. Consolidated cash was not affected by these losses since investing activities included an offsetting source of cash that was included as restricted cash at the project companies.

Cash from Operations

In 2006, consolidated cash flow from operations was $566.9 million, which included, among normal operating items, net cash of $53.4 million reflecting the FPSC-approved recovery of previously under-recovered 2005 fuel costs, which was partially offset by the credit on customers' bills related to Tampa Electric's sale of $45 million of excess SO_2 emissions credits. In addition, cash from operations reflects a $30 million early contribution to the pension plan in 2006. The accounting treatment of the sale of interests in the synthetic fuel production facilities at TECO Coal includes the costs associated with synthetic fuel production in cash flow from operations, but the proceeds from the third-party synthetic fuel investors are reported as cash from investing and financing activities.

In 2004 and 2005, TECO Coal sold a total of 98% of the ownership interests in its synthetic fuel production facilities to third-party investors. In 2006, cash flow from operations includes the operating losses of approximately $11 per ton (pretax) associated with the production of synthetic fuel, while the cash benefits from the sale of the synthetic fuel production facilities of approximately $33 per ton (pretax) are included in the investing and financing activities on the Consolidated Statement of Cash Flows. Investing activity includes cash from the gain on the sale of the synthetic fuel facilities, which was reduced as a result of high oil prices in 2006 (see the **TECO Coal** section). The cash paid by the owner for its portion of the operating loss from the production of synthetic fuel is included in financing activities as a minority interest.

We expect cash from operations to increase in 2007 from improved operating results, collection by Tampa Electric of its remaining under-recovered fuel expense from 2005 and 2006, and lower interest expense due to the retirement of $100 million of parent debt in 2006 and the retirement of $357 million of parent debt in 2007 (see the **Cash and Liquidity Outlook** section).

We made the minimum required contributions to our pension plan in 2006 and 2005 of $6 million and $17 million, respectively. In November 2006, we made a voluntary and previously unplanned $30 million contribution to the plan to accelerate improvement in the plan's funded status. We plan to also contribute $30 million in 2007, which is above the minimum amount required. We estimate that our contribution will average about $22 million annually in 2008 through 2011 (see **Note 5** to the TECO Energy **Consolidated Financial Statements**).

Cash from Investing Activities

Our investing activities in 2006 resulted in a net use of cash of $352 million, including, among other items, capital expenditures totaling $456 million and net asset sale proceeds of $100 million. Asset sales included $8 million from the sale of two unused steam turbines remaining from the TWG Merchant operations, $8 million from the sale of a district cooling plant in Miami, $57 million from the sale of the 98% ownership interests in TECO Coal's synthetic fuel facilities, $15 million from the sale of land and $7 million from the sale of marine transportation equipment no longer used by TECO Transport.

We expect capital spending for the next several years to be higher, primarily at Tampa Electric. Our capital spending forecast currently does not include amounts for Tampa Electric's next baseload generating capacity addition, which is expected to be required in early 2013 (see the **Tampa Electric** and **Capital Expenditures** sections).

We have completed our disposition of merchant and energy services assets, and do not anticipate significant additional proceeds from sales of this nature. Proceeds from investors in the synthetic fuel production facilities will conclude after 2007 when the non-conventional fuels tax credit program expires.

Cash from Financing Activities

Our financing activities in 2006 resulted in net use of cash of $119 million. Major items included the early retirement of $100 million of the remaining 8.5% TruPS securities outstanding, Tampa Electric's issuance of $250 million of long-term notes (see the **Financing Activity** section) and $167 million reduction of short-term borrowings, and $159 million in common stock dividends. In addition, we received $66 million for providing the feedstock and reimbursement of the operating costs of TECO Coal's synthetic fuel production facilities in the form of minority interest payments from the third-party owners.

In 2007, we retired the $57 million of junior subordinated notes due Jan. 16 and we plan to retire the $300 million of notes maturing in May. In 2007, Tampa Electric Company expects to refinance $150 million of notes maturing in August and utilize short-term borrowings under its credit facilities to support its capital spending program and for normal working capital fluctuations. TECO Transport is considering options for its $110 million of tax-exempt dock and wharf bonds that mature in September, including either refinancing or retirement. See the **Cash and Liquidity Outlook** section below for a discussion of financing expectations beyond 2007.

Cash and Liquidity Outlook

In general, we target consolidated liquidity (unrestricted cash on hand plus undrawn credit facilities) of approximately $500 million, comprised of $300 million for Tampa Electric Company and $200 million for TECO Energy. In 2006, because we accumulated cash in excess of our general targets for the planned retirement of $357 million of maturing TECO Energy parent notes in 2007, at Dec. 31, 2006 our consolidated liquidity was $1,059 million. Of this total, Tampa Electric had total liquidity of $432 million. TECO Energy parent had total liquidity of $593 million. The consolidated unregulated operating companies had $34 million of unrestricted cash. In addition, there was $19 million of unrestricted cash at the unconsolidated operating companies.

We currently forecast our 2007 consolidated cash flow from operations to be approximately $660 million and expect a consolidated net use of cash of approximately $160 million after dividends. Our forecast of cash from operations includes recovery in 2007 of approximately $123 million of 2005 and 2006 net fuel and other clause under-recoveries at Tampa Electric. Cash flow from operations includes the projected $58 million cost of producing synthetic fuel for the full year, but excludes the projected $195 million of synthetic fuel investor proceeds, as these proceeds are reported in cash from investing and financing activities. The forecast of consolidated net cash generation assumes estimated capital expenditures of approximately $523 million, net Tampa Electric Company borrowing of approximately $60 million, the $29 million we spent in January 2007 for oil price hedge instruments and the repayment of the $357 million of TECO Energy parent notes maturing in 2007.

This forecast assumes that there is no reduction in proceeds that would occur if oil prices exceed the threshold level at which the synthetic fuel tax credits would begin to be reduced (see the **Synthetic Fuel** discussion in the **Outlook** section). If oil prices exceed the phase-out threshold, the oil price hedge instruments become the source of cash and replace lost investor proceeds. However, the cash from the hedges would be received in early 2008 rather than in 2007. Our forecast also does not include the potential sale of TECO Transport, which we would expect to provide cash to meet our parent-level debt retirement goals earlier than currently forecast (see the **Overview** and **TECO Transport** sections).

We expect TECO Energy parent to have net use of cash of approximately $180 million after dividends in 2007. This forecast is based on the assumptions described above and also assumes that we make an $80 million equity contribution to Tampa Electric and pay common stock dividends at current levels.

TECO Energy plans to reduce parent debt levels by an additional $500 million in the 2008 through 2010 period and does not expect to access the capital markets until such time as it seeks to refinance any of its notes maturing in 2010 through 2012 that would remain outstanding after its $500 million of repayments and any additional repayments that we elect to make. Tampa Electric Company expects to access the debt capital markets for long-term debt to refinance existing debt and to support its capital spending program, and expects to utilize its credit facilities for normal working capital fluctuations.

Our expected cash flow could be affected by variables discussed in the individual operating company sections, such as customer growth and usage changes at our regulated businesses, coal production levels and coal sales prices. In addition, actual fuel and other regulatory clause net recoveries will typically vary from those forecasts; however, these differences are generally recovered within the next calendar year. It is possible however, that unforeseen cash requirements and/or shortfalls, or higher capital spending requirements could cause us to fall short of our liquidity target or to require external capital to meet future TECO Energy parent debt maturities (see the **Risk Factors** section).

Higher expected capital expenditures at Tampa Electric over the next several years are expected to require additional equity contributions from TECO Energy in order to maintain the utility capital structure and financial integrity. Tampa Electric expects to fund approximately 50% of its capital needs with internally generated cash and external borrowing. If a sale of TECO Transport is completed, we would expect to use proceeds for the early implementation of our parent debt retirement plans in the 2008 through 2010 period. This would position us to redeploy cash that was planned for debt retirement in those years to Tampa Electric in the form of parent equity contributions to fund its generation expansion and other capital needs.

Credit Facilities

At Dec. 31, 2006 and 2005, the following credit facilities and related borrowings existed:

		Dec. 31, 2006			Dec. 31, 2005		
		Credit Facilities	Borrowings Outstanding	Letters of Credit Outstanding	Credit Facilities	Borrowings Outstanding	Letters of Credit Outstanding
Tampa Electric	5-year facility	$325.0	$13.0	$--	$325.0	$120.0	$--
	1-year accounts receivable facility	150.0	35.0	--	150.0	95.0	--
TECO Energy	5-year facility	200.0	--	9.5	200.0	--	14.3
Total		$675.0	$48.0[1]	$9.5	$675.0	$215.0[1]	$14.3

(1) Borrowings outstanding are reported as notes payable.

These credit facilities require commitment fees ranging from 12.5 to 37.5 basis points. The weighted average interest rate on outstanding notes payable under the credit facilities at Dec. 31, 2006 and 2005 was 5.45% and 4.45%, respectively.

At Dec. 31, 2006, TECO Energy had a bank credit facility in place of $200 million with a maturity date of October 2010, and Tampa Electric Company had a bank credit facility totaling $325 million, also maturing in October 2010. In addition, Tampa Electric Company had a $150 million accounts receivable securitized borrowing facility. The TECO Energy and Tampa Electric Company bank credit facilities include sub-limits for letters of credit of $100 million and $50 million, respectively. The TECO Energy facility was undrawn at Dec. 31, 2006, except for $9.5 million of outstanding letters of credit. At Dec. 31, 2006, $48 million was drawn on the Tampa Electric Company credit facilities.

Our $200 million credit facility, which was amended and extended to its current maturity in October 2005, is secured by the stock of TECO Transport Corporation, which is to be released upon our achieving an investment grade credit rating at both Standard & Poor's (S&P) and Moody's. The facility has two financial covenants, earnings before interest, taxes, depreciation, and amortization (EBITDA)-to-interest and debt-to-EBITDA, but no debt-to-total capital covenant (see the **Covenants in Financing Agreements** section).

At current ratings, TECO Energy's and Tampa Electric Company's bank credit facilities require commitment fees of 37.5 basis points and 12.5 basis points, respectively, and drawn amounts are charged interest at LIBOR plus 125 – 150 basis points and 52.5 – 65.0 basis points, respectively. At Dec. 31, 2006, the LIBOR interest rate was 5.32%.

In January 2005, Tampa Electric Company and TEC Receivables Corp. (TRC), a wholly-owned subsidiary of Tampa Electric, entered into a $150 million accounts receivable collateralized borrowing facility. Under this facility, Tampa Electric Company sells and/or contributes to TRC all of its receivables for the sale of electricity or gas to its customers and related rights. The receivables are sold by Tampa Electric Company to TRC at a discount, which was initially 2%. The discount is subject to adjustment for future sales to reflect changes in prevailing interest rates and collection experience. TRC is consolidated in the financial statements of Tampa Electric Company and TECO Energy.

Under a Loan and Servicing Agreement, TRC may borrow up to $150 million to fund its acquisition of the receivables under the facility, and TRC secures such borrowings with a pledge of all of its assets, including the receivables. Tampa Electric Company acts as the servicer to service the collection of the receivables. TRC pays program and liquidity fees based on Tampa Electric Company's credit ratings, which total 35 basis points at its current ratings. Interest rates on the borrowings are based on prevailing asset-backed commercial paper rates, unless such rates are not available from conduit lenders, in which case the rates will be at an interest rate equal to either the London interbank deposit rate plus a margin of 100 basis points at Tampa Electric's current ratings or at Citibank's prime rate (or the federal funds rate plus 50 basis points, if higher). The facility includes the following financial covenants: (1) at each quarter-end, Tampa Electric Company's debt-to-capital ratio, as defined in the agreement, must not exceed 65%; and (2) certain dilution and delinquency ratios with respect to the receivables. At Dec. 31, 2006, the interest rate for borrowings under that Tampa Electric accounts receivable facility was 5.33%.

Covenants in Financing Agreements

In order to utilize their respective bank credit facilities, TECO Energy and Tampa Electric Company must meet certain financial tests as defined in the applicable agreements (see **Credit Facilities** above). In addition, TECO Energy, Tampa Electric Company, and other operating companies have certain restrictive covenants in specific agreements and debt instruments. At Dec. 31, 2006, TECO Energy, Tampa Electric Company, and the other operating companies were in compliance with all required financial covenants. The table that follows lists the significant financial covenants and the performance relative to them at Dec. 31, 2006. Reference is made to the specific agreements and instruments for more details.

TECO Energy Significant Financial Covenants

(millions, unless otherwise indicated)

Instrument	*Financial Covenant*[1]	*Requirement/Restriction*	*Calculation at Dec. 31, 2006*
Tampa Electric Company			
PGS senior notes	EBIT/interest[2] Restricted payments Funded debt/capital Sale of assets	Minimum of 2.0 times Shareholder equity at least $500 Cannot exceed 65% Less than 20% of total assets	3.1 times $1,714 51.6% 0%
Credit facility[3]	Debt/capital	Cannot exceed 65%	51.3%
Accounts receivable credit facility[3]	Debt/capital	Cannot exceed 65%	51.3%
6.25% senior notes	Debt/capital Limit on liens[5]	Cannot exceed 60% Cannot exceed $701	51.3% $201 liens outstanding
Insurance agreement relating to pollution bonds	Limit on liens[5]	Cannot exceed $358 (7.5% of net assets)	$0 liens outstanding
TECO Energy			
Credit facility[3]	Debt/EBITDA[2] EBITDA/interest[2] Limit on additional indebtedness Dividend restriction[4]	Cannot exceed 5.25 times Minimum of 2.60 times Cannot exceed $228 Cannot exceed $50 per quarter	4.1 times 3.5 times $0 $40
$300 million note indenture	Limit on liens[5]	Cannot exceed $299 (5% of tangible assets)	$0 outstanding
$100 million and $200 million note indentures	Restrictions on secured debt	(6)	(6)
TECO Diversified			
Coal supply agreement guarantee	Dividend restriction	Net worth not less than $414 (40% of tangible net assets)	$567

(1) As defined in each applicable instrument.
(2) EBIT generally represents earnings before interest and taxes. EBITDA generally represents EBIT before depreciation and amortization. However, in each circumstance, the term is subject to the definition prescribed under the relevant agreements.
(3) See description of credit facilities in **Note 6** to the TECO Energy **Consolidated Financial Statements**.
(4) TECO Energy cannot declare quarterly dividends in excess of the restricted amount unless liquidity projections, demonstrating sufficient cash or cash equivalents to make each of the next three quarterly dividend payments, are delivered to the Administrative Agent.
(5) If the limitation on liens is exceeded the company is required to provide ratable security to the holders of these notes.
(6) The indentures for these notes contain restrictions which limit secured debt of TECO Energy if secured by Principal Property or Capital Stock or indebtedness of directly held subsidiaries (with exceptions as defined in the indentures) without equally and ratably securing these notes.

Credit Ratings of Senior Unsecured Debt at Dec. 31, 2006

	Standard & Poor's	*Moody's*	*Fitch*
Tampa Electric Company	BBB-	Baa2	BBB+
TECO Energy/TECO Finance	BB	Ba2	BB+

All three credit rating agencies have assigned stable outlooks to our ratings. In February 2007, Moody's Investor Service affirmed the rating of Tampa Electric Company and placed TECO Energy ratings on review for possible upgrade.

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-; thus all three credit rating agencies assign Tampa Electric Company's senior unsecured debt investment grade ratings. The ratings assigned by all three rating agencies to TECO Energy and TECO Finance are below investment grade.

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 (see **Risk Factors** section).

Summary of Contractual Obligations

The following table lists the obligations of TECO Energy and its subsidiaries for cash payments to repay debt, lease payments and unconditional commitments related to capital expenditures. This table does not include contingent obligations, which are discussed in a subsequent table.

Contractual Cash Obligations at Dec. 31, 2006

	Payments Due by Period					
(millions)	**Total**	**2007**	**2008**	**2009**	**2010-2011**	**After 2011**
Long-term debt [1]						
Recourse	$ 3,772.3	$566.7	$5.7	$5.5	$1,007.1	$2,187.3
Non-recourse[2]	11.7	1.3	1.4	1.4	2.9	4.7
Junior subordinated notes [3]	71.4	71.4	--	--	--	--
Operating leases/rentals [4]	188.6	28.0	21.2	18.7	33.4	87.3
Net purchase obligations/commitments [4] [5]	402.8	194.0	56.4	37.8	55.6	59.0
Interest payment obligations[6]	1,894.2	237.5	213.0	212.5	358.7	872.5
Pension plan[7]	96.0	0.6	19.8	20.7	42.5	12.4
Total contractual obligations	$ 6,437.0	$1,099.5	$317.5	$296.6	$1,500.2	$3,223.2

(1) Includes debt at TECO Energy, Tampa Electric, Peoples Gas and the other operating companies (see **Note 7** to the TECO Energy **Consolidated Financial Statements** for a list of long-term debt and the respective due dates).

(2) Reflects an intercompany loan at TECO Guatemala between its consolidated Cayman Island entity and an unconsolidated Guatemalan affiliate.

(3) These notes were retired on Jan. 16, 2007, as required.

(4) Excludes TECO Transport's outstanding commitment of $21 million for the construction of 50 replacement river barges, as the company is chartering these barges under an operating lease signed Feb. 16, 2007.

(5) Reflects those contractual obligations and commitments considered material to the respective operating companies, individually. At the end of 2006, these commitments included Tampa Electric's outstanding commitments of about $371 million primarily for materials and contracts related to the NO_x control equipment and long-term capitalized maintenance agreements for its combustion turbines.

(6) Includes variable rate notes at interest rates as of Dec. 31, 2006. Included in 2007 interest payments is $1.1 million related to the $71.4 million of 5.93% junior subordinated notes (see **Note 22** to the TECO Energy **Consolidated Financial Statements**) and $7.7 million of interest payments related to the planned retirement of the $300 million of 6.125% notes due in May 2007.

(7) The total includes the estimated minimum required contributions to the qualified pension plan as of the measurement date. Future contributions are included but they are subject to annual valuation reviews, which may vary significantly due to changes in interest rates, discount rate assumptions, plan asset performance, which is affected by stock market performance, and other factors (see **Liquidity, Capital Resources – Cash from Operations** section and **Note 5** to the TECO Energy **Consolidated Financial Statements**).

Summary of Contingent Obligations

The following table summarizes the letters of credit and guarantees outstanding that are not included in the Summary of Contractual Obligations table above and not otherwise included in our Consolidated Financial Statements. These amounts represent guarantees by TECO Energy on behalf of consolidated subsidiaries. TECO Energy has no guarantees outstanding on behalf of unconsolidated or unrelated parties.

Contingent Obligations at Dec. 31, 2006

		Commitment Expiration					
(millions)		Total[2]	2007	2008	2009	2010 - 2011	After 2011
Letters of credit [1]		$ 9.5	$ --	$ --	$ --	$ --	$ 9.5
Guarantees	Fuel/power purchases	67.7	43.7	--	--	--	24.0[3]
	Other	1.4	--	--	--	--	1.4
Total contingent obligations		$ 78.6	$ 43.7	$ --	$ --	$ --	$ 34.9

(1) Expected final expiration date with annual renewals.
(2) Expected maximum exposure.
(3) These guarantee amounts renew annually and are shown on the basis of our intent to renew beyond the current expiration date.

CAPITAL EXPENDITURES

		Forecast			
(millions)	Actual 2006	2007	2008	2009-2011	2007 – 2011 Total
Tampa Electric					
Transmission	$ 21	$ 21	$ 59	$ 173	$ 253
Distribution	95	118	145	440	703
Generation	96	109	63	257	429
Generation expansion [1]	57	6	--	--	6
Other	20	25	31	75	131
NO_x control projects	67	87	72	54	213
Other environmental	7	34	26	71	131
Tampa Electric total	363	400	396	1,070	1,866
Peoples Gas	54	50	50	150	250
TECO Coal	40	45	40	98	183
TECO Transport	17	25	23	77	125
TECO Guatemala[2]	--	3	--	--	3
Other	(20)	--	--	--	--
Total	$454	$523	$509	$1,395	$2,427

(1) Except for the amounts shown in 2007 for completion of two peaking units, this forecast excludes capital expenditures for new generating capacity that is expected to be needed in the 2009 – 2012 period. See the discussion below and the **Tampa Electric** section.
(2) Represents only the capital expenditures of the consolidated operations of TECO Guatemala. Under FIN 46R the major operations of TECO Guatemala are unconsolidated, and the related capital expenditures are not included in this table.

TECO Energy's 2006 capital expenditures of $454 million (without reduction for asset and business sale proceeds) included $363 million, excluding Allowance for Funds Used During Construction (AFUDC), for Tampa Electric and $54 million for PGS. Tampa Electric's capital expenditures in 2006 were primarily for equipment and facilities to meet its growing customer base, generating equipment maintenance, capital expenditures required for additional generating capacity in the form of two peaking units and environmental compliance including $67 million for NO_x control projects (see the **Environmental Compliance** section). Capital expenditures for PGS were approximately $36 million for system expansion and approximately $18 million for maintenance of the existing system. TECO Coal's capital expenditures included $22 million primarily for normal mining equipment replacement, $6 million for new mine development and $12 million for equipment to improve recoveries of coal from two coal-preparation plants. TECO Transport invested $17 million in 2006, including $14 million for normal steel replacements and shipyard periods for oceangoing vessels, and $3 million of capitalized repairs at its terminal in Louisiana for Hurricane Katrina-related damage repairs. The $(20) million amount in the "Other" category represents the purchase of two combustion turbines from the unfinished TWG Merchant McAdams Power Station, which are included in Tampa Electric's capital expenditures.

TECO Energy estimates capital spending for ongoing operations to be $523 million for 2007 and approximately $1.9 billion during the 2008 – 2011 period.

For 2007, Tampa Electric expects to spend $400 million, consisting of about $235 million to support system growth and generation reliability, which includes $13 million for transmission and distribution system storm hardening and $4 million for new high-voltage transmission system improvements to meet reliability requirements. In addition, Tampa Electric expects to spend $16 million for an additional natural gas pipeline to improve reliability of supply to the Bayside Power Station, $20 million for coal-fired generation capacity factor and availability improvements, $6 million to complete the addition of two combustion turbines at the Polk Power Station to meet its peaking generation capacity needs, $87 million for the addition of SCR equipment at the Big Bend Station

for NO_x control, and $34 million for other environmental compliance programs in 2007.

Tampa Electric's total capital expenditures over the 2008 – 2011 period are projected to be $1,466 million, excluding its next baseload generating capacity addition which is currently expected to be required in early 2013 or any peak load generating capacity additions required in the 2009 – 2012 period. After the initial ramp-up in spending on the required transmission system improvements and storm hardening in 2007, Tampa Electric expects to spend approximately $300 million annually to support normal system growth and reliability. This increased level of ongoing capital expenditures reflects the general higher costs for materials and contractors, new long-term regulatory requirements for storm hardening, and an active program of transmission and distribution system upgrades which will occur over the forecast period. These new programs and requirements include: approximately $30 million annually for repair and refurbishments of combustion turbines under long-term agreements with equipment manufacturers; $20 million annually for transmission and distribution system storm hardening; approximately $35 million annually for transmission and distribution system reliability and capacity improvements; and an average of $25 million annually for high-voltage transmission system improvements to meet NERC reliability requirements in Central Florida. In addition to the $300 million of ongoing annual capital expenditures, Tampa Electric expects to spend $127 million for compliance with the Environmental Consent Decree for the SCR equipment and $97 million for other required environmental capital expenditures in the 2008 – 2011 period. The Environmental Consent Decree compliance expenditures are eligible for recovery of depreciation and a return on investment through the Environmental Cost Recovery Clause (see the **Environmental Compliance** section).

Capital expenditures for PGS are expected to be about $50 million in 2007 and $200 million during the 2008 – 2011 period. Included in these amounts is an average of approximately $33 million annually for projects associated with customer growth and system expansion. The remainder represents capital expenditures for ongoing renewal, replacement and system safety.

TECO Coal expects to invest $40 million in 2007 and $143 million during the 2008 – 2011 period. Included in these amounts are new mine development projects to replace higher cost of production mines and position TECO Coal to increase production when coal markets improve. Also included is normal renewal and replacement capital, including coal mining equipment. TECO Transport expects to spend $17 million in 2007 and $108 million during the 2008 – 2011 period primarily for normal steel replacements and shipyard periods for oceangoing vessels and inland river transportation equipment. TECO Coal had outstanding commitments of approximately $27 million, primarily for replacement of coal mining equipment at Dec. 31, 2006. TECO Transport had an outstanding commitment of $21 million for the construction of 50 replacement river barges, which is not included in the capital spending forecast. In February 2007, TECO Barge Line amended an existing charter agreement to include these 50 replacement river barges (see the footnotes to the **Contractual Cash Obligation** table and the **Financing Activity** section).

The forecast capital expenditures shown above are based on our current estimates and assumptions for normal maintenance capital at the operating companies; capital expenditures to support normal system growth at Tampa Electric and PGS (excluding new generating capacity at Tampa Electric); the new programs for transmission and distribution system storm hardening and new transmission system reliability requirements; and incremental investments above normal maintenance capital to expand the PGS system and capacity at TECO Coal. Actual capital expenditures could vary materially from these estimates due to changes in costs for materials or labor or changes in plans (see the **Risk Factors** section).

Tampa Electric Future Generating Capacity Additions

The above forecasted amounts do not include any expenditures for Tampa Electric's next baseload generating capacity addition, which, based on its current forecast of energy demand and sales growth, is expected to be required in early 2013, or any peak load generating capacity additions required in the interim period. Tampa Electric's options to satisfy the generating capacity needs range from purchasing the power to constructing its own generating facilities. Tampa Electric has initiated a RFP for incremental peak capacity needs it projects to have in the 2009 – 2012 period, and, as required in Florida for baseload capacity additions, to potentially purchase the needed power under power purchase agreements. If construction of generating capacity by Tampa Electric, including a baseload unit, is found to be the most cost-effective method of meeting customers' needs, there are additional regulatory and permitting steps required prior to Tampa Electric moving forward with such a construction program for the baseload capacity. The RFP process and the regulatory approval process for baseload generating capacity are expected to be completed in late 2007.

The capital expenditures required under the various options currently being evaluated vary significantly from only transmission system improvements to allow the import of power to construction of peaking capacity and baseload capacity. In addition to an evaluation of the purchase versus build option, Tampa Electric has options regarding the type of baseload plant to be constructed ranging from natural gas-fired combined cycle to an Integrated Gasification Combined Cycle (IGCC) unit. Tampa Electric's preferred option is a 630-megawatt, coal- and petroleum coke-fueled IGCC unit in order to meet the State of Florida's goal of diversifying the fuel supplies used to generate power, and the ability to more easily capture and sequester CO_2 emissions if required in the future (see the **Environmental Compliance** section). Capital expenditures to meet Tampa Electric's peaking and baseload capacity needs are estimated to be in excess of $1.5 billion, excluding AFUDC, starting in 2008, peaking in 2010 and ending in 2013.

In 2006, the Florida Legislature enacted a new statute related to new nuclear plants that might be constructed in Florida that provided for, among other things, the recovery of pre-construction costs and carrying costs of construction through the capacity cost recovery clause; a base rate increase when the plant is put in service to recover the costs of the plant; and the recovery of prudently incurred costs in the event that the plant is not completed. Tampa Electric is seeking similar legislative treatment for IGCC plants as they accomplish the same goal of increasing fuel diversity in Florida.

FINANCING ACTIVITY

Our 2006 year-end capital structure was 68.0% senior debt, 1.3% junior subordinated debt, and 30.7% common equity. The debt-to-total-capital ratio improved from last year, primarily due to the December 2006 call and retirement of the remaining junior subordinated notes related to our 8.5% TruPS of TECO Capital Trust I.

In 2006, we issued no new debt at the TECO Energy parent level. We did raise a small, recurring amount of equity primarily through our dividend reinvestment plan. Tampa Electric refinanced $86 million of 6.25% tax-exempt bonds to an auction-rate mode, on which the average interest rate was 3.25% in 2006. Tampa Electric also issued $250 million of 30-year notes at 6.55%. The proceeds of this issuance were used to retire short-term borrowings under Tampa Electric's credit facilities, for working capital needs and to support its capital spending program.

In April 2006, TECO Barge Line entered into a 15 year charter agreement for the lease of 50 newly constructed river barges to replace barges that had either already been retired or were scheduled for retirement. In February 2007, the charter agreement was amended to include an additional 50 newly constructed replacement river barges.

In 2005, as part of our overall efforts to manage our debt and reduce interest expense, we accessed the debt markets for new capital on two occasions for $200 million of fixed-rate notes and $100 million of floating-rate notes. The proceeds from the fixed-rate notes, together with cash on hand, were used to retire in full the $380 million aggregate principal amount outstanding of our 10.5% notes due 2007. The floating-rate notes were issued to provide us the increased financial flexibility to call and retire $100 million, or 50%, of our 8.5% TruPS of TECO Capital Trust I. In addition, Tampa Electric used short-term borrowings under its credit facilities for working capital needs, which included temporarily under-recovered fuel costs, and to support its environmental capital spending program.

In 2004, we completed an early settlement offer on our 9.5% adjustable conversion-rate equity security units (units). Under the terms of the offer, each unit holder received 0.9509 shares of TECO Energy common stock for each unit held and $1.39 per unit in cash, which included the future quarterly distributions through the normal settlement date and a $0.20 per unit incentive. Under the early settlement offer, 10.8 million units were exchanged for 10.2 million shares of our common stock, and we paid $14.9 million of cash for future distributions and incentives. The effect of the exchange was the retirement of $269 million, or about 60%, of the associated trust preferred securities and increased the common shares outstanding three months earlier than would have otherwise occurred.

In 2004, we remarketed the remaining $163 million of outstanding trust preferred securities associated with the units within TECO Capital Trust II, as required. We purchased and subsequently retired $123 million of the securities offered in this transaction. Our purchase was funded through a $124 million bridge loan with Merrill Lynch and JP Morgan, which we repaid in December 2004. Trust preferred securities totaling $71 million of this series remained outstanding at Dec. 31, 2006, including the 3% ($14 million) held by TECO Capital Trust II. These securities, which had a coupon rate of 5.93% set in the remarketing, were repaid at maturity in January 2007. The proceeds from the remarketing were used by the trustee to purchase a portfolio of U.S. Treasury securities with a January 2005 maturity. Upon final settlement of the units in January 2005, we issued 6.85 million shares of TECO Energy common stock and received $180 million of cash proceeds from the matured U.S. Treasury securities.

The following table provides details of financings beginning in 2004

Date	Security	Company	Net proceeds/ facility size	Coupon	Use
May 2006	30-year notes	Tampa Electric	$ 250	6.55%	Repay short-term debt and general corporate purposes
Jan. 2006	Tax-exempt bonds due 2034	Tampa Electric	$ 86[2]	Auction rate mode	Refinance existing bonds
Oct. 2005	Credit facility	TECO Energy	$ 200	—	5-year facility
Oct. 2005	Credit facility	Tampa Electric	$ 325	—	5-year facility
Jun. 2005	5-year notes	TECO Energy	$ 100	Floating rate	Initiate debt redemption program
May 2005	10-year notes	TECO Energy	$ 200	6.75%	Initiate debt redemption program
Jan. 2005	Common equity	TECO Energy	$ 180[1]	—	Final settlement of equity security units
Jan. 2005	Credit facility	Tampa Electric	$ 150	—	Accounts receivable facility with annual renewal
Oct. 2004	Trust preferred securities	TECO Energy	$71.4[2]	5.93%	Required TECO Capital Trust II remarketing
Aug. 2004	Common equity	TECO Energy	$ 0[3]	—	Early settlement of equity security units

(1) 6.8 million shares issued in the final settlement of the 9.5% convertible equity units.
(2) No increase in outstanding debt, interest rate reset.
(3) 10.2 million shares issued in an early settlement offer on the 9.5% convertible equity units.

OFF-BALANCE SHEET FINANCING

Unconsolidated affiliates have project debt balances as follows at Dec. 31, 2006. The two power plant financings are non-recourse project loans, and the debt associated with EEGSA is general corporate debt at EEGSA; all of this debt is held at the project entity level. Although we are not directly obligated on the debt, our equity interest in those unconsolidated affiliates and its commitments with respect to those projects are at risk if interest and principal payments on these loans are not made timely. Our investment in TECO Guatemala was $401.5 million at Dec. 31, 2006.

Off-Balance Sheet Debt at Dec. 31, 2006

(millions)	*Long-term Debt*	*TECO Guatemala's Ownership Interest*
San José Power Station	$ 85.3	100%
Alborada Power Station	$ 13.0	96%
EEGSA	$ 226.3	24%

The equity method of accounting is used to account for investments in partnership and corporate entities in which we, or our subsidiary companies, do not have either a majority ownership or exercise control.

We deconsolidated the project entities for the San José and Alborada power stations listed above in the first quarter of 2004 as a result of implementing FIN 46R. These projects were partially financed with non-recourse debt, which following the deconsolidation is considered to be off-balance sheet financing. (This and other effects of implementing FIN 46R are described in **Note 2** to the TECO Energy **Consolidated Financial Statements.**)

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires management to make various estimates and assumptions that affect revenues, expenses, assets, liabilities, and the disclosure of contingencies. The policies and estimates identified below are, in the view of management, the more significant accounting policies and estimates used in the preparation of our consolidated financial statements. These estimates and assumptions are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and judgments under different assumptions or conditions. See **Note 1** to the TECO Energy **Consolidated Financial Statements** for a description of our significant accounting policies and the estimates and assumptions used in the preparation of the consolidated financial statements.

Synthetic Fuel and Section 29 Tax credits

The company earns income indirectly through the production of synthetic fuel at TECO Coal. TECO Coal sold its ownership interests in the synthetic fuel facilities to third-party investors based on the amount of future production and the resulting gains are adjusted by the estimated value of the tax benefits provided under Section 45 (formerly Section 29) of the tax code. The tax credit begins to phase out when the average annual oil price exceeds a reference price, which was estimated to $62.00/Bbl on a NYMEX basis in 2006. The final determination of the actual 2006 reference price and any resulting phase-out of the tax credit benefits will not be made by the Internal Revenue Service until March of 2007, as a result management is required to estimate the potential phase-out and adjust the payments expected for the sale of the ownership interests accordingly. At the end of 2006, the annual average oil price was calculated to be $65.90 on a NYMEX basis. Based on this average, a 90% actual Producer First Purchase Price to NYMEX adjustment factor and a 3.08% inflation rate, the phase-out was estimated to be 35%, resulting in a reduction in revenues from the third-party investors of $61.1 million on $174.5 million in sales. The company has also determined that a 0.25% increase in inflation would result in a reduction of 1.03% in the amount of the phase-out, which would result in a $1.2 million pretax reduction in revenue from the third-party investors. The actual final inflation rates will be known in late March or early April. Any adjustments to 2006 earnings as a result of changes in the inflation rate will be reflected in 2007's results. The payments received for the sale of the synthetic fuel ownership interests are reflected as other income and minority interest classifications in the income statement.

Deferred Income Taxes

We use the liability method in the measurement of deferred income taxes. Under the liability method, we estimate our current tax exposure and assess the temporary differences resulting from differing treatment of items, such as depreciation for financial statement and tax purposes. These differences are reported as deferred taxes measured at current rates in the consolidated financial statements. Management reviews all reasonably available current and historical information, including forward-looking information, to determine if it is more likely than not that some or all of the deferred tax asset will not be realized. If we determine that it is likely that some or all of a deferred tax asset will not be realized, then a valuation allowance is recorded to report the balance at the amount expected to be realized.

At Dec. 31, 2006, we had net deferred income tax assets of $630.2 million, attributable primarily to losses, property-related items, alternative minimum tax credit carryover of synthetic fuel non-conventional fuel tax credits, and operating loss carry-

forwards. Based primarily on historical income levels and the steady growth expectations for future earnings of the company's core utility operations, management has determined that the net deferred tax assets recorded at Dec. 31, 2006 will be realized in future periods.

We believe that the accounting estimate related to deferred income taxes, and any related valuation allowance, is a critical estimate for the following reasons: (1) realization of the deferred tax asset is dependent upon the generation of sufficient taxable income in future periods; (2) a change in the estimated valuation reserves could have a material impact on reported assets and results of operations; and (3) administrative actions of the IRS or the U.S. Treasury or changes in law or regulation could change our deferred tax levels, including the potential for elimination or reduction of our ability to utilize the deferred tax assets (see **Note 4** to the TECO Energy **Consolidated Financial Statements**).

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. See further discussion of FIN 48 in **Note 2** to the TECO Energy **Consolidated Financial Statements** and the "Recently Issued Accounting Standards" section below.

Employee Postretirement Benefits

We sponsor a defined benefit pension plan (pension plan) that covers substantially all of our employees. In addition, we have unfunded non-qualified, non-contributory supplemental executive retirement benefit plans available to certain senior management. Several statistical and other factors, which attempt to anticipate future events, are used in calculating the expense and liability related to these plans. Key factors include assumptions about the expected rates of return on plan assets, discount rates, and health care cost trend rates. These factors are determined by us within certain guidelines and with the help of external consultants. We consider market conditions, including changes in investment returns and interest rates, in making these assumptions.

Pension plan assets (plan assets) are invested in a mix of equity and fixed income securities. The assumptions for the expected return on plan assets are developed based on an analysis of historical market returns, the pension plan's actual past experience, and current market conditions. The expected return on assets assumption was based on expectations of long-term inflation, real growth in the economy, fixed income spreads and equity premiums consistent with our portfolio, with provision for active management and expenses paid from the trust. The discount rate assumption is based on a cash flow matching technique developed by our outside actuaries and current economic conditions. This technique matches the yields from high-quality (AA-graded, non-callable) corporate bonds to the company's projected cash flows for the pension plan to develop a present value that is converted to a discount rate and this assumption is subject to change each year. The salary increase assumption was based on the same underlying expectation of long-term inflation together with assumptions regarding real growth in wages and company-specific merit and promotion increases. Holding all other assumptions constant, a 1% increase or decrease in the assumed rate of return on plan assets would decrease or increase, respectively, 2006 net periodic expense by approximately $4.4 million. Likewise, a 0.67% increase or a 0.42% decrease in the discount rate assumption would result in an approximately $3.4 million change in the 2006 net periodic pension expense. This $3.4 million change represents a 1-cent change in earnings-per-share.

Unrecognized actuarial gains and losses are being recognized over approximately a 15-year period, which represents the expected remaining service life of the employee group. Unrecognized actuarial gains and losses arise from several factors including experience and assumption changes in the obligations and from the difference between expected return and actual returns on plan assets. These unrecognized gains and losses will be systematically recognized in future net periodic pension expense in accordance with FAS 87, *Employer's Accounting for Pensions*. Our policy is to fund the plan based on the required contribution determined by our actuaries within the guidelines set by the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

In addition, we currently provide certain postretirement health care and life insurance benefits for substantially all employees retiring after age 50 who meet certain service requirements. The key assumptions used in determining the amount of obligation and expense recorded for postretirement benefits other than pension (OPEB), under FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, include the assumed discount rate and the assumed rate of increases in future health care costs. The discount rate used to determine the obligation for these benefits has matched the discount rate used in determining our pension obligation in each year presented. In estimating the health care cost trend rate, we consider our actual health care cost experience, future benefit structures, industry trends, and advice from our outside actuaries. We assume that the relative increase in health care cost will trend downward over the next several years, reflecting assumed increases in efficiency in the health care system and industry-wide cost containment initiatives. In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was enacted. The Act established a prescription drug benefit under Medicare, known as Medicare Part D, and a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription benefit, which is at least actuarially equivalent to Medicare Part D. In May 2004, the FASB issued FASB Staff Position No. FSP 106-2 which required 1) that the effects of the federal subsidy be considered an actuarial gain and recognized in the same manner as other actuarial gains and losses and 2) certain disclosures for employers that sponsor postretirement health care plans that provide prescription drug benefits.

We adopted FSP 106-2 retroactive to the second quarter of 2004 for benefits provided that we believe to be actuarially equivalent to Medicare Part D. The expected subsidy reduced the accumulated postretirement benefit obligations (ABPO) at Dec. 31, 2006 by $25.8 million and net periodic cost for 2006 by $3.8 million. In 2006, we filed for and received a Part D subsidy of $0.6 million.

The assumed health care cost trend rate for medical costs was 9.5% in 2006 and decreases to 5.00% in 2016 and thereafter.

A 1% increase in the health care trend rates would produce a 4% ($1.0 million) increase in the aggregate service and interest cost for 2006 and a 4% ($7.4 million) increase in the accumulated postretirement benefit obligation as of Sep. 30, 2006, the measurement date.

A 1% decrease in the health care trend rates would produce a 3% ($0.7 million) decrease in the aggregate service and interest cost for 2006 and a 3% ($6.0 million) decrease in the accumulated postretirement benefit obligation as of Sept. 30, 2006, the measurement date.

The actuarial assumptions we used in determining our pension and OPEB retirement benefits may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. While we believe that the assumptions used are appropriate, differences in actual experience or changes in assumptions may materially affect our financial position or results of operations.

See further discussion of Employee Postretirement Benefits in **Note 5** to the TECO Energy **Consolidated Financial Statements**

Accounting for Contingencies

In accordance with FAS 5, *Accounting for Contingencies*, we make estimates at the end of each reporting period to record the probable loss related to contingent liabilities. Examples of such expected losses and respective contingent liabilities would include environmental and legal contingencies and incurred but unreported medical and general liability claims. We consider these estimates of liabilities to be critical since the company must first determine the likelihood that the known claims or legal events will result in a future loss to the company. Then we must determine if the future amount of expected loss can be reasonably estimated.

For a known claim, if the company determines that it is probable that future events will result in a loss and that loss can be reasonably estimated, the expected loss and respective liability are recorded. If we determine that the likelihood is remote that those future events will develop in a manner that will result in a loss to the company, no loss or liability is recorded. If there is more than a remote possibility but it is less than likely that future events will result in a loss to the company, we disclose the specific claim or situation if it is material.

For medical and general liability claims that have been incurred but not reported, we rely on a third-party actuary to advise us as to probable liabilities that will become known in the future but were incurred in the current reporting period, and we record the expected loss and liability accordingly.

Many of the material claims that have been made or could be made against the company in the future are covered by insurance. Accounting for the expected loss and liability under FAS 5 has different recognition criteria than expected insurance recoveries. As a result, it is possible that the company could have to report a loss and respective liabilities in accounting periods before the offsetting proceeds from the insurance recovery and potential gain could be reported.

While the company carefully evaluates all known claims and cases to record the most probable outcome, future events could develop in an unexpected manner that could have a material impact on future financial statements. See **Note 12** to the TECO Energy **Consolidated Financial Statements** for a complete discussion of certain legal contingencies that existed at Dec. 31, 2006.

Long-Lived Assets

In accordance with FAS 144, *Accounting for the Impairment or Disposal of Long- Lived Assets*, we assess whether there has been an other than temporary impairment of our long-lived assets and certain intangibles held and used by us when such indicators exist. We annually review all long-lived assets in the last quarter of each year to ensure that any gradual change over the year and the seasonality of the markets are considered when determining which assets require an impairment analysis. We believe the accounting estimates related to asset impairments are critical estimates for the following reasons: (1) the estimates are highly susceptible to change, as management is required to make assumptions based on expectations of the results of operations for significant/indefinite future periods and/or the then current market conditions in such periods; (2) markets can experience significant uncertainties; (3) the estimates are based on the ongoing expectations of management regarding probable future uses and holding periods of assets; and (4) the impact of an impairment on reported assets and earnings could be material. Our assumptions relating to future results of operations or other recoverable amounts are based on a combination of historical experience, fundamental economic analysis, observable market activity and independent market studies. Our expectations regarding uses and holding periods of assets are based on internal long-term budgets and projections, which give consideration to external factors and market forces, as of the end of each reporting period. The assumptions made are consistent with generally accepted industry approaches and assumptions used for valuation and pricing activities.

At the end of the 2006 fiscal year impairment tests were conducted on our long-lived assets. At the conclusion of the analyses, it was determined that all asset carrying values were recoverable based on the reasonable estimates used. No impairment adjustments were necessary.

During 2005, we reduced our fair market value assumption for the McAdams power project, based on a strategic review of the options to dispose of that investment, which resulted in a further impairment charge related to additional asset retirement obligations (see **Note 15** to the TECO Energy **Consolidated Financial Statements**). All the remaining assets associated with the McAdams power project were sold in 2006 (see **Note 16** to the TECO Energy **Consolidated Financial Statements**).

During the fourth quarter of 2004, as a part of its annual impairment review, management conducted a review of the prospects for long-term power prices, as well as opportunities for actual sales of assets. As a result of this review, we sold the Frontera project and determined it was appropriate to reduce the probability that the Dell, McAdams, and Commonwealth Chesapeake projects would be held for use for the overall economic life of those projects. The first step in the impairment testing

was weighted more toward an ultimate recovery of the investment. In each case, the testing resulted in a determination that the carrying value of each project was not recoverable. This recoverability test is conducted by comparing the probability weighted undiscounted cash flows for the asset to its carrying value. If the test is not passed, a second step is required. Each of the projects listed above required the second step, in which the difference between the fair market value of the projects and the carrying value was estimated in order to determine and record appropriate impairment charges. Critical estimates are also inherent in determining the fair market value. We based the fair market values on probability weighted values. To the extent actual fair market value should vary from the probability weighted average values, future impairment charges or gains on disposition could occur (see **Note 18** to the TECO Energy **Consolidated Financial Statements**).

Regulatory Accounting

Tampa Electric's and PGS' retail businesses and the prices charged to customers are regulated by the FPSC. Tampa Electric's wholesale business is regulated by the Federal Energy Regulatory Commission (FERC). As a result, the regulated utilities qualify for the application of FAS 71, *Accounting for the Effects of Certain Types of Regulation.* This statement recognizes that the actions of a regulator can provide reasonable assurance of the existence of an asset or liability. Regulatory assets and liabilities arise as a result of a difference between generally accepted accounting principles and the accounting principles imposed by the regulatory authorities. Regulatory assets generally represent incurred costs that have been deferred, as their future recovery in customer rates is probable. Regulatory liabilities generally represent obligations to make refunds to customers from previous collections for costs that are not likely to be incurred.

We periodically assess the probability of recovery of the regulatory assets by considering factors such as regulatory environment changes, recent rate orders to other regulated entities in the same jurisdiction, the current political climate in the state, and the status of any pending or potential deregulation legislation. The assumptions and judgments used by regulatory authorities continue to have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. A change in these assumptions may result in a material impact on reported assets and the results of operations (see the **Regulation** section and **Notes 1** and **3** to the TECO Energy **Consolidated Financial Statements**).

RECENTLY ISSUED ACCOUNTING STANDARDS

Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the FASB issued FAS No.158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R).* The company adopted FAS 158 on Dec. 31, 2006. This statement of financial accounting standards requires the recognition in the statement of financial position the over-funded or under-funded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation in the case of a defined benefit plan, or the accumulated postretirement benefit obligation in the case of other postretirement benefit plans. As a result of this standard, the company reported as of Dec. 31, 2006, a $125.8 million increase in benefit liability on the balance sheet and a $21.8 million accumulated other comprehensive loss, net of estimated tax benefits. In addition, as a result of the application of FAS 71 to the impacts of FAS 158, Tampa Electric Company recorded $91.9 million in both benefit liabilities and regulatory assets. This standard does not affect the results of operations.

Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Application involves a two-step approach where recognition occurs if the position exceeds a "more likely than not" threshold and the measurement is based on the tax benefit being greater than 50 percent likely of being realized upon settlement with the tax agencies involved. FIN 48 is effective for fiscal years beginning after Dec. 15, 2006. Based on the company's assessment to date of the tax positions as of Jan. 1, 2007, the company believes that the implementation of FIN 48 during the first quarter of 2007 will have an immaterial impact on retained earnings. In addition, as a result of reaching a favorable conclusion with a taxing authority during the first quarter of 2007, the company expects to record during the first quarter of 2007, a previously unrecognized gain in Discontinued Operations in the range between $12 and $15 million related to the disposition of the Union and Gila River power stations.

Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements

In September 2006, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements* (SAB 108). SAB 108 addresses the diversity in practice by registrants when quantifying the effect of an error on the financial statements and provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements. SAB No. 108 was adopted on Dec. 31, 2006 and did not have an impact on the company's consolidated financial statements.

OTHER ITEMS IMPACTING NET INCOME

OTHER INCOME (EXPENSE)

In 2006, Other income or (expense) of $153.6 million reflected the $46.6 million from the installment sale of the 98% interest in the synthetic fuel production facilities at TECO Coal, $58.6 million of pretax income from the Guatemalan operations, which are accounted for as equity investments, $34.8 million of pretax interest income on invested cash balances and $6.0 million of pretax gains on the smaller assets sold in 2006 partially offset by the debt reduction charges. Income from the sale of the interests in TECO Coal's synthetic fuel production facilities was reduced in 2006 by the 35% limitation on the tax credits due to high oil prices and lower production in 2006 (see the **TECO Coal** section). The debt reduction charges were $2.5 million in 2006, compared to $74.2 million in 2005.

In 2005, Other Income (expense) of $157.8 million reflected the installment sale of the 98% interest in the synthetic fuel production facilities at TECO Coal, income from the Guatemalan operations, which are on equity investment accounting, and gains on the smaller assets sold in 2005 partially offset by the debt extinguishment charges associated with our 2005 debt retirement program.

In 2004, Other Income (expense) of $23.1 million reflected the income related to the gain on the sale of the Hamakua Power Station, the sale of our interest in the propane business, the installment sale of the 90% interest in the synthetic fuel production facilities at TECO Coal, and income from the deconsolidated Guatemalan operations, largely offset by a $152.3 million pretax impairment charge related to our investment in the Texas Independent Energy (TIE) projects.

AFUDC equity at Tampa Electric, which is included in Other Income (expense), was $2.7 million in 2006 and $0.7 million in 2004, and there was no AFUDC recorded in 2005. AFUDC is expected to increase in 2007 due to the installation of NO_x control at Tampa Electric's Big Bend Station (see the **Environmental Compliance** and **Liquidity, Capital Resources** sections).

INTEREST EXPENSE

Total interest expense was $278.3 million in 2006 compared to $288.7 million in 2005 and $322.9 million in 2004. In 2006, interest expense was reduced by the repayment in June 2005 of $380 million of 10.5% notes and the December 2005 repayment of $100 million of 8.5% trust preferred securities. Interest expense also reflects Tampa Electric's issuance of $250 million of 6.55% notes in May 2006 and use of proceeds to reduce short-term borrowings. In 2005, interest expense was reduced by the retirement of $391.6 million of trust preferred securities in late 2004, and the repayment in June 2005 of $380 million of 10.5% notes, partially offset by interest associated with $200 million of fixed-rate notes issued in May 2005 and $100 million of floating-rate notes issued in June 2005 (see the **Financing Activity** section), and higher short-term borrowings under credit facilities at Tampa Electric Company.

Interest expense is expected to decrease in 2007 due to the full-year benefits from the December 2006 retirement of the remaining 8.5% TruPS outstanding, the January 2007 retirement of $57 million of 5.93% junior subordinated notes and the planned retirement of the $300 million of 6.125% notes due in May 2007, partially offset by Tampa Electric Company's increased borrowings to support its capital spending program (see the **Liquidity, Capital Resources** section).

INCOME TAXES

The provision for income taxes increased in 2006 from higher operating income primarily due to lower debt extinguishment costs and lower interest expense. The provision for income taxes increased in 2005 as a result of more-normal operations and fewer write-offs of merchant generating assets. In 2004 the provision for income taxes was a benefit as we incurred net operating losses primarily as a result of losses on the disposition of merchant power generating assets. Income tax expense as a percentage of income from continuing operations before taxes was 32.7% in 2006, 32.6% in 2005, and 40.8% in 2004. For 2007, we expect the effective tax rate to be in the range of 30% to 35%.

The cash payments for income taxes, as required by the Alternative Minimum Tax Rules (AMT), state income taxes and payments related to prior years' audits was $10.4 million, $27.4 million and $22.4 million in 2006, 2005 and 2004, respectively.

Due to the generation of deferred income tax assets related to the net operating loss (NOL) carry-forward from disposition of the merchant generating assets, we expect future cash tax payments for income taxes to be limited to approximately 10% of the AMT rate and various state taxes. We currently expect to utilize these NOLs through 2010. Beyond 2010, we expect to use more than $190 million of AMT carry-forward to limit future cash tax payments for federal income taxes to the level of AMT. Our current projection of cash income tax payments in 2007 is about $14 million, including amounts for refunds of foreign tax credits carried back to prior years and amounts owed to jurisdictions where we do not have NOLs. For the 2008-2010 period, we estimate tax payments to be in the range of $7 to $12 million annually.

Total income tax expense in years prior to 2004 was reduced by the federal tax credits related to the production of non-conventional fuels. We recognized no tax credits in 2004 and $73.0 million in 2003. These tax credits are generated annually on qualified production at TECO Coal through Dec. 31, 2007, subject to changes in the law, regulation or administration that could impact the qualification for non-conventional fuel tax credits. We were unable to utilize any of these tax credits in both 2005 and 2004 due to our net tax loss position for the years. Under the Energy Policy Act of 2005 that was signed into law on Aug. 8, 2005, effective Jan. 1, 2006 tax credits from the production of synthetic fuels generated in 2006 and 2007 that could not be utilized in

those years will be carried forward for 20 years.

The synthetic fuel tax credit is determined annually and is estimated to be $1.19 per million Btu for 2006 before phase-out, and was $1.17 per million Btu in 2005 and $1.13 per million Btu in 2004. This rate escalates with inflation but could be limited by domestic oil prices. (See the **Synthetic Fuel** discussion in the **Outlook** section and the discussion of the reference oil price in the **TECO Coal Outlook** section.)

In 2006, 2005 and 2004, income tax expense also reflected a decrease due to the impact of increased overseas operations with deferred U.S. tax structures. The decrease related to these deferrals was $9.2 million, $9.4 million and $10.5 million for 2006, 2005 and 2004, respectively.

The income tax effect of gains and losses from discontinued operations is shown as a component of results from discontinued operations.

DISCONTINUED OPERATIONS

Discontinued Operations

(millions - after-tax)	2006	2005	2004
Loss on operations	$—	$ (11.6)	$ (96.0)
Gain on disposition of Union and Gila River	—	76.5	—
Frontera write-off	—	—	(25.6)
Frontera operations	—	—	(5.8)
Commonwealth Chesapeake operations	—	—	2.5
Commonwealth Chesapeake write-off	—	1.8	(51.3)
TECO Solutions/other	1.9	(3.2)	(20.3)
Total discontinued operations	$ 1.9	$63.5	$(196.5)

In 2006 net income from discontinued operations was $1.9 million, reflecting primarily the recovery of receivables and adjustments for estimates for businesses that had been previously written off. In 2005, net income from discontinued operations was $63.5 million, compared to a loss of $196.5 million in 2004. The 2005 results include the operating results from the Union and Gila River power stations through the end of May 2005 and the $76.5 million after-tax gain recorded upon the final disposition of the plants. Discontinued operations also include results for the Commonwealth Chesapeake Power Station until its sale in April 2005 and adjustments to estimates for impairments on previously divested assets.

Discontinued Operations/Asset Dispositions

TECO Energy completed a number of asset dispositions in 2006, 2005 and 2004 as part of a revised business strategy to focus on the electric and gas utilities and long-term profitable unregulated businesses and to reduce exposure to the merchant power sector. This process was completed with the sale of TECO Thermal in 2006 and the uncompleted McAdams Power Station. In 2005, TWG Merchant sold its membership interest in Commonwealth Chesapeake Power Station (CCC) in Virginia and substantially all the assets of the Dell Power Station in Arkansas. BCH Mechanical, Inc. (BCH Mechanical) was also sold in 2005. In 2004, TWG Merchant completed both the sale of its 50% indirect interest in TIE and the sale of Frontera Generation Limited Partnership (Frontera), the owner of the Frontera Power Station in Texas. In 2004, TECO Guatemala sold its 50% indirect interest in the Hamakua Power Station (Hamakua) in Hawaii. TECO BGA, Inc. (TECO BGA), TECO AGC, Ltd. (TECO AGC), and substantially all the assets of Prior Energy were also sold in 2004. In addition, TECO Energy completed the sale of its general and limited partnership interests in Heritage Propane Partners, L.P. as part of a larger transaction that involved the merging of privately held Energy Transfer Company with Heritage Propane Partners in 2004. Results for CCC, BCH Mechanical, TECO Thermal, Frontera, Prior Energy, TECO BGA, and TECO AGC have been accounted for as discontinued operations for all periods reported. Revenues from these discontinued operations were $10.6 million and $141.7 million in 2005 and 2004, respectively (see **Notes 16** and **21** to the TECO Energy **Consolidated Financial Statements**). Included in continuing operations prior to their respective sales were the results from our interests in the Dell and McAdams power stations, TIE, Hamakua and Heritage Propane Partners.

TWG Merchant's interests in the Union and Gila River project companies, which owned merchant generation plants in Arkansas and Arizona, respectively, were held by an indirect wholly owned subsidiary of TWG Merchant, TECO-Panda Generating Company, L.P. (TPGC). TPGC was part of the TWG Merchant operating segment until designated as assets held for sale in December 2003. In 2005, TECO Energy completed the sale and transfer of the Union and Gila River project companies (see **Notes 16** and **21** to the TECO Energy **Consolidated Financial Statements**). TPGC's results are accounted for as discontinued operations for all periods reported. Revenues from the discontinued operations of TPGC in 2005 and 2004 were $109.1 million and $510.7 million, respectively. Net income (loss) from the discontinued operations of TPGC were $65.1 million and $(96.0) million in 2005 and 2004, respectively.

INFLATION

The effects of inflation on our results have not been significant for the past several years. The annual rate of inflation, as measured by the Consumer Price Index (CPI-U), all items, all urban consumers as reported by the U.S. Department of Labor, was 2.5%, 3.4% and 3.3% in 2006, 2005 and 2004, respectively. Published forecasts by economists and by several agencies of the U.S. government indicate that inflation is expected to be relatively modest again in 2007, with a 2.8% increase expected.

Prices for certain products and services used by TECO Energy's operating companies increased at rates above the CPI in 2006, including prices for concrete, steel and copper products and petroleum-based products used extensively in all of our operating companies, and for subcontracted services used by Tampa Electric and subcontracted mining services used by TECO Coal. These prices moderated in late 2006 and are expected to rise in 2007, but at a rate slower than in 2006. In the case of TECO Transport, a portion of the increased cost of petroleum products is passed through to its contract customers through fuel adjustment clauses while other costs are covered by inflation adjustment clauses, and Tampa Electric and PGS are eligible to recover the cost of commodity fuel through the respective FPSC-approved fuel-adjustment clauses. In those cases where the higher costs can not be passed directly to the customers, higher costs could reduce the profit margins at the operating companies.

ENVIRONMENTAL COMPLIANCE

Environmental Matters

Our commitment to environmental compliance is an important element of our culture. Each of our operating companies has an environmental compliance plan tailored to its industry and location, each of which is part of our overall corporate compliance plan.

Among our companies, Tampa Electric has the most significant number of stationary sources with air emissions impacts and material Clean Water Act implications. Tampa Electric has taken significant steps to dramatically reduce its air emissions through a series of voluntary actions, including technology selection (including IGCC and natural-gas fired combined cycle); a responsible fuel mix taking into account price and reliability impacts to its customers; a significant capital expenditure program to add Best Available Control Technology (BACT) emissions controls; additional controls to accomplish earlier reductions of certain emissions allowing for lower emission rates when BACT was ultimately installed; and enhanced controls and monitoring systems for certain pollutants. All of these improvements, including the installation of IGCC technology, BACT and repowering from coal to natural gas, represent an investment in excess of $2 billion since 1994.

Through these actions, Tampa Electric has achieved significant reductions of all air pollutants, including CO_2 while maintaining a reasonable fuel mix through the clean use of coal for the economic benefit of its customers. The early CO_2 reductions and pioneering use of IGCC technology positions us and Tampa Electric well for new laws and rules which may be enacted to address climate change related issues, including carbon reductions.

We believe that any government adopted carbon reduction program should: (1) apply across all sectors of the economy and address all sources of greenhouse gases (GHG); (2) recognize and give credit for early action and be based on a market driven "cap-and-trade" program with allocations based on the status of emissions and reductions to date, much like the program applicable to SO_2; and (3) include mechanisms for the development and deployment of new technologies, including the removal of regulatory and economic barriers or the inclusion of incentives for the use of those technologies for low emission generation, carbon capture, storage, wind, solar and other renewable energy resources, as well as cost effective development of demand-side management technologies and conservation incentives.

Air Quality Control

IGCC Technology – Polk Power Station

In 2006, Tampa Electric celebrated its tenth year of commercial operation of the Polk Power Station, originally a 260-megawatt Integrated Gasification Combined Cycle (IGCC) power plant, which was the first of its kind commercially available in operation. The IGCC unit was constructed in cooperation with the U.S. Department of Energy (DOE) as a part of its Clean Coal Program. DOE contributed approximately $140 million to assist in the commercialization of this technology to enable the clean burning of coal. This technology converts coal into a synthesis gas and removes 95% of the SO_2 from the gas prior to combustion and coupled with efficient combined-cycle technology uses approximately 10% less fuel for the same level of power output. The emission rates of this unit are very similar to a natural gas combined-cycle unit of the same size.

Polk Power Station Unit 1 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.

The Energy Policy Act of 2005 encourages the development of clean-coal technologies. It authorized almost $1.1 billion over three years to fund the U. S. Department of Energy's (DOE) clean coal research and development programs. In 2006 the Internal Revenue Service and DOE awarded Tampa Electric $133 million of tax credits for its proposed 630 megawatt IGCC plant to be built at the Polk Power Station as contained in its 10-year site plan, which is expected to be in service after 2012 (see the **Tampa Electric** and **Liquidity, Capital Resources** and **Capital Expenditures** sections).

Consent Decree

Tampa Electric, through voluntary negotiations with the Environmental Protection Agency (EPA) and the U.S. Department of Justice and the Florida Department of Environmental Protection (FDEP), signed a Consent Decree, which became effective Feb. 29, 2000, and a Consent Final Judgment, which became effective Dec. 6, 1999, as settlement of federal and state litigation. Pursuant to these agreements, allegations of violations of New Source Review requirements of the Clean Air Act were resolved, provision was made for environmental controls and pollution reductions, and Tampa Electric began implementing a comprehensive program to dramatically decrease emissions from its power plants.

The emission reduction requirements included specific detail with respect to the availability of flue gas desulfurization systems (scrubbers) to help reduce SO_2, projects for NO_x reduction efforts on Big Bend Units 1 through 4, and the repowering of the coal-fired Gannon Power Station to natural gas. The commercial operation dates for the two repowered units, renamed as the H. L. Culbreath Bayside Power Station (Bayside), were Apr. 24, 2003 and Jan. 15, 2004. The completed station has total station capacity of about 1,800 megawatts (nominal) of efficient, natural gas-fueled, combined-cycle electric generation, which uses 10% less fuel for the same amount of power output. The repowering has reduced the facility's NO_x and SO_2 emissions by approximately 99% and particulate matter emissions have decreased approximately 92% from 1998 levels.

In 2004, Tampa Electric made its NO_x reduction technology selection and decided to install SCRs for NO_x control on Big Bend Unit 4, with an expected in-service date by Jun. 1, 2007. Tampa Electric has also decided to install SCR technology on Big Bend Units 1, 2 and 3 with in-service dates for Unit 3 by May 1, 2008, Unit 2 by May 1, 2009 and Unit 1 by May 1, 2010. The engineering, design and construction of the SCR system are currently in progress. Tampa Electric's capital investment forecast includes amounts in the 2007 through 2011 period for compliance with the NO_x, SO_2 and particulate matter (PM) reduction requirements (see the **Capital Expenditures** section).

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 NO_x emissions prior to installing the SCRs) through the Environmental Cost Recovery Clause (ECRC) (see the **Regulation** section). The first SCR (Big Bend Unit 4) is scheduled to enter service by Jun. 1, 2007 and cost recovery for the capital investment, which is dependent on filings related to the prudence of actual expenditures to be made in 2007, is expected to start in 2008.

Emission Reductions

Projects committed to under the Consent Decree and Consent Final Judgment have resulted in significant reductions in emissions. Since 1998, Tampa Electric has reduced annual SO_2, NO_x and PM from its facilities by 160,000 tons, 41,000 tons, and 4,000 tons, respectively.

Reductions in SO_2 emissions were accomplished through the installation of scrubber systems on Big Bend Units 1 and 2 in 1999. Big Bend Unit 4 was originally constructed with a scrubber. The Big Bend Unit 4 scrubber system was modified in 1994 to allow it to scrub emissions from Big Bend Unit 3 as well. Currently the scrubbers at Big Bend Station remove more than 95% of the SO_2 emissions from the flue gas streams.

The repowering of Gannon Station to Bayside Station has resulted in a significant reduction in emissions of all pollutant types. We expect that Tampa Electric's actions to install additional NO_x emissions controls on all Big Bend units will result in the further reduction of emissions and that by 2010, the SCR projects will result in a total phased reduction of NO_x by 62,000 tons per year from 1998 levels.

In total, we expect that Tampa Electric's emission reduction initiatives will result in the reduction of SO_2, NO_x and PM emissions by 89%, 90%, and 72%, respectively, below 1998 levels by 2010. With these improvements in place, Tampa Electric's facilities meet the same standards required of new power generating facilities and help to significantly enhance the quality of the air in the community. As a result of all its already completed emission reduction actions, and upon completion of the SCR projects, we expect that Tampa Electric will have achieved emission reduction levels called for in Phase I of the Clean Air Interstate Rule (CAIR) when it is implemented in 2009.

Due to pollution control benefits from the environmental improvements, reductions in mercury emissions have occurred due to the repowering of Gannon Station to Bayside Station. At Bayside, where mercury levels have decreased 99% below 1998 levels, there are virtually zero mercury emissions. Additional mercury reductions are also anticipated from the installation of NO_x controls at Big Bend Station, which would lead to a reduction of mercury emissions of more than 70% from 1998 levels by 2010. Tampa Electric expects to be in compliance with the Clean Air Mercury Rule (CAMR) Phase I requirements when they are implemented in 2010 without additional capital investment. The stricter standards required in 2018 by Phase II of CAMR may require additional control equipment.

The EPA has recently proposed modifications to the 24-hour coarse and fine particulate matter standards. Based on the reduced emissions of sulfates and nitrates resulting from projects associated with compliance with the Consent Decree, as well as local ambient air quality data, the Tampa Electric service area is expected to be in compliance with the proposed new PM standards without additional expenditures by Tampa Electric.

Carbon Reductions

We have historically supported voluntary efforts to reduce carbon emissions and have taken significant steps to reduce overall emissions at Tampa Electric's facilities. Since 1998, Tampa Electric has reduced its system-wide emissions of CO_2 by approximately 19%, bringing emissions to near 1990 levels. Tampa Electric expects that emissions of CO_2 should remain near 1990

levels until the addition of the next baseload unit, which is expected after 2012. Tampa Electric estimates that the repowering to natural gas and the shut-down of coal-fired units resulted in a decrease in CO_2 emissions of approximately 4.0 million tons below 1998 levels. During this same timeframe, the numbers of retail customers and retail energy sales have risen by approximately 25%.

We believe new legislative and regulatory efforts to reduce CO_2 emissions will be more effective if any proposed legislation or rules recognize the early, voluntary steps some have taken to dramatically improve their emissions profiles (to provide an incentive to continue doing so before new legislation or regulations take effect), focus on technology development, and provide a regulatory structure that supports advanced clean coal IGCC technology or other similar technologies. As a result of Tampa Electric's already dramatic reductions in CO_2 emissions, it is well-positioned to engage in the carbon reduction debate. Many states, including California, and Congress have made proposals to reduce greenhouse gas emissions over an extended period. There are several means to address reductions in greenhouse gas emissions, including energy efficiency initiatives, more efficient automobiles, such as plug-in hybrids, and advanced clean coal technology such as Tampa Electric's IGCC facility Polk Power Station.

We stand by our commitment to achieve emissions reductions and technologies that provide a viable future for coal. We are a supporter of coal as a plentiful, cost-effective and reliable source of energy. We believe that the environmental controls in place at Tampa Electric's facilities and the successful operation of coal gasification for the production of electricity Tampa Electric have demonstrated that advanced clean coal is an environmentally sound, economic and reliable electric generation fuel source that will continue to have a viable future.

We believe that the important elements of CO_2 emissions reduction efforts include: (1) research and development efforts aimed at technology development for carbon capture and sequestration; (2) financial support for IGCC, such as the tax credits awarded to Tampa Electric in 2006; and (3) innovative regulatory mechanisms to address the higher capital costs of these clean technologies.

Tampa Electric belongs to the U.S. Department of Energy's Climate Challenge program and participates in the Chicago Climate Exchange, a voluntary but legally binding cap-and-trade program dedicated to reducing greenhouse gas emissions. Because of Tampa Electric's membership in the Chicago Climate Exchange, its CO_2 emissions are measured through the use of emissions monitoring equipment and audited annually by the National Association of Securities Dealers, which has certified the results thus far.

Florida has an Energy Commission charged with developing a comprehensive energy policy for the state. By statute the final report of the Commission is due on Dec. 31, 2007, a portion of which must include an action plan on climate change. Specifically, the legislation requires the Commission to "recommend consensus-based public-involvement processes that evaluate greenhouse gas emissions in this state and make recommendations regarding related economic, energy, and environmental benefits. The report must include recommended steps and a schedule for the development of a comprehensive state climate action plan with greenhouse gas reduction through a public-involvement process, including transportation and land use, generation; residential, commercial and industrial activities, waste management, agriculture and forestry; emissions-reporting systems; and public education." The Commission's organizational meeting was held in mid-February, 2007, subcommittees (including one on climate change) were formed, and meetings with opportunities for public input will be held throughout the remainder of the year.

Several states have proposed or enacted legislation to limit CO_2 emissions, and there is proposed legislation at the federal level that would limit CO_2 emissions. The timing of passage of any federal legislation is uncertain as is the period over which CO_2 emissions reductions would be required. Several bills have been introduced in Congress but none are on a fast track for action. Most of these bills contain some type of cap-and-trade system. Several of them focus on the power sector only but others are economy-wide and all of focus on some reductions from a baseline year; however, none of the details are defined.

In the case of Tampa Electric, we expect that the costs to comply with new environmental regulations would be eligible for recovery through the Environmental Cost Recovery Clause. If approved as prudent, the costs required to comply with CO_2 emissions reductions would be reflected in customers' bills.

In the case of TECO Coal, it is unclear if the requirements for CO_2 emissions reductions would impact it as a carbon-based fuel provider or the user. In either case, it could make the use of coal more expensive or less desirable, which could impact TECO Coal's margins and profitability.

Tampa Electric currently emits approximately 15 million tons of CO_2 per year. With a projected annual growth of electricity demand of 2.5%, Tampa Electric estimates an approximately 30% increase to approximately 20 million tons in 2020 due to planned additional generation to meet customer growth. This level would be substantially the same as, or slightly below 1998 levels.

If legislation is adopted to require mandatory reductions in CO_2, the company favors recognition for early action and a cap-and-trade program in which allocations of allowances would be made based on performance against a baseline year supported by verifiable data. Currently the several proposals at the federal level have not yet received public input in a formal way so that the details of what might emerge are uncertain.

Because there is no specific defined congressional proposal, we cannot reasonably predict the economic impact to the company of any adopted legislation. We will participate in the debate in an effort to include provisions for credit for early reductions, such as those already achieved by Tampa Electric, and for future percentage reductions that are reasonable.

In its ten-year site plan filed in 2006, Tampa Electric identified preliminary plans to build a 630-megawatt IGCC unit in 2013, in addition to two 180-megawatt natural gas-fired peaking units in 2007. The company would continue to run its existing coal- and natural gas-fired capacity.

Water Quality

Tampa Electric uses water from Tampa Bay at its Bayside and Big Bend facilities for cooling water. Both plants use mesh screens to reduce the adverse impacts to aquatic organisms. Big Bend units 3 and 4 use proprietary fine-mesh screens, the best available technology, to further reduce impacts to aquatic organisms. Water recycling and beneficial reuse programs are widely employed on the fresh water systems at both plants. Numerous methods are used to prevent storm water, and other water discharges protecting ground water and the waters of Tampa Bay.

Renewable Energy

Tampa Electric's renewable energy program uses energy from several sources to support customer demand for its Renewable Program. The majority of renewable energy comes from sources that include:

- Biomass, which is organic plant material from yard clippings and other vegetation. Tampa Electric has tested bahia grass as a fuel to generate electricity at the 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.
- Photovoltaic panels have been installed at two schools, the Museum of Science and Industry and the Manatee Viewing Center to harness energy from the sun.
- Methane gas from a landfill is used to drive a microturbine at the Hillsborough Heights landfill.

Through the end of 2006, the environmental impacts of customers' participation in the program have been significant:

- More than 2 million kwhs of renewable energy have been produced to support participating customer requirements,
- Approximately 1,400 tons of coal have been offset with energy from renewable resources, and
- CO_2 reductions from using renewable resources are the equivalent of planting more than 5,800 acres of trees or removing almost 1,700 cars from the streets.

Conservation

Energy conservation is becoming increasingly important in a period of volatile energy prices and in the greenhouse gas emissions reduction debate. Tampa Electric offers customers a number of programs to conserve energy. These programs are designed to reduce peak energy demand which allows Tampa Electric to delay construction of future generation facilities. Since 1981, the conservation programs have reduced the summer peak demand by 251 megawatts, and the winter peak demand by 731 megawatts. These programs and their costs are approved annually by the FPSC with the costs recovered through a clause on the customer's bill. PGS also offers programs that enable customers to reduce their energy consumption with the costs recovered through customers' bills.

Superfund and Former Manufactured Gas Plant Sites

Tampa Electric Company, through its Tampa Electric and PGS divisions, is a potentially responsible party (PRP) for certain superfund sites and, through its PGS division, for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of Dec. 31, 2006, Tampa Electric Company has estimated its ultimate financial liability to be approximately $12.3 million (primarily related to PGS), and this amount has been reflected in the company's financial statements. The environmental remediation costs associated with these sites, which are expected to be paid over many years, are not expected to have a significant impact on customer prices. The amounts represent only the estimated portion of the cleanup costs attributable to Tampa Electric Company. The estimates to perform the work are based on actual estimates obtained from contractors or Tampa Electric Company's experience with similar work, adjusted for site specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

Allocation of the responsibility for remediation costs among Tampa Electric Company and other PRPs is based on each party's relative ownership interest in or usage of a site. Accordingly, Tampa Electric Company's share of remediation costs varies with each site. In virtually all instances where other PRPs are involved, those PRPs are considered credit worthy.

Factors that could impact these estimates include the ability of other PRPs to pay their pro rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. These additional costs would be eligible for recovery through customer rates.

REGULATION

The retail operations of Tampa Electric are regulated by the FPSC, which has jurisdiction over retail rates, quality of service and reliability, issuances of securities, planning, siting and construction of facilities, accounting and depreciation practices, and other matters.

In general, the FPSC's pricing objective is to set rates at a level that allows the utility to collect total revenues (revenue requirements) equal to its cost of providing service, plus a reasonable return on invested capital.

The costs of owning, operating and maintaining the utility system, other than fuel, purchased power, conservation and certain environmental costs, are recovered through base rates. These costs include operation and maintenance expenses, depreciation and taxes, as well as a return on Tampa Electric's investment in assets used and useful in providing electric service (rate base). The rate of return on rate base, which is intended to approximate Tampa Electric's weighted cost of capital, primarily includes its costs for debt, deferred income taxes at a zero cost rate and an allowed return on common equity. Base rates are determined in FPSC rate setting hearings which occur at irregular intervals at the initiative of Tampa Electric, the FPSC or other parties.

Tampa Electric is also subject to regulation by the Federal Energy Regulatory Commission (FERC) in various respects, including wholesale power sales, certain wholesale power purchases, transmission services, and accounting practices.

Federal, state and local environmental laws and regulations cover air quality, water quality, land use, power plant, substation and transmission line siting, noise and aesthetics, solid waste and other environmental matters (see **Environmental Compliance** section above).

Tampa Electric Rates

Tampa Electric's rates and allowed return on equity (ROE) range of 10.75% to 12.75%, with a midpoint of 11.75%, are in effect until such time as changes are occasioned by an agreement approved by the FPSC or other FPSC actions as a result of rate or other proceedings initiated by Tampa Electric, FPSC staff or other interested parties.

Tampa Electric has not sought a base rate increase since 1992. Since that last rate proceeding it has earned within its allowed ROE range while adding almost 190,000 customers and making significant investments in facilities and infrastructure including baseload and peaking generating capacity additions to serve the growing customer base. Over time, current base rates may not support the additional transmission and distribution system reliability capital spending, storm hardening capital and operations and maintenance spending, other recurring capital expenditures and generally higher non-fuel operations and maintenance expenditures and still earn a return within its allowed ROE range.

Cost Recovery Clauses – Tampa Electric

Fuel, purchased power, conservation and certain environmental costs are recovered through levelized monthly charges established pursuant to the FPSC's cost recovery clauses. These charges, which are reset annually in an FPSC proceeding, are based on estimated costs of fuel, environmental compliance, conservation programs and purchased power and estimated customer usage for a specific recovery period, with a true-up adjustment to reflect the variance of actual costs from the projected costs. The FPSC may disallow recovery of any costs that it considers imprudently incurred.

In September 2006, Tampa Electric filed with the FPSC for approval of cost recovery rates for fuel and purchased power, capacity, environmental and conservation costs for the period January through December 2007. In November 2006, the FPSC approved Tampa Electric's requested rates. The rates include the cost for natural gas and coal expected in 2007, the collection of approximately $51 million of underestimated fuel and purchased power expenses in 2006, the collection of approximately $107 million for previously unrecovered 2005 fuel and purchased power expenses and the operating cost for and a return on the capital invested in the first SCR project to enter service on Big Bend Unit 4 as well as the operations and maintenance expense associated with the Big Bend Units 1–3 pre-SCR projects as required by the EPA Consent Decree and FDEP Consent Final Judgment (see the **Environmental Compliance** section). The rates were partially offset by actual and projected proceeds from the sale of approximately $105.8 million excess SO_2 emissions allowances in 2006 and 2007. Accordingly, Tampa Electric's residential customer rate per 1,000 kilowatt-hours increased $4.93 from $109.61 in 2006, when $100 million of proceeds from the sale of SO_2 emissions allowances were returned to customers, to $114.54 in 2007.

The FPSC determined that it was appropriate for Tampa Electric to recover SCR operating costs through the ECRC as well as earn a return on its SCR investment installed on Big Bend Unit 4 and Big Bend Units 1-3 in October 2004 and May 2005, respectively, for NO_x control in compliance with the environmental consent decree. The SCR for Big Bend Unit 4 is scheduled to enter service by Jun. 1, 2007. The SCRs for Big Bend Units 3, 2, and 1 are scheduled to enter service by May 1, 2008, 2009 and 2010, respectively. Cost recovery for the capital investment for each unit, which is dependent on filings made in the year each SCR enters service, is expected to start in 2008, 2009 and 2010, respectively.

Coal Transportation Contract

Tampa Electric's contract for coal transportation and storage services with TECO Transport expired on Dec. 31, 2003. TECO Transport had been providing river and cross-gulf transportation services and storage services under that contract since 1999 and under a series of contracts for more than 40 years. Following a RFP process, 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. Hearings regarding the prudence of the RFP process and final contract were held in the first half of 2004 and a final order on the matter was issued in October 2004, 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. The annual after-tax disallowance is estimated to be $8 million to $10 million, depending on the volumes and origination points of the coal shipments, for as long as the contract is in effect.

Tampa Electric expects to issue a RFP for solid fuel transportation services on a schedule that 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 plans to structure the RFP to comply with the FPSC order.

Storm Damage Cost Recovery

Following Hurricane Andrew in 1992, Florida's investor owned utilities (IOUs) were unable to obtain transmission and distribution insurance coverage for hurricanes, tornados or other damage due to destructive acts of nature. Tampa Electric and other IOUs were permitted to implement a self-insurance program effective Jan. 1, 1994 for such costs of restoration, and the FPSC authorized Tampa Electric to accrue $4 million annually to grow its unfunded storm damage reserve. Tampa Electric had never utilized its reserve before the 2004 hurricane season. The final costs for restoration associated with hurricanes Charley, Frances and Jeanne in 2004 were approximately $74 million.

In June 2005, the FPSC approved a stipulation entered into by Tampa Electric, the Office of Public Counsel and the Florida Industrial Power Users Group regarding the treatment of Tampa Electric's 2004 hurricane costs. Under the stipulation, Tampa Electric agreed to reclassify approximately $39 million of the hurricane restoration costs as plant in service (rate base). With this adjustment and the normal $4 million annual storm accrual, Tampa Electric's storm reserve, which had a $30 million deficit balance, had a positive balance of about $14 million at the June start of the 2006 hurricane season and a $16 million balance at Dec. 31, 2006.

In the 2005 legislative session, the Florida Legislature passed a bill that would allow IOUs in Florida to "securitize" storm damage costs. Under this bill, IOUs would have the opportunity to recover hurricane restoration costs and establish a higher storm reserve fund through the sale of bonds that would be repaid by an FPSC-approved surcharge on customer bills. Tampa Electric elected to forego securitizing its 2004 hurricane costs following the approval of the stipulation discussed above. However, Tampa Electric continues to evaluate securitization and other options as possible means of funding for future storms.

Hardening of Transmission and Distribution Facilities

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, 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. Following a series of FPSC workshops to review 2004 and 2005 hurricane damage, restoration practices and activities, and plans for the 2006 hurricane season, the FPSC issued an order that required utilities to inspect wooden distribution poles every eight years and report the results of the inspections to the FPSC annually. For many years, Tampa Electric has routinely inspected its wooden poles and adjusted its inspection schedule to comply with the FPSC's order.

The FPSC subsequently 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 plan and estimates that the average incremental non-fuel operations and maintenance expense of this plan to be approximately $15 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. The new design standards also encourage the placement of new or modified facilities underground when feasible. These new requirements are expected to increase the capital expenditures required to expand the system to meet growing customer demand and to maintain system reliability by approximately $20 million annually.

Florida's Energy Plan

The Florida Department of Environmental Protection has produced an energy plan for the state that, among other initiatives, encourages fuel diversity for electric generation, streamlining of the power plant siting review process, conservation by state agencies and consumers, educational programs for residential and business customers regarding energy conservation, expansion of the use of hydrogen and additional grants to study alternative energy supplies.

Utility Competition – Electric

Tampa Electric's retail electric business is substantially free from direct competition with other electric utilities, municipalities and public agencies. At the present time, the principal form of competition at the retail level consists of self-generation available to larger users of electric energy. Such users may seek to expand their alternatives through various initiatives,

including legislative and/or regulatory changes that would permit competition at the retail level. Tampa Electric intends to retain and expand its retail business by managing costs and providing high quality service to retail customers.

Presently there is competition in Florida's wholesale power markets, increasing largely as a result of the Energy Policy Act of 1992 and related federal initiatives. However, the state's Power Plant Siting Act, which sets the state's electric energy and environmental policy and governs the building of new generation involving steam capacity of 75 megawatts or more, requires that applicants demonstrate that a plant is needed prior to receiving construction and operating permits.

In 2003, the FPSC modified rules from 1994 that required IOUs to issue RFPs prior to filing a petition for Determination of Need for construction of a power plant with a steam cycle greater than 75 megawatts. The modified rules provide a mechanism for expedited dispute resolution, allow bidders to submit new bids whenever the IOU revises its cost estimates for its self-build option, require IOUs to disclose the methodology and criteria to be used to evaluate the bids, and provide more stringent standards for the IOUs to recover cost overruns in the event the self-build option is deemed the most cost-effective. The new rules became effective prospectively for RFPs for applicable capacity additions.

Market Based Rate Authority

As previously disclosed, in 2005 the FERC determined that Tampa Electric had market power within its own service territory and within the area served by Reedy Creek (Walt Disney World). At that time, Tampa Electric agreed to limit itself to only conducting wholesale cost-based transactions in those two parts of Florida.

In 2006, through the filing of additional market analysis, Tampa Electric was successful in convincing the FERC that it did not have market power in the Reedy Creek area. As a result, Tampa Electric is once again able to transact with Reedy Creek at market-determined prices, which is expected to provide benefits for both entities.

PGS Rates

PGS' current rates were agreed to in a settlement with all parties involved, and a final FPSC order was granted on Dec. 17, 2002 and rates were effective after Jan. 16, 2003. PGS' authorized rates provide an allowed ROE range from 10.25% to 12.25% with an 11.25% midpoint, and a capital structure with 57.43% equity.

PGS Cost Recovery Clauses

PGS recovers the costs it pays for gas supply and interstate transportation for system supply through the purchased gas adjustment clause. This charge is designed to recover the costs incurred by PGS for purchased gas, and for holding and using interstate pipeline capacity for the transportation of gas it sells to its customers. These charges may be adjusted monthly based on a cap approved annually in an FPSC hearing. The cap is based on estimated costs of purchased gas and pipeline capacity, and estimated customer usage for a specific recovery period, with a true-up adjustment to reflect the variance of actual costs and usage from the projected charges for prior periods.

In November 2006, the FPSC approved rates under PGS' PGA for the period January 2007 through December 2007 for the recovery of the costs of natural gas purchased for its distribution customers.

In addition to its base rates and purchased gas adjustment clause charges for system supply customers, PGS customers (except interruptible customers) also pay a per-therm conservation charge for all gas. This charge is intended to permit PGS to recover its costs incurred in developing and implementing energy conservation programs, which are mandated by Florida law and approved and supervised by the FPSC. PGS is permitted to recover, on a dollar-for-dollar basis, expenditures made in connection with these programs if it demonstrates that the programs are cost effective for its ratepayers.

Utility Competition – Gas

Although PGS is not in direct competition with any other regulated distributors of natural gas for customers within its service areas, there are other forms of competition. At the present time, the principal form of competition for residential and small commercial customers is from companies providing other sources of energy, including electricity.

In Florida, gas service is unbundled for all non-residential customers. In November 2000, PGS implemented its "NaturalChoice" program, offering unbundled transportation service to all eligible customers. This means that non-residential customers can purchase commodity gas from a third party but continue to pay PGS for the transportation of the gas. As a result, PGS receives its base rate for distribution regardless of whether a customer decides to opt for transportation-only service or continue bundled service. PGS had approximately 12,600 transportation customers as of Dec. 31, 2006 out of approximately 29,400 eligible customers.

Competition is most prevalent in the large commercial and industrial markets. In recent years, these classes of customers have been targeted by companies seeking to sell gas directly, by transporting gas through other facilities and thereby bypassing PGS facilities. In response to this competition, PGS has developed various programs, including the provision of transportation services at discounted rates.

In general, PGS faces competition from other energy source suppliers offering fuel oil, electricity and, in some cases, propane. PGS has taken actions to retain and expand its commodity and transportation business, including managing costs and providing high quality service to customers.

CORPORATE GOVERNANCE

CEO and CFO Certifications

The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to TECO Energy's Annual Report on Form 10-K for the year ended Dec. 31, 2006. The certification of TECO Energy's Chief Executive Officer regarding compliance with the New York Stock Exchange (NYSE) corporate governance listing standards required by NYSE will be filed with NYSE following the 2007 Annual Meeting of Shareholders. Last year, we filed this certification with the NYSE after the 2006 Annual Meeting of Shareholders, in compliance with NYSE rules.

Item 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Risk Management Infrastructure

We are subject to various types of market risk in the course of daily operations, as discussed below. We have adopted an enterprise-wide approach to the management and control of market and credit risk. Middle Office risk management functions, including credit risk management and risk control, are independent of each transacting entity (Front Office).

Our Risk Management Policy (Policy) governs all energy transacting activity at the TECO Energy group of companies. The Policy is approved by our Board of Directors and administered by a Risk Authorizing Committee (RAC) that is comprised of senior management. Within the bounds of the Policy, the RAC approves specific hedging strategies, new transaction types or products, limits, and transacting authorities. Transaction activity is reported daily and measured against limits. For all commodity risk management activities, derivative transaction volumes are limited to the anticipated volume for customer sales or supplier procurement activities.

The RAC administers the risk management policy with respect to interest rate risk exposures. Under the policy for interest rate risk management, the RAC operates and oversees transaction activity. Interest rate derivative transaction activity is directly correlated to borrowing activities.

Risk Management Objectives

The Front Office is responsible for reducing and mitigating the market risk exposures which arise from the ownership of physical assets and contractual obligations, such as debt instruments and firm customer sales contracts. The primary objectives of the risk management organization, the Middle Office, are to quantify, measure, and monitor the market risk exposures arising from the activities of the Front Office and the ownership of physical assets. In addition, the Middle Office is responsible for enforcing the limits and procedures established under the approved risk management policies. Based on the policies approved by the company's Board of Directors and the procedures established by the RAC, from time to time, members of the TECO Energy group of companies enter into futures, forwards, swaps and option contracts to limit the exposure to:

- Price fluctuations for physical purchases and sales of natural gas in the course of normal operations at Tampa Electric and PGS;
- Interest rate fluctuations on debt at TECO Energy and its affiliates;
- Price fluctuations for physical purchases of fuel at TECO Transport and TECO Coal.
- Price fluctuations for crude oil and the resulting reduction of synthetic fuel proceeds if crude oil prices exceed phase-out threshold levels.

The TECO Energy companies use derivatives only to reduce normal operating and market risks, not for speculative purposes. Our primary objective in using derivative instruments for regulated operations is to reduce the impact of market price volatility on ratepayers. For unregulated operations, the companies use derivative instruments primarily to mitigate the price uncertainty related to commodity inputs, such as diesel fuel.

Derivatives and Hedge Accounting

FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as subsequently amended and interpreted requires us and our affiliates to recognize derivatives as either assets or liabilities in the financial statements, to measure those instruments at fair value, and to reflect the changes in the fair value of those instruments as components of other comprehensive income, depending on the designation of those instruments.

Designation of a hedging relationship requires management to make assumptions about the future probability of the timing and amount of the hedged transaction and the future effectiveness of the derivative instrument in offsetting the change in fair value or cash flows of the hedged item or transaction. The determination of fair value is dependent upon certain assumptions and judgments, as described more fully below (see the **Unregulated Operating Companies** section and **Note 21** to the TECO Energy **Consolidated Financial Statements**).

Credit Risk

We have a rigorous process for the establishment of new trading counterparties. This process includes an evaluation of each counterparty's financial statements, with particular attention paid to liquidity and capital resources; establishment of counterparty

specific credit limits; optimization of credit terms; and execution of standardized enabling agreements. Our Credit Guidelines require transactions with counterparties below investment grade to be collateralized.

Contracts with different legal entities affiliated with the same counterparty are consolidated and managed as appropriate, considering the legal structure and any netting agreements in place. The Credit Guidelines are administered and monitored within the Middle Office, independent of the Front Office.

Credit exposures are calculated, compared to limits and reported to management on a daily basis. Contracts with different legal entities affiliated with the same counterparty are consolidated and managed as appropriate, considering the legal structure and any netting agreements in place.

Interest Rate Risk

We are exposed to changes in interest rates, primarily as a result of our borrowing activities. We may enter into futures, swaps and option contracts, in accordance with the approved risk management policies and procedures, to moderate this exposure to interest rate changes and achieve a desired level of fixed and variable rate debt. As of Dec. 31, 2006 and 2005, a hypothetical 10% increase in the consolidated group's weighted average interest rate on its variable rate debt during the subsequent year, would not result in a material impact on pretax earnings. This is driven by the very low amounts of variable rate debt at either TECO Energy or Tampa Electric Company.

These amounts were determined based on the variable rate obligations existing on the indicated dates at TECO Energy and its subsidiaries. A hypothetical 10% decrease in interest rates would increase the fair market value of our long-term debt by approximately 3.2% and 2.8% at Dec. 31, 2006 and 2005, respectively (see the **Financing Activity** section and **Notes 6** and **7** to the **TECO Energy Consolidated Financial Statements**). The above sensitivities assume no changes to our financial structure and could be affected by changes in our credit ratings, changes in general economic conditions or other external factors (see the **Risk Factors** section).

Commodity Risk

We and our affiliates face varying degrees of exposure to commodity risks including coal, natural gas, fuel oil, and other energy commodity prices. Any changes in prices could affect the prices these businesses charge, their operating costs and the competitive position of their products and services. We assess and monitor risk using a variety of measurement tools. Management uses different risk measurement and monitoring tools based on the degree of exposure of each operating company to commodity risks.

Regulated Utilities

Historically, Tampa Electric's fuel costs used for generation have been affected primarily by the price of coal and, to a lesser degree, the cost of natural gas and fuel oil. With the repowering of the Bayside Power Station, the use of natural gas, with its more volatile pricing, has increased substantially. PGS has exposure related to the price of purchased gas and pipeline capacity.

Currently, Tampa Electric's and PGS' commodity price risk is largely mitigated by the fact that increases in the price of fuel and purchased power are recovered through cost recovery clauses, with no anticipated effect on earnings. However, increasing fuel cost recovery has the potential to affect total energy usage and the relative attractiveness of electricity and natural gas to consumers. To moderate the impacts of fuel price changes on customers, both PGS and Tampa Electric manage commodity price risk by entering into long-term fuel supply agreements, prudently operating plant facilities to optimize cost, and entering into derivative transactions designated as cash flow hedges of anticipated purchases of wholesale natural gas. At Dec. 31, 2006 and 2005, a change in commodity prices would not have a material impact on earnings for Tampa Electric or PGS, but could have an impact on the timing of the cash recovery of the cost of fuel (see the **Tampa Electric** and **Regulation** sections).

Unregulated Operating Companies

Most of the unregulated subsidiaries at TECO Energy are subject to significant commodity risk. These include TECO Coal, TECO Transport and TECO Guatemala. The unregulated companies do not speculate using derivative instruments. However, not all derivative instruments receive hedge accounting treatment due to the strict requirements and narrow applicability of the accounting rules to dynamic transactions.

TECO Coal is exposed to commodity price risk through coal sales as a part of its daily operations. Where possible and economical, TECO Coal enters into fixed price sales transactions to mitigate variability in coal prices. Based on the uncontracted tons subject to market price variation at Dec. 31, 2006 and 2005, a hypothetical 10% increase in the average annual market price of coal for each year would have resulted in an increase in pretax earnings of approximately $7.1 million and $3.5 million, respectively. TECO Coal is also exposed to variability in operating costs as a result of periodic purchases of diesel oil in its operations. At Dec. 31, 2006, TECO Coal had utilized derivative instruments to reduce the price variability for approximately 50% of its anticipated 2007 diesel oil purchases. These derivative instruments qualify for cash flow hedge accounting treatment, and as such, variations in the value of the hedges would offset the price variation in diesel oil, reducing any impact to earnings.

TECO Coal is also indirectly exposed to changes in the price of crude oil. Under the rules governing synthetic fuel tax credits, those credits can be phased out in the event that the price of crude oil reaches a certain threshold. The synthetic fuel tax credit is determined annually and is estimated to be $1.21 per million Btu for 2006, and was $1.17 per million Btu in 2005 and $1.13 per million Btu in 2004. This rate escalates with inflation but could be limited by domestic oil prices. If the oil price limitation is

reached, the level of the tax credits starts to decline. In 2006, average annual domestic oil prices, as measured by the DOE index, would have had to exceed $55 per barrel for this limitation to have been effective, and it was estimated that the tax credit would have been eliminated at an average oil price of $69 per barrel. The DOE index is based on the "Domestic First Purchase Price" not the NYMEX-quoted oil futures prices, which in 2006 averaged 90% of the NYMEX price per barrel. The synthetic fuel tax credit phase-out range for 2007 based on the DOE oil prices is expected to be $57 to $71 per barrel, which would be the equivalent of a NYMEX price of approximately $63 to $79 per barrel (see the **Synthetic Fuel** discussion in the **Outlook** section).

In January 2007, TECO Coal entered into oil price hedge instruments that protect against the risk of high oil prices reducing the value of the tax credits related to the production of synthetic fuel in 2007. When combined with the hedges entered into in October 2006, the additional instruments protect approximately $195 million of the gross cash benefits expected from the third-party investors for the production of synthetic fuel over the full expected average annual oil price range of $63 to $79 per barrel on a NYMEX basis. The oil price range between $63 and $79 per barrel is the expected phase-out range for synthetic fuel benefits for 2007. The hedges in place provide approximately a dollar-for-dollar recovery of lost synthetic fuel revenues in the event of a phase out over the estimated phase-out range. The total cost of the hedges was approximately $37 million (see the **Synthetic Fuel** discussion in the **Outlook** section).

Commodity price risk exists at TECO Transport as a result of periodic purchases of fuel oil. Haulage and freight agreements often include fuel price adjustments to transfer the risk of market fuel price movements to the customer. TECO Transport also utilizes derivative instruments to reduce the risk of price variability for anticipated fuel purchases in excess of purchases subject to fuel adjustment clauses. As of Dec. 31, 2006, nearly all of the potential fuel price variability for 2007 was removed via price adjustment clauses and derivative instruments. As a result, a hypothetical 10% increase in the price of fuel would not result in a material impact on pretax earnings as of Dec. 31, 2006.

Like Tampa Electric and PGS, TECO Guatemala has commodity price risk that is largely mitigated by the fact that increases in the price of fuel are passed through to the power purchasing distribution utility.

The following tables summarize the changes in and the fair value balances of energy derivative assets (liabilities) for the year ended Dec. 31, 2006:

Changes in Fair Value of Energy Derivatives (millions)

Net fair value of energy derivatives as of Dec. 31, 2005	$ 68.6	
Net change in unrealized fair value of derivatives		(204.2)
Changes in valuation techniques and assumptions		—
Realized net settlement of derivatives		68.8
Net fair value of energy derivatives as of Dec. 31, 2006		$ (66.8)

Roll-Forward of Energy Derivative Net Assets (Liabilities) (millions)

Total energy derivative net assets (liabilities) as of Dec. 31, 2005		$ 68.6
Change in fair value of net derivative assets (liabilities):		
Recorded as regulatory assets and liabilities or OCI		(136.9)
Recorded in earnings		1.5
Net option premium payments		—
Net purchase (sale) of existing contracts	—	
Net fair value of energy derivatives as of Dec. 31, 2006		$ (66.8)

When available, the company uses quoted market prices to record the fair value of energy derivative contracts. However, many energy derivative contracts are not traded in sufficient volume or with sufficient market transparency to establish a representative quotation. In those cases, we use industry-accepted valuation techniques based on pricing models or matrix pricing for energy derivative contracts. Prices, inputs, assumptions and the results of valuation techniques are validated by the Middle Office, independently of the Front Office, on a daily basis. Significant inputs and assumptions used by the company to determine the fair value of energy derivative contracts are: 1) the physical delivery location of the commodity; 2) the correlation between different basis points and/or different commodities; 3) rational, economic behavior in the markets and by counterparties; 4) on- and off-peak curve shapes and correlations; 5) observed market information; and 6) volatility forecasts and estimates for and between commodities. Mathematical approaches are applied on a frequent basis to validate and corroborate the results of valuation calculations.

For all unrealized energy derivative contracts, the valuation is an estimate based on the best available information at the date of valuation. Actual cash flows upon maturity could be materially different from the estimated value.

The following is a summary table of sources of fair value, by maturity period, for energy derivative contracts at Dec. 31, 2006.

Maturity and Source of Energy Derivative Contracts Net Assets (Liabilities) at Dec. 31, 2006

(millions)	Current	Non-current	Total Fair Value
Source of fair value			
Actively quoted prices	$ (70.2)	$ (3.6)	$ (73.8)
Model prices [1]	7.0	--	7.0
Total	$ (63.2)	$ (3.6)	$ (66.8)

(1) Model prices are used for determining the fair value of energy derivatives where price quotes are infrequent or the market is illiquid. Significant inputs to the models are derived from market observable data and actual historical experience.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

TECO ENERGY, INC.

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All other financial statement schedules have been omitted since they are not required, are inapplicable or the required information is presented in the financial statements or notes thereto.

TECO ENERGY, INC.
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. We conducted an evaluation of the effectiveness of our internal control over financial reporting as of Dec. 31, 2006 based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of Dec. 31, 2006.

PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, has audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of Dec. 31, 2006 as stated in their report below.

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of TECO Energy, Inc.:

We have completed integrated audits of TECO Energy, Inc.'s consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedules

In our opinion, the consolidated financial statements listed in the index appearing under Item 8 present fairly, in all material respects, the financial position of TECO Energy, Inc. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 8 present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for stock-based compensation as of January 1, 2006 and its method of accounting for its defined benefit pension and other postretirement plans as of December 31, 2006.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 8, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Tampa, Florida
February 27, 2007

TECO ENERGY, INC.
Consolidated Balance Sheets

Assets *(millions, except for share amounts)*	*Dec. 31, 2006*	*Dec. 31, 2005*
Current assets		
Cash and cash equivalents	$ 441.6	$ 345.7
Restricted cash	37.3	37.6
Receivables, less allowance for uncollectibles of $4.6 and $6.9 at Dec. 31, 2006 and Dec. 31, 2005, respectively	338.3	323.3
Inventories, at average cost		
Fuel	85.0	84.9
Materials and supplies	74.6	68.9
Current regulatory assets	255.7	273.3
Current derivative assets	7.1	64.0
Prepayments and other current assets	46.1	51.5
Total current assets	1,285.7	1,249.2
Property, plant and equipment		
Utility plant in service		
Electric	5,030.4	4,892.3
Gas	877.7	839.5
Construction work in progress	334.1	200.0
Other property	841.9	822.7
Property, plant and equipment	7,084.1	6,754.5
Accumulated depreciation	(2,317.2)	(2,187.6)
Total property, plant and equipment (net)	4,766.9	4,566.9
Other assets		
Deferred income taxes	630.2	759.9
Other investments	8.0	8.0
Long-term regulatory assets	231.3	99.9
Long-term derivative assets	0.1	4.9
Investment in unconsolidated affiliates	292.9	297.1
Goodwill	59.4	59.4
Deferred charges and other assets	87.3	116.8
Assets held for sale	-	8.0
Total other assets	1,309.2	1,354.0
Total assets	$ 7,361.8	$ 7,170.1

The accompanying notes are an integral part of the consolidated financial statements.

TECO ENERGY, INC.
Consolidated Balance Sheets – continued

Liabilities and Capital *(millions, except for share amounts)*	*Dec. 31, 2006*	*Dec. 31, 2005*
Current liabilities		
Long-term debt due within one year		
Recourse	$ 566.7	$ 5.9
Non-recourse	1.3	1.3
Jr. subordinated notes	71.4	-
Notes payable	48.0	215.0
Accounts payable	326.5	354.7
Customer deposits	129.5	115.2
Current regulatory liabilities	46.7	146.8
Current derivative liabilities	70.3	0.3
Interest accrued	50.5	50.0
Taxes accrued	25.3	34.9
Liabilities associated with assets held for sale	-	1.8
Other current liabilites	14.2	-
Total current liabilities	1,350.4	925.9
Other liabilities		
Investment tax credits	14.7	17.3
Long-term regulatory liabilities	555.3	543.1
Long-term derivative liabilities	3.7	-
Deferred credits and other liabilities	496.1	382.9
Long-term debt, less amount due within one year		
Recourse	3,202.2	3,519.8
Non-recourse	10.4	11.7
Junior subordinated notes	-	177.7
Total other liabilities	4,282.4	4,652.5
Commitments and contingencies (see Note 11)		
Capital		
Common equity (400.0 million shares authorized; par value $1; 209.5 million shares and 208.2 million shares outstanding at Dec. 31, 2006 and Dec. 31, 2005, respectively)	209.5	208.2
Additional paid in capital	1,466.3	1,527.0
Retained earnings (deficit)	83.7	(83.1)
Accumulated other comprehensive loss	(30.5)	(51.1)
Common equity	1,729.0	1,601.0
Unearned compensation	-	(9.3)
Total capital	1,729.0	1,591.7
Total liabilities and capital	$ 7,361.8	$ 7,170.1

The accompanying notes are an integral part of the consolidated financial statements.

TECO ENERGY, INC.
Consolidated Statements of Income

(millions, except per share amounts) *For the years ended Dec. 31,*		*2006*	*2005*	*2004*
Revenues				
Regulated electric and gas (includes franchise fees and gross receipts taxes of $104.2 in 2006, $87.2 in 2005 and $83.8 in 2004)		$ 2,660.3	$ 2,293.8	$ 2,101.0
Unregulated		787.8	716.3	538.4
Total revenues		3,448.1	3,010.1	2,639.4
Expenses				
Regulated operations				
Fuel		803.4	461.1	536.7
Purchased power		221.3	269.7	172.3
Cost of natural gas sold		365.3	350.2	226.2
Other		294.0	270.3	258.2
Operation other expense				
Mining related costs		450.2	412.5	333.9
Waterborne transportation costs		217.8	191.8	182.0
Other		15.6	49.3	74.6
Maintenance		183.3	168.4	137.4
Depreciation and amortization		282.2	282.2	275.9
Other		-	-	6.0
Taxes, other than income		217.5	194.7	184.3
Sale of previously impaired assets / asset impairments		(20.7)	3.2	632.2
Total expenses		3,029.9	2,653.4	3,019.7
Income (loss) from operations		418.2	356.7	(380.3)
Other income (expense)				
Allowance for other funds used during construction		2.7	-	0.7
Gain on the sale of assets and other income		94.5	171.6	143.0
Loss on debt extinguishment		(2.5)	(74.2)	(4.4)
Impairment of TIE investment		-	-	(152.3)
Income from equity investments		58.9	60.4	36.1
Total other income (expense)		153.6	157.8	23.1
Interest charges				
Interest expense		279.4	288.7	323.2
Allowance for borrowed funds used during construction		(1.1)	-	(0.3)
Total interest charges		278.3	288.7	322.9
Income (loss) before provision for income taxes		293.5	225.8	(680.1)
Provision (benefit) for income taxes		118.7	101.9	(245.1)
Income (loss) from continuing operations before minority interest		174.8	123.9	(435.0)
Minority interest		69.6	87.1	79.5
Income (loss) from continuing operations		244.4	211.0	(355.5)
Discontinued operations				
Income (loss) from discontinued operations		2.3	88.2	(294.0)
Income tax provision (benefit)		0.4	24.7	(97.5)
Total discontinued operations		1.9	63.5	(196.5)
Net income (loss)		$ 246.3	$ 274.5	$ (552.0)
Average common shares outstanding	– Basic	207.9	206.3	192.6
	– Diluted	208.7	208.2	192.6
Earnings per share from continuing operations	– Basic	$ 1.18	$ 1.02	$ (1.85)
	– Diluted	$ 1.17	$ 1.00	$ (1.85)
Earnings per share from discontinued operations	– Basic	$ 0.01	$ 0.31	$ (1.02)
	– Diluted	$ 0.01	$ 0.31	$ (1.02)
Earnings per share	– Basic	$ 1.19	$ 1.33	$ (2.87)
	– Diluted	$ 1.18	$ 1.31	$ (2.87)
Dividends paid per common share outstanding		$ 0.76	$ 0.76	$ 0.76

The accompanying notes are an integral part of the consolidated condensed financial statements.

TECO ENERGY, INC.
Consolidated Statements of Comprehensive Income

(millions) *For the years ended Dec. 31,*	*2006*	*2005*	*2004*
Net income (loss)	$ 246.3	$ 274.5	$ (552.0)
Other comprehensive income (loss), net of tax			
Net unrealized (losses) gains on cash flow hedges	(0.3)	(0.1)	4.8
Minimum pension liability adjustments	42.7	(7.2)	7.2
Other comprehensive income (loss), net of tax	42.4	(7.3)	12.0
Comprehensive income (loss)	$ 288.7	$ 267.2	$ (540.0)

The accompanying notes are an integral part of the consolidated financial statements.

TECO ENERGY, INC.
Consolidated Statements of Cash Flows

(millions) *For the years ended Dec. 31,*	*2006*	*2005*	*2004*
Cash flows from operating activities			
Net income (loss)	$ 246.3	$ 274.5	$ (552.0)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization	282.2	282.2	289.6
Deferred income taxes	112.5	110.8	(355.3)
Investment tax credits, net	(2.6)	(2.7)	(2.9)
Allowance for other funds used during construction	(2.7)	-	(1.0)
Amortization of unearned compensation	11.5	5.5	13.6
Gain on sales of business/assets, pretax	(67.0)	(261.6)	(92.9)
Equity in earnings of unconsolidated affiliates, net of cash distributions on earnings	(3.4)	(35.9)	(34.3)
Minority interest expense	(69.6)	(87.1)	(79.5)
Debt extinguishment	2.5	19.8	-
Asset impairment	-	3.2	876.7
Goodwill and intangible asset impairment	-	-	16.6
TMDP arbitration (recovery) reserve	-	-	(5.6)
Deferred recovery clause	53.4	(154.3)	25.1
Receivables, less allowance for uncollectibles	(26.0)	(56.7)	32.1
Inventories	(5.8)	(38.1)	41.8
Prepayments and other deposits	11.4	(11.3)	3.6
Taxes accrued	(17.0)	(17.4)	(82.0)
Interest accrued	0.5	17.5	76.7
Accounts payable	(18.0)	119.0	(69.2)
Other	58.7	9.7	38.5
Cash flows from operating activities	566.9	177.1	139.6
Cash flows from investing activities			
Capital expenditures	(455.7)	(295.3)	(273.2)
Allowance for other funds used during construction	2.7	-	1.0
Net proceeds from sales of business/assets	100.4	278.3	349.5
Net cash reduction from deconsolidation	-	-	(22.7)
Restricted cash	0.3	47.6	(34.3)
Distributions from unconsolidated affiliates	7.3	2.8	45.4
Other non-current investments	(6.7)	0.9	24.7
Cash flows (used in) from investing activities	(351.7)	34.3	90.4
Cash flows from financing activities			
Dividends	(158.7)	(157.7)	(145.2)
Proceeds from sale of common stock	12.5	16.2	10.2
Proceeds from long-term debt	327.5	311.9	-
Repayment of long-term debt	(199.3)	(494.1)	(225.0)
Contributions from minority interest owners	65.7	83.1	76.1
Exchange of equity units	-	180.2	(17.7)
Net increase (decrease) in short-term debt	(167.0)	100.0	77.5
Equity contract adjustment payments	-	(2.0)	(17.4)
Cash flows (used in) from financing activities	(119.3)	37.6	(241.5)
Net increase (decrease) in cash and cash equivalents	95.9	249.0	(11.5)
Cash and cash equivalents at beginning of the year	345.7	96.7	108.2
Cash and cash equivalents at end of the year	$ 441.6	$ 345.7	$ 96.7
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest (net of amounts capitalized) [1]	$ 259.4	$ 288.9	$ 372.1
Income taxes	$ 10.4	$ 27.4	$ 22.4

(1) Included in interest paid during the year is interest paid on debt obligation for discontinued operations of $12.0 million and $51.5 million for 2005 and 2004, respectively. No interest was paid in 2006 for debt related to discontinued operations.

The accompanying notes are an integral part of the consolidated financial statements.

TECO ENERGY, INC.
Consolidated Statements of Capital

(millions)	Shares[1]	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Total Capital
Balance, Dec. 31, 2003	187.8	$ 187.8	$1,220.8	$339.5	$ (55.8)	$ (14.6)	$1,677.7
Net loss				(552.0)			(552.0)
Other comprehensive income, after tax					12.0		12.0
Common stock issued	0.9	0.9	7.8			1.5	10.2
Cash dividends declared				(145.2)			(145.2)
Early exchange of equity security units	10.2	10.2	251.6				261.8
Settlement of claim	0.8	0.8	9.2				10.0
Amortization of unearned compensation						13.6	13.6
Tax benefits — ESOP dividends				0.1			0.1
Performance shares						(4.3)	(4.3)
Balance, Dec. 31, 2004	199.7	$ 199.7	$ 1,489.4	$ (357.6)	$ (43.8)	$ (3.8)	$1,283.9
Net income				274.5			274.5
Other comprehensive loss, after tax					(7.3)		(7.3)
Common stock issued	1.6	1.6	19.6			(5.0)	16.2
Cash dividends declared			(157.7)				(157.7)
Final settlement of equity security units	6.9	6.9	173.3				180.2
Amortization of unearned compensation						5.5	5.5
Tax benefits — stock options			2.4				2.4
Performance shares						(6.0)	(6.0)
Balance, Dec. 31, 2005	208.2	$ 208.2	$ 1,527.0	$ (83.1)	$ (51.1)	$ (9.3)	$1,591.7
Net income				246.3			246.3
Other comprehensive income, after tax					42.4		42.4
Common stock issued	1.3	1.3	9.4				10.7
Cash dividends declared			(79.2)	(79.5)			(158.7)
Stock compensation expense			11.5				11.5
Adoption FAS 123(R)			(9.3)			9.3	—
Tax benefits — stock options			1.4				1.4
Adoption of FAS 158					(21.8)		(21.8)
Performance shares			5.5				5.5
Balance, Dec. 31, 2006	209.5	$ 209.5	$ 1,466.3	$ 83.7	$ (30.5)	$ -	$1,729.0

(1) TECO Energy had a maximum of 400 million shares of $1 par value common stock authorized as of Dec. 31, 2006, 2005 and 2004.

The accompanying notes are an integral part of the consolidated financial statements.

1. Significant Accounting Policies

The significant accounting policies for both utility and diversified operations are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of TECO Energy, Inc. and its majority-owned subsidiaries (TECO Energy or the company). All significant inter-company balances and inter-company transactions have been eliminated in consolidation. Generally, the equity method of accounting is used to account for investments in partnerships or other arrangements in which TECO Energy or its subsidiary companies do not have majority ownership or exercise control.

TECO Energy adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, as of Oct. 1, 2003 with no material impact. Effective Jan. 1, 2004, the company adopted FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* (FIN 46R), which impacted the consolidation principles applied to certain entities. For entities that are determined to meet the definition of a variable interest entity (VIE), the company obtains information, where possible, to determine if it is the primary beneficiary of the VIE. If the company is determined to be the primary beneficiary, then the VIE is consolidated and a minority interest is recognized for any other third-party interests. If the company is not the primary beneficiary, then the VIE is accounted for using the equity or cost method of accounting. In certain circumstances this can result in the company consolidating entities in which it has less than a 50% equity investment and deconsolidating entities in which it has a majority equity interest. FIN 46R impacted the consolidation policy for the subsidiaries that hold interests in San José and Alborada Power Stations in Guatemala, the funding companies involved in the issuance of the trust preferred securities, TECO AGC, Ltd., and Hernando Oaks, LLC (see **Note 19**).

Use of Estimates

The use of estimates is inherent in the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Actual results could differ from these estimates.

Segment Reporting

In the first quarter of 2005, the company revised internal reporting information used for decision making purposes by viewing the results and performance of TECO Guatemala, Inc. (TECO Guatemala) (formerly TWG Non-Merchant, Inc.) as a separate segment comprised of all Guatemalan operations. TECO Guatemala includes the equity investments in the San José and Alborada Power Stations, the equity investment in the Guatemalan distribution company, Empresa Eléctrica de Guatemala, S.A. (EEGSA), and the TECO Guatemala parent company. Results for TECO Guatemala were previously reported in the Other Unregulated segment. Following the sales of the larger energy services businesses, which were previously reported in the Other Unregulated segment, the remaining small operations of TECO Solutions, Inc. (TECO Solutions) are now reported within Other & Eliminations. Prior period segment results have been restated to reflect the revised segment structure (see **Note 14**).

In 2006, only historical data is presented for TWG Merchant as all merchant assets have been divested. Any residual results for 2006 are included in "Other and eliminations".

Cash Equivalents

Cash equivalents are highly liquid, high-quality investments purchased with an original maturity of three months or less. The carrying amount of cash equivalents approximated fair market value because of the short maturity of these instruments.

Restricted Cash

Restricted cash at Dec. 31, 2006 and 2005 includes $30.0 million and $30.3 million, respectively, of cash held in escrow related to the 2003 sale of TECO Coal Corporation's (TECO Coal) indirectly owned synthetic fuel production facilities (to provide credit support for the company's current credit rating). The $30.0 million of cash from the synthetic fuel facility sale will be retained in escrow to support the company's obligation under the sale agreement, until the expiration of the agreement or TECO Energy achieves an investment-grade credit rating. Restricted cash at Dec. 31, 2006 and 2005 also includes $7.1 million and $7.3 million, respectively, of cash held in escrow related to the 2003 sale of Hardee Power Partners (HPP). The $7.1 million will be released from escrow in 2012, upon maturity of debt financing currently held by the purchaser of HPP. Restricted cash also included other unrelated amounts totaling approximately $0.2 million at Dec. 31, 2006.

Cost Capitalization

Debt issuance costs – The company capitalizes the external costs of obtaining debt financing and amortizes such costs over the life of the related debt. These costs are included in "Deferred Charges and Other Assets" on TECO Energy's Consolidated Balance Sheet.

Capitalized interest expense – Interest costs for the construction of non-utility facilities are capitalized and depreciated over the service lives of the related property. TECO Energy capitalized $0.1 million and $0.7 million of interest costs in 2005 and 2004, respectively. No interest costs were capitalized in 2006.

Planned Major Maintenance

TECO Energy accounts for planned maintenance projects by expensing the costs as incurred. Planned major maintenance projects that do not increase the overall life or value of the related assets are expensed. When the major maintenance materially increases the life or value of the underlying asset, the cost is capitalized. While normal maintenance outages covering various components of the plants generally occur on at least a yearly basis, major overhauls occur less frequently.

Tampa Electric and Peoples Gas System (PGS) expense major maintenance costs as incurred. For Tampa Electric and PGS, concurrent with a planned major maintenance outage, the cost of adding or replacing retirement units-of-property is capitalized in conformity with Florida Public Service Commission (FPSC) and Federal Energy Regulatory Commission (FERC) regulations.

The San José and Alborada plants in Guatemala each have a long-term power purchase agreement (PPA) with EEGSA. A major maintenance revenue recovery component is explicit in the capacity payment portion of the PPA for each plant. Accordingly, a portion of each monthly fixed capacity payment is deferred to recognize the portion that reflects recovery of future planned major maintenance expenses. Actual maintenance costs are expensed when incurred with a like amount of deferred recovery revenue recognized at the same time.

Depreciation

TECO Energy computes depreciation primarily by the straight-line method at annual rates that amortize the original cost, less net salvage value, of depreciable property over its estimated service life. Unregulated electric generating, pipeline and transmission facilities are depreciated over the expected useful lives of the related equipment, a period of up to 40 years. Total depreciation expense for the years ended Dec. 31, 2006, 2005, and 2004 was $270.3 million, $267.6 million and $257.6 million, respectively. Total plant acquisition adjustments were $10.0 million as of Dec. 31, 2005. There were no acquisition adjustments in 2006. The provision for total regulated and unregulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 3.9% for 2006, 4.0% for 2005 and 3.9% for 2004.

The implementation of FAS No. 143, *Accounting for Asset Retirement Obligations* (FAS 143) in 2003 and FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143* (FIN 47) in 2005 resulted in increases in the carrying amount of long-lived assets and the liabilities associated with those assets. In addition, the accumulated reserve for cost of removal was reclassified to "Regulatory liabilities". The adjusted capitalized amount is depreciated over the remaining useful life of the asset. (See **Note 15**).

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a non-cash credit to income with a corresponding charge to utility plant which represents the cost of borrowed funds and a reasonable return on other funds used for construction. The rate used to calculate AFUDC is revised periodically to reflect significant changes in Tampa Electric's cost of capital. The rate was 7.79% for 2006 and 2004. No projects qualified for AFUDC in 2005 while total AFUDC for 2006 and 2004 was $3.8 million and $1.0 million, respectively. The base on which AFUDC is calculated excludes construction work-in-progress which has been included in rate base.

Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates are accounted for using the equity method of accounting. The percentage ownership interests for each investment at Dec. 31, 2006 and 2005 are presented in the following table:

TECO Energy's Percent Ownership in Unconsolidated Affiliates [5]

Dec. 31,	*2006*	*2005*
TECO Transport		
Ocean Dry Bulk, LLC	50%	50%
TECO Guatemala		
Empresa Eléctrica de Guatemala, S.A. (EEGSA)	24%	24%
Central Generadora Electrica San José, Limitada (San José or CGESJ)[1]	100%	100%
Tampa Centro Americana de Electricidad, Limitada (Alborada or TCAE)[1]	96%	96%
Other		
Litestream Technologies, LLC[2]	36%	36%
Walden Woods Business Center, Ltd.	50%	50%
TECO Funding Company I, LLC[3][4]	100%	100%
TECO Funding Company II, LLC[3][4]	100%	100%

(1) TECO Energy can no longer consolidate CGESJ or TCAE (the project companies for the San José and Alborada power plants, respectively, in Guatemala), as a result of the application FIN 46R, *Consolidation of Variable Interest Entities* as it relates to long-term power purchase agreements with affiliated entities. See **Notes 14** and **19** for additional details.

(2) In 2004, the assets of Litestream Technologies, LLC were sold in bankruptcy. The company still indirectly owned a 36% interest in Litestream Technologies, LLC as of Dec. 31, 2006 and 2005.

(3) As of Jan. 1, 2004, in accordance with the interpretation and application of the consolidation guidance established in FIN 46R, TECO Energy did not consolidate Capital Funding I or II. See **Notes 7** and **19** for additional details.

(4) On Dec. 20, 2005, all outstanding subordinated notes held by TECO Funding Company I, LLC were redeemed and the LLC was subsequently dissolved. On Jan. 16, 2007, all outstanding subordinated notes held by TECO Funding Company II, LLC matured.

(5) TECO Energy, Inc. received $55.5 million, $24.5 million and $1.8 million during the years ended Dec. 31, 2006, 2005 and 2004, respectively, as dividends from unconsolidated affiliates.

Regulatory Assets and Liabilities

Tampa Electric and PGS are subject to the provisions of Financial Accounting Standard (FAS) No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS 71) (see **Note 3** for additional details).

Deferred Income Taxes

TECO Energy uses the liability method to determine deferred income taxes. Under the liability method, the company estimates its current tax exposure and assesses the temporary differences resulting from differences in the treatment of items, such as depreciation, for financial statement and tax purposes. These differences are reported as deferred taxes, measured at current rates, in the consolidated financial statements. Management reviews all reasonably available current and historical information, including forward-looking information, to determine if it is more likely than not that some or all of the deferred tax asset will not be realized. If management determines that it is likely that some or all of a deferred tax asset will not be realized, then a valuation allowance is recorded to report the balance at the amount expected to be realized.

Investment Tax Credits

Investment tax credits have been recorded as deferred credits and are being amortized as reductions to income tax expense over the service lives of the related property.

Revenue Recognition

TECO Energy recognizes revenues consistent with the Securities and Exchange Commission's (SEC's) Staff Accounting Bulletin (SAB) 104, *Revenue Recognition in Financial Statements*. The interpretive criteria outlined in SEC's SAB 104 are that 1) there is persuasive evidence that an arrangement exists; 2) delivery has occurred or services have been rendered; 3) the fee is fixed and determinable; and 4) collectibility is reasonably assured. Except as discussed below, TECO Energy and its subsidiaries recognize revenues on a gross basis when earned for the physical delivery of products or services and the risks and rewards of ownership have transferred to the buyer. Revenues for any financial or hedge transactions that do not result in physical delivery are reported on a net basis.

The regulated utilities' (Tampa Electric and PGS) retail businesses and the prices charged to customers are regulated by the FPSC. Tampa Electric's wholesale business is regulated by FERC. See **Note 3** for a discussion of significant regulatory matters and the applicability of FAS 71 to the company.

Revenues for certain transportation services at TECO Transport are recognized using the percentage of completion method, which includes estimates of the distance traveled and/or the time elapsed, compared to the total estimated contract.

Revenues for energy marketing operations at TECO Gas Services are presented on a net basis in accordance with Emerging Issues Task Force No. (EITF) 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and EITF

02-3, *Recognition and Reporting of Gains and Losses on Energy Trading Contracts Under Issues No. 98-10 and 00-17*, to reflect the nature of the contractual relationships with customers and suppliers. As a result, costs netted against revenues for the years ended Dec. 31, 2006, 2005 and 2004 were $0.8 million, $3.8 million and $3.9 million, respectively.

Other Income and Minority Interest

TECO Energy earns a significant portion of its income indirectly through the synthetic fuel operations at TECO Coal. At the end of 2006, 2005 and 2004, TECO Coal had sold ownership interests in the synthetic fuel facilities to unrelated third-party investors equal to 98%, 98% and 90%, respectively. These investors pay for the purchase of the ownership interests as synthetic fuel is produced. The payments are based on the amount of production and sales of synthetic fuel and the related, underlying value of the tax credit, which is subject to potential limitation based on the price of domestic crude oil. These payments are recorded in "Other income" in the Consolidated Statements of Income.

Additionally, the outside investors make payments towards the cost of producing synthetic fuel. These payments are reflected as a benefit under "Minority interest" in TECO Energy's Consolidated Statements of Income and these benefits comprise the majority of that line item.

For the year ended Dec. 31, 2006, "Other income" reflected a phase-out of approximately 35% of the benefit of the underlying value of any 2006 tax credits based on an estimate of the average annual price of domestic crude oil during 2006. Should the Dec. 31, 2006 estimate of the average annual price of domestic crude oil be different than this estimate, the cash payments and the benefits recognized in "Other income" and "Minority interest" will be adjusted, either positively or negatively, in the first quarter of 2007. No phase-out of the benefit was recognized in 2005. (See the "Critical Accounting Policies and Estimates" section of Item 7, MD&A for a sensitivity evaluation regarding this estimate.)

Revenues and Fuel Costs

Revenues include amounts resulting from cost recovery clauses which provide for monthly billing charges to reflect increases or decreases in fuel, purchased power, conservation and environmental costs for Tampa Electric and purchased gas, interstate pipeline capacity and conservation costs for PGS. These adjustment factors are based on costs incurred and projected for a specific recovery period. Any over-recovery or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as deferred credits, and under-recoveries of costs are recorded as deferred charges.

Certain other costs incurred by the regulated utilities are allowed to be recovered from customers through prices approved in the regulatory process. These costs are recognized as the associated revenues are billed. The regulated utilities accrue base revenues for services rendered but unbilled to provide a closer matching of revenues and expenses (see **Note 3**).

As of Dec. 31, 2006 and 2005, unbilled revenues of $47.8 million and $52.3 million, respectively, are included in the "Receivables" line item on TECO Energy's Consolidated Balance Sheets.

Purchased Power

Tampa Electric purchases power on a regular basis primarily to meet the needs of its retail customers. As a result of the sale of Hardee Power Partners, Ltd. (HPP) in October 2003, power purchases from HPP, subsequent to the sale, are reflected as non-affiliate purchases by Tampa Electric. Tampa Electric's long-term power purchase agreement from HPP was not affected by the sale of HPP. Under the existing power purchase agreement, which has been approved by the FERC and the FPSC, Tampa Electric has full entitlement to the output of the CT2B unit at all times and full entitlement to the output of the remaining units at the Hardee power station at all times except when Seminole Electric Cooperative has entitlement due to outages and/or durations on a specified portion of its generating units. Tampa Electric purchased power from non-TECO Energy affiliates, including purchases from HPP, at a cost of $221.3 million, $269.7 million and $172.3 million, for the years ended Dec. 31, 2006, 2005 and 2004, respectively. The prudently incurred purchased power costs at Tampa Electric have historically been recovered through an FPSC-approved cost recovery clause.

Accounting for Excise Taxes, Franchise Fees and Gross Receipts

TECO Coal and TECO Transport incur most of TECO Energy's total excise taxes, which are accrued as an expense and reconciled to the actual cash payment of excise taxes. As general expenses, they are not specifically recovered through revenues. Excise taxes paid by the regulated utilities are not material and are expensed when incurred.

The regulated utilities are allowed to recover certain costs incurred from customers through prices approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. These amounts totaled $104.2 million, $87.2 million and $83.8 million for the years ended Dec. 31, 2006, 2005 and 2004, respectively. Franchise fees and gross receipt taxes payable by the regulated utilities are included as an expense on the Consolidated Statements of Income in "Taxes, other than income". For the years ended Dec. 31, 2006, 2005 and 2004, these totaled $104.0 million, $87.0 million and $83.6 million, respectively.

Asset Impairments

TECO Energy and its subsidiaries apply the provisions of Statement of Financial Accounting Standards (FAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. FAS 144 addresses accounting and reporting for the impairment or disposal of long-lived assets, including the disposal of a component of a business.

In accordance with FAS 144, the company assesses whether there has been an impairment of its long-lived assets and certain intangibles held and used by the company when such impairment indicators exist. Indicators of impairment existed for certain asset groups, triggering a requirement to ascertain the recoverability of these assets using undiscounted cash flows. See **Note 18** for specific details regarding the results of these assessments.

Deferred Charges and Other Assets

Deferred charges and other assets consist primarily of mining development costs amortized on a per ton basis and offering costs associated with various debt offerings that are being amortized over the related obligation period as an increase in interest expense.

Deferred Credits and Other Liabilities

Other deferred credits primarily include the accrued post-retirement benefit liability, the pension liability, incurred but not reported medical and general liability claims, and deferred gains on sale-lease back transactions involving marine assets. The company and its subsidiaries' have a self-insurance program supplemented by excess insurance coverage for the cost of claims whose ultimate value exceeds the company's retention amounts. The company estimates its liabilities for auto, general, marine protection & indemnity, and workers' compensation using discount rates mandated by statute or otherwise deemed appropriate for the circumstances. Discount rates used in estimating these liabilities at Dec. 31, 2006 and 2005 ranged from 4.00% to 4.75%.

Stock-based Compensation

Effective Jan. 1, 2006, TECO Energy accounts for its stock-based compensation in accordance with FAS No. 123 (revised 2004), *Share-Based Payment* (FAS 123R). Under the provisions of FAS 123R, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's or director's requisite service period (generally the vesting period of the equity grant). Prior to this, the company accounted for its share-based payments under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and its related interpretations and the disclosure requirements of FAS 123, Accounting for Stock-Based Compensation, as amended by FAS 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. The company elected to adopt the modified-prospective transition method as provided under FAS 123R and, accordingly, results for prior periods have not been restated. See **Note 9**, Common Stock, for more information on share-based payments.

Restrictions on Dividend Payments and Transfer of Assets

Dividends on TECO Energy's common stock are declared and paid at the discretion of its Board of Directors. The primary sources of funds to pay dividends on TECO Energy's common stock are dividends and other distributions from its operating companies. TECO Energy's credit facility contains a covenant that could limit the payment of dividends exceeding a calculated amount (initially $50 million) in any quarter under certain circumstances. In March 2004, Tampa Electric repaid $75 million of 7.75% first mortgage bonds issued under an indenture that included a limitation on dividends covenant. This covenant is no longer operative since there are no bonds outstanding under the indenture. Certain long-term debt at PGS contains restrictions that limit the payment of dividends and distributions on the common stock of Tampa Electric Company.

In addition, TECO Diversified, Inc., a wholly-owned subsidiary of TECO Energy and the holding company for TECO Transport and TECO Coal, has a guarantee related to a coal supply agreement that limits the payment of dividends to its common shareholder, TECO Energy, but does not limit loans or advances. See **Notes 6, 7** and **12** for additional information on significant financial covenants.

Foreign Operations

The functional currency of the company's foreign investments is primarily the U.S. dollar. Transactions in the local currency are re-measured to the U.S. dollar for financial reporting purposes. The aggregate re-measurement gains or losses included in net income in 2006, 2005 and 2004 were not material. The foreign investments are generally protected from any significant currency gains or losses by the terms of the power sales agreements and other related contracts, in which payments are defined in U.S. dollars.

Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation. Results for all prior periods have been reclassified from continuing operations to discontinued operations as appropriate for each of the entities as discussed in **Note 20**.

2. New Accounting Pronouncements

Asset Retirement Obligations

FIN 47 was issued in March 2005 and became effective as of Dec. 31, 2005. FIN 47 clarifies the term "conditional asset retirement obligation" as a legal obligation to perform an asset retirement activity in which the timing and method of settlement are conditional on a future event that may or may not be within the control of the entity, and clarifies when an entity has sufficient

information to reasonably estimate the fair value of an asset retirement obligation. The company implemented FIN 47 during the fourth quarter of 2005. See **Note 15** for discussion of the effects of this implementation.

Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the FASB issued FAS No.158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R).* This statement of financial accounting standards requires the recognition in the statement of financial position of the over-funded or under-funded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the projected benefit obligation in the case of a defined benefit plan, or the accumulated postretirement benefit obligation in the case of other postretirement benefit plans. Compared to the current recognition of pension and other postretirement obligations on the balance sheet, this standard requires the recognition of: 1) the impact of future salary increases to the pension obligation and 2) the unamortized post-retirement benefit costs that are currently being expensed over the service lives of the participants. This standard also requires recognition in other comprehensive income certain benefit cost components that are not part of net periodic benefit cost, and that the defined benefit plan assets and obligations be measured as of the balance sheet date. For the regulated segments, amounts required to be recorded in "Other comprehensive income" are reflected as a regulatory asset, as pension obligations will be recovered through rates. FAS 158 is effective for publicly-held companies for fiscal years ending after Dec. 15, 2006. The company has adopted the balance sheet recognition provisions of FAS 158 at Dec. 31, 2006 and will adopt the year-end measurement date in 2008. This standard has increased benefit liabilities on the balance sheet by approximately $125.8 million and accumulated other comprehensive loss, net of estimated tax benefits, by approximately $21.8 million. This standard does not affect the company's results of operations or cash flows.

Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements

In September 2006, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements* (SAB 108). SAB 108 addresses the diversity in practice by registrants when quantifying the effect of an error on the financial statements and provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements. The company has adopted the provisions of SAB No. 108 effective Dec. 31, 2006. The adoption of SAB 108 did not have an impact on the company's consolidated financial statements.

Fair Value Measurements

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. FAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. FAS 157 applies under other accounting pronouncements that require or permit fair value measurements. The effective date is for fiscal years beginning after Nov. 15, 2007. The company is currently assessing the implementation of FAS 157, however, does not believe it will be material to its results of operations, statement of position or cash flows.

Planned Major Maintenance

In September 2006, the FASB issued FASB Staff Position (FSP) *AUG AIR-1 Accounting for Planned Major Maintenance Activities.* This FSP effectively removes the accrual-in-advance method of accounting for future planned major maintenance activities. The FASB believes that the accrual-in-advance method results in the recognition of liabilities prior to the occurrence of a transaction or event that obligates the entity and that does not meet the definition of a liability in accordance with FASB Concept No. 6, *Elements of Financial Statements.* Entities are still permitted to use the built-in overhaul, deferral or direct expensing methods. This FSP is effective for the first fiscal year beginning after Dec. 15, 2006 and the company has adopted this FSP effective Jan. 1, 2007. Because the company has been applying the direct expensing method, the company does not believe adoption of this FSP will have an effect on its results of operations, statement of position or cash flows.

Determining the Variability of Variable Interest Entities

In April 2006, the FASB issued FSP FIN 46(R)-6, *Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R).* In this FSP, the FASB addresses how a reporting enterprise should determine the variability to be considered in applying FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities.* The FASB describes a number of risks that should be considered as well as the purpose for which the entities were created, in order to determine the variability of these entities. The company has reviewed this FSP and has incorporated it into its process for determining the variability for current and future entities. This FSP is not expected to materially impact the company's results of operations, statement of position or cash flows.

Amendment to Derivatives Accounting

In February 2006, the FASB issued FAS No. 155, *Accounting for Certain Hybrid Financial Instruments* (FAS 155), which amends FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and FAS No. 140, *Accounting for Transfers*

and Servicing of Financial Assets and Extinguishments of Liabilities. FAS 155 simplifies the accounting for certain derivatives embedded in other financial instruments by permitting fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after Sep. 15, 2006. The company adopted FAS 155 effective Jan. 1, 2007, and it does not materially impact the company's results of operations, statement of position or cash flows.

Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Application involves a two-step approach where recognition occurs if the position exceeds a "more likely than not" threshold and the measurement is based on the tax benefit being greater than 50 percent likely of being realized upon settlement with the tax agencies involved. FIN 48 is effective for fiscal years beginning after Dec. 15, 2006. Based on the company's assessment to date of the tax positions as of Jan. 1, 2007, the company believes that the implementation of FIN 48 during the first quarter of 2007 will have an immaterial impact on retained earnings.

3. Regulatory

As discussed in **Note 1**, Tampa Electric's and PGS's retail businesses are regulated by the FPSC. Tampa Electric is subject to regulation by the Federal Energy Regulatory Commission ("FERC") under the Public Utility Holding Company Act of 2005 ("PUHCA 2005"), which replaced the Public Utility Holding Company Act of 1935 which was repealed, however, pursuant to a waiver granted in accordance with FERC's regulations, TECO Energy is not subject to certain of the accounting, record-keeping, and reporting requirements prescribed by FERC's regulations under PUHCA 2005.

Base Rate – Tampa Electric

Tampa Electric's rates and allowed return on equity (ROE) range of 10.75% to 12.75% with a midpoint of 11.75% and are in effect until such time as changes are occasioned by an agreement approved by the FPSC or other FPSC actions resulting from rate or other proceedings initiated by Tampa Electric, FPSC staff or other interested parties.

Tampa Electric has not sought a base rate increase to recover significant plant investment since 1992, including the Bayside Power Station, which entered service in 2003 and 2004.

Cost Recovery – Tampa Electric

In September 2006, Tampa Electric filed with the FPSC for approval of fuel and purchased power, capacity, environmental and conservation cost recovery rates for the period January 2007 through December 2007. In November 2006, the FPSC approved Tampa Electric's requested changes. The rates include the costs of natural gas and coal prices expected in 2007, the collection of underestimated fuel and purchased power expenses in 2006, the collection of previously unrecovered 2005 fuel and purchased power expenses, the proceeds from the sale of sulfur dioxide (SO_2) emissions allowances and the operating costs for and a return on the capital invested in the first SCR project to enter service on Big Bend Unit 4 as well as the O&M costs associated with the pre-SCR projects for Big Bend Units 1 - 3 as required by the Environmental Protection Agency (EPA) Consent Decree and Florida Department of Environmental Protection (FDEP) Consent Final Judgment (see **Note 12** for additional details regarding projected environmental expenditures). In addition, the rates reflect the FPSC's September 2004 decision to reduce the annual cost recovery amount for water transportation services for coal and petroleum coke provided under Tampa Electric's contract with TECO Transport described below. As part of the regulatory process, it is reasonably likely that third parties may intervene on similar matters in the future. The company is unable to predict the timing, nature or impact of such future actions.

Base Rate – PGS

As a result of a base rate proceeding, effective Jan. 16, 2003, PGS' allowable ROE range is 10.25% to 12.25% with an 11.25% midpoint. PGS expects to continue earning within its allowed ROE range for the foreseeable future.

Cost Recovery – PGS

In September 2006, PGS filed its annual request with the FPSC to change its Purchased Gas Adjustment (PGA) cap factor for 2007. The PGA rate can vary monthly due to changes in actual fuel costs but is not expected to exceed the FPSC approved annual cap. In November 2006, the FPSC approved the cap factor under PGS' PGA for the period January 2007 through December 2007.

SO_2 Emission Allowances

The Clean Air Act Amendments of 1990 established SO_2 allowances to manage the achievement of SO_2 emissions requirements. The legislation also established a market-based SO_2 allowance trading component.

An allowance authorizes a utility to emit one ton of SO_2 during a given year. The EPA allocates allowances to utilities based on mandated emissions reductions. At the end of each year, a utility must hold an amount of allowances at least equal to its

annual emissions. Allowances are fully marketable and, once allocated, may be bought, sold, traded or banked for use currently or in future years. In addition, the EPA withholds a small percentage of the annual SO_2 allowances it allocates to utilities for auction sales. Any resulting auction proceeds are then forwarded to the respective utilities. Allowances may not be used for compliance prior to the calendar year for which they are allocated. Tampa Electric accounts for these using an inventory model with a zero basis for those allowances allocated to the company. Tampa Electric recognizes a gain at the time of sale, approximately 95% of which accrues to retail customers through the environmental cost recovery clause.

Over the years, Tampa Electric has acquired allowances through EPA allocations. Also, over time, Tampa Electric has sold unneeded allowances based on compliance and allowances available. The SO_2 allowances unneeded and sold in 2006 resulted from lower emissions at Tampa Electric brought about by environmental actions taken by the company under the Clean Air Act.

For the year ended Dec. 31, 2006, Tampa Electric sold approximately 44,500 allowances, resulting in proceeds of $45.0 million, the majority of which is included as a cost recovery clause regulatory liability. In the years ended Dec. 31, 2005 and 2004, approximately 100,000 and 13,000 allowances were sold for $79.7 million and $7.4 million in proceeds, respectively.

Other Items

Storm Damage Cost Recovery

Following Hurricane Andrew in 1992, Florida's investor owned utilities (IOUs) were unable to obtain transmission and distribution insurance coverage in the event of hurricanes, tornados or other damage due to destructive acts of nature. Tampa Electric and other IOUs were permitted to implement a self-insurance program effective Jan. 1, 1994 for such costs of restoration, and the FPSC authorized Tampa Electric to accrue $4 million annually to grow its unfunded storm damage reserve.

The costs for restoration associated with hurricanes Charley, Frances and Jeanne in 2004 were approximately $75 million, which exceeded the storm damage reserve by $30 million. These excess costs over the reserve amounts were charged against the reserve and were reflected as a regulatory asset. The storm costs did not reduce earnings but did reduce cash flow from operations.

In June 2005, the FPSC approved a stipulation entered into by Tampa Electric, the OPC and the Florida Industrial Power Users group regarding the treatment of Tampa Electric's 2004 hurricane costs. Under the stipulation, Tampa Electric agreed to reclassify approximately $39 million of the hurricane restoration costs as plant in service (rate base). With this adjustment and the normal $4 million annual storm accrual, Tampa Electric's storm reserve is $16 million as of Dec. 31, 2006.

Coal Transportation Contract

In September 2004, the FPSC voted to disallow approximately $14 to $16 million (pretax) of the costs that Tampa Electric can recover from its customers for water transportation services. The decision allows, but does not require, Tampa Electric to rebid the water transportation and terminal service contract. In October 2004, Tampa Electric filed with the FPSC a motion for clarification and reconsideration of the disallowance of recovery of costs under its waterborne transportation contract with TECO Transport. On Mar. 1, 2005, the FPSC heard oral arguments on the motion and denied Tampa Electric's request for reconsideration and clarification. The impact of the FPSC vote was fully recognized by Tampa Electric in 2004.

Regulatory Assets and Liabilities

Tampa Electric and PGS maintain their accounts in accordance with recognized policies of the FPSC. In addition, Tampa Electric maintains its accounts in accordance with recognized policies prescribed or permitted by the FERC. These policies conform with GAAP in all material respects.

Tampa Electric and PGS apply the accounting treatment permitted by FAS 71. Areas of applicability include deferral of revenues under approved regulatory agreements; revenue recognition resulting from cost recovery clauses that provide for monthly billing charges to reflect increases or decreases in fuel; purchased power, conservation and environmental costs; and deferral of costs as regulatory assets, when cost recovery is ordered over a period longer than a fiscal year, to the period that the regulatory agency recognizes them.

Details of the regulatory assets and liabilities as of Dec. 31, 2006 and 2005 are presented in the following table:

Regulatory Assets and Liabilities

(millions) Dec. 31,	*2006*	*2005*
Regulatory assets:		
Regulatory tax asset[1]	$ 49.5	$ 55.3
Other:		
Cost recovery clauses	239.2	264.1
Post-retirement benefit asset [4]	148.9	—
Deferred bond refinancing costs[2]	26.7	28.8
Environmental remediation	12.3	14.2
Competitive rate adjustment	5.5	5.6
Other	4.9	5.2
	437.5	317.9
Total regulatory assets	487.0	373.2
Less current portion	255.7	273.3
Long-term regulatory assets	$ 231.3	$ 99.9
Regulatory liabilities:		
Regulatory tax liability[1]	$ 20.6	$ 23.4
Other:		
Deferred allowance auction credits	0.8	1.3
Recovery clause related	28.9	136.9
Environmental remediation	12.3	14.2
Transmission and distribution storm reserve	16.3	12.5
Deferred gain on property sales[3]	6.8	7.7
Accumulated reserve – cost of removal	516.1	493.8
Other	0.2	0.1
	581.4	666.5
Total regulatory liabilities	602.0	689.9
Less current portion	46.7	146.8
Long-term regulatory liabilities	$ 555.3	$ 543.1

(1) Related to plant life and derivative positions.
(2) Amortized over the term of the related debt instrument.
(3) Amortized over a 5-year period with various ending dates.
(4) Related to the adoption of FAS 158. See **Note 5**.

All regulatory assets are being recovered through the regulatory process. The following table further details our regulatory assets and the related recovery periods:

Regulatory assets

(millions) Dec. 31,	*2006*	*2005*
Clause recoverable [1]	$ 244.7	$ 269.7
Earning a rate of return [2]	152.6	3.0
Regulatory tax assets [3]	49.5	55.3
Capital structure and other [3]	40.2	45.2
Total	$ 487.0	$ 373.2

(1) To be recovered through cost recovery clauses approved by the FPSC on a dollar for dollar basis in the next year.
(2) Primarily reflects allowed working capital, which is included in rate base and earns an 8.2 % rate of return as permitted by the FPSC.
(3) "Regulatory tax assets" and "Capital structure and other" regulatory assets have a recoverable period longer than a fiscal year and are recognized over the period authorized by the regulatory agency. Also included are unamortized loan costs which are amortized over the life of the related debt instruments. See footnotes 1 and 2 in the prior table for additional information.

4. Income Tax Expense

Income tax expense consists of the following components:

Income Tax Expense (Benefit)

(millions)	*Federal*	*Foreign*	*State*	*Total*
2006				
Continuing operations				
Current payable	$ 1.0	$ 2.8	$ 5.4	$ 9.2
Deferred	87.2	0.2	24.7	112.1
Amortization of investment tax credits	(2.6)	—	—	(2.6)
Income tax expense from continuing operations	85.6	3.0	30.1	118.7
Discontinued operations				
Deferred	8.5	—	(8.1)	0.4
Income tax expense (benefit) from discontinued operations	8.5	—	(8.1)	0.4
Total income tax expense	$ 94.1	$ 3.0	$ 22.0	$ 119.1
2005				
Continuing operations				
Current payable	$ 2.0	$ 7.5	$ 9.0	$ 18.5
Deferred	63.7	0.8	21.6	86.1
Amortization of investment tax credits	(2.7)	—	—	(2.7)
Income tax expense from continuing operations	63.0	8.3	30.6	101.9
Discontinued operations				
Deferred	35.3	—	(10.6)	24.7
Income tax expense (benefit) from discontinued operations	35.3	—	(10.6)	24.7
Total income tax expense	$ 98.3	$ 8.3	$ 20.0	$ 126.6
2004				
Continuing operations				
Current payable	$ (7.6)	$ (1.1)	$ 10.6	$ 1.9
Deferred	(193.2)	0.3	(51.2)	(244.1)
Amortization of investment tax credits	(2.9)	—	–	(2.9)
Income tax benefit from continuing operations	(203.7)	(0.8)	(40.6)	(245.1)
Discontinued operations				
Current payable	8.3	—	5.6	13.9
Deferred	(110.6)	—	(0.8)	(111.4)
Income tax (benefit) expense from discontinued operations	(102.3)	—	4.8	(97.5)
Total income tax benefit	$ (306.0)	$ (0.8)	$ (35.8)	$ (342.6)

As discussed in **Note 1**, TECO Energy uses the liability method to determine deferred income taxes. Based primarily on the reversal of deferred income tax liabilities and future earnings of the company's core utility operations, management has determined that the net deferred tax assets recorded at Dec. 31, 2006 will be realized in future periods.

The principal components of the company's deferred tax assets and liabilities recognized in the balance sheet are as follows:

Deferred Income Tax Assets and Liabilities

(millions) Dec. 31,	*2006*	*2005*
Deferred income tax assets [1]		
Property related	$ 115.8	$ 254.2
Alternative minimum tax credit carryforward	197.6	192.4
Investment in partnership	55.3	65.1
Net operating loss carryforward	763.4	757.4
Other	147.9	167.3
Total deferred income tax assets	1,280.0	1,436.4
Deferred income tax liabilities[1]		
Property related	(584.3)	(572.9)
Deferred fuel	(65.5)	(103.6)
Total deferred income tax liabilities	(649.8)	(676.5)
Net deferred tax assets	$ 630.2	$ 759.9

(1) Certain property related assets and liabilities have been netted.

Included in the "Property related" component of the deferred tax asset is the impact of the asset impairments discussed in **Notes 18** and **20.**

At Dec. 31, 2006, the company has cumulative unused federal and state (Florida) net operating losses of approximately $1,999.0 million and $1,158.6 million, respectively, expiring in 2025 and 2026 respectively. In addition, the company has available alternative minimum tax credit carryforwards for tax purposes of approximately $198 million which may be used indefinitely to reduce federal income taxes.

Effective Income Tax Rate

(millions) *For the years ended Dec. 31,*	*2006*	*2005*	*2004*
Net income (loss) from continuing operations before minority interest	$ 174.8	$ 123.9	$ (435.0)
Plus: minority interest	69.6	87.1	79.5
Net income (loss) from continuing operations	244.4	211.0	(355.5)
Total income tax provision (benefit)	118.7	101.9	(245.1)
Income (loss) from continuing operations before income taxes	363.1	312.9	(600.6)
Income taxes on above at federal statutory rate of 35%	127.1	109.5	(210.2)
Increase (decrease) due to			
State income tax, net of federal income tax	18.7	18.1	(26.3)
Foreign income taxes	2.2	6.6	(0.8)
Amortization of investment tax credits	(2.6)	(2.7)	(2.9)
Permanent reinvestment – foreign income	(9.2)	(9.4)	(10.5)
Non-conventional fuels tax credit	(2.1)	—	—
AFUDC equity	(1.0)	—	(0.3)
Dividend income	—	1.6	14.6
State rate change	2.7	2.4	—
State valuation allowance	2.1	—	—
Depletion	(9.8)	(8.4)	(2.0)
Other	(9.4)	(15.8)	(6.7)
Total income tax provision (benefit) from continuing operations	$ 118.7	$ 101.9	$ (245.1)
Provision for income taxes as a percent of income from continuing operations, before income taxes	32.7%	32.6%	40.8%

For the three years presented, we experienced a number of events that have impacted the overall effective tax rate on continuing operations. These events included permanent reinvestment of foreign income under APB Opinion No. 23, *Accounting for Taxes – Special Areas* (APB 23), adjustment of deferred tax assets for the effect of an enacted change in state rates, depletion, repatriation of foreign source income to the United States, and reduction of income tax expense under the new "tonnage tax" regime.

At Dec. 31, 2006, the portion of cumulative undistributed earnings from our investments in EEGSA was approximately $72.1 million. With the exception of the earnings repatriated in 2005, these earnings have been and are intended to be indefinitely invested in foreign operations. Therefore, no provision has been made for U.S. taxes or foreign withholding taxes that may be applicable upon actual or deemed repatriation.

On Oct. 22, 2004, the President of the United States signed the American Jobs Creation Act of 2004 (the Act). The Act creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85% dividend received deduction for certain dividends from controlled foreign corporations. The company elected to apply Code Section 965 with respect to its 2005 dividends. For the twelve months ended Dec. 31, 2005, the company repatriated $38.9 million, resulting in $1.0 million of additional tax expense net of foreign tax credits. The tax savings related to the repatriation provision of the Act are reflected in the "Other" category in the effective income tax rate.

Code Section 248 of the Act also introduced a new "tonnage tax" which allows corporations to elect to exclude from gross income certain income from activities connected with the operation of a U.S. flag vessel in U.S. foreign trade and become subject to a tax imposed on the per-ton weight of the qualified vessel instead. The company elected to apply Code Section 248 for qualified vessels in 2006 and 2005.

The consolidated entity recorded a net state benefit in 2006, 2005 and 2004 to reflect state deferred balances at the expected realizable rate which is lower than in prior years and to record estimated state benefits from impairments. The total effective income tax rate differs from the federal statutory rate due to state income tax, net of federal income tax, the non-conventional fuels tax credit, and other miscellaneous items. The actual cash paid for income taxes as required for the alternative minimum tax, state income taxes, and prior year audit in 2006, 2005 and 2004 was $10.4 million, $27.4 million and $22.4 million, respectively.

5. Employee Postretirement Benefits

Pension Benefits

TECO Energy has a non-contributory defined benefit retirement plan that covers substantially all employees. Benefits are based on employees' age, years of service and final average earnings.

Amounts disclosed for pension benefits also include the unfunded obligations for the supplemental executive retirement plan. This is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management.

TECO Energy reported other comprehensive income of $42.7 million in 2006 for adjustments to the minimum pension liability. The adjustments to other comprehensive income related to the minimum pension liability in 2006 are net of $35.1 million of after-tax charges that, for regulatory purposes prescribed by FAS 71, were recorded as regulatory assets for Tampa Electric and PGS. TECO Energy had recorded other comprehensive losses of $7.2 million in 2005 and other comprehensive income of $7.2 million in 2004 related to adjustments to the minimum pension liability associated with the pension plans; there were no impacts of FAS 71 in 2005 or 2004 related to the additional minimum pension liability adjustments (see **Note 10**).

Other Postretirement Benefits

TECO Energy and its subsidiaries currently provide certain postretirement health care and life insurance benefits for substantially all employees retiring after age 50 meeting certain service requirements. The company contribution toward health care coverage for most employees who retired after the age of 55 between Jan. 1, 1990 and Jun. 30, 2001 is limited to a defined dollar benefit based on service. The company contribution toward pre-65 and post-65 health care coverage for most employees retiring on or after Jul. 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2007, the company expects to make a contribution of about $12.8 million to this program. Postretirement benefit levels are substantially unrelated to salary. The company reserves the right to terminate or modify the plans in whole or in part at any time.

On Dec. 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the MMA) was signed into law. Beginning in 2006, the new law added prescription drug coverage to Medicare, with a 28% tax-free subsidy to encourage employers to retain their prescription drug programs for retirees, along with other key provisions. TECO Energy's current retiree medical program for those eligible for Medicare (generally over age 65) includes coverage for prescription drugs. The company has determined that prescription drug benefits available to certain Medicare-eligible participants under its defined-dollar-benefit postretirement health care plan are at least "actuarially equivalent" to the standard drug benefits that are offered under Medicare Part D.

On May 19, 2004, the FASB issued FSP 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (FSP 106-2). The guidance in FSP 106-2 requires (a) that the effects of the federal subsidy be considered an actuarial gain and recognized in the same manner as other actuarial gains and losses and (b) certain disclosures for employers that sponsor postretirement health care plans that provide prescription drug benefits. TECO Energy adopted FSP 106-2 retroactive for the second quarter of 2004.

In 2006, the company received its first subsidy payment under Part D and has filed and is awaiting approval for its 2007 Part D subsidy application with the Centers for Medicare and Medicaid Services (CMS).

Obligations and Funded Status (millions)	Pension Benefits 2006	Pension Benefits 2005	Other benefits 2006	Other benefits 2005
Change in benefit obligation				
Net benefit obligation at prior measurement date (1)	$ 562.1	$ 545.4	$ 206.2	$ 185.7
Service cost	15.8	16.2	5.9	6.4
Interest cost	30.7	32.6	11.3	11.3
Plan participants' contributions	-	-	3.3	2.7
Actuarial (gain) loss	(4.5)	7.1	(9.9)	14.2
Settlement	-	(3.1)	-	-
Gross benefits paid	(34.2)	(36.1)	(13.4)	(14.1)
Federal subsidy on benefits paid	n/a	n/a	(0.6)	n/a
Net benefit obligation at measurement date (1)	$ 569.9	$ 562.1	$ 202.8	$ 206.2
Change in plan assets				
Fair value of plan assets at prior measurement date (1)	$ 434.7	$ 407.6	$ -	$ -
Actual return on plan assets	27.0	44.4	-	-
Employer contributions	7.7	21.9	10.1	11.4
Plan participants' contributions	-	-	3.3	2.7
Settlement	-	(3.1)	-	-
Gross benefits paid	(34.2)	(36.1)	(13.4)	(14.1)
Fair value of plan assets at measurement date (1)	$ 435.2	$ 434.7	$ -	$ -
Funded status				
Fair value of plan assets	$ 435.2	$ 434.7	$ -	$ -
Benefit obligation	569.9	562.1	202.8	206.2
Funded status at measurement date (1)	(134.7)	(127.4)	(202.8)	(206.2)
Net contributions after measurement date	30.8	0.3	2.1	2.6
Unrecognized net actuarial loss	138.8	143.3	15.6	26.6
Unrecognized prior service (benefit) cost	(4.5)	(4.9)	29.7	32.7
Unrecognized net transition (asset) obligation	-	-	16.5	19.2
Accrued liability at end of year	$ 30.4	$ 11.3	$ (138.9)	$ (125.1)
Amounts Recognized in Balance Sheet				
Long-term regulatory assets	$ 99.1	n/a	$ 49.8	n/a
Prepaid benefit cost	-	28.6	-	n/a
Intangible assets	-	1.9	-	n/a
Accrued benefit costs and other current liabilities	(1.3)	n/a	(12.8)	n/a
Deferred credits and other liabilities	(103.3)	(17.3)	(190.0)	(125.1)
Additional minimum liability	-	(85.9)	-	n/a
Accumulated other comprehensive (loss) income (pretax)	35.9	84.0	14.1	n/a
Net amount recognized at end of year	$ 30.4	$ 11.3	$ (138.9)	$ (125.1)

(1) The measuerment date was Sept. 30, 2006 and 2005.

Amounts recognized in accumulated other comprehensive income consist of:

	Pension Benefits 2006	Pension Benefits 2005	Other Benefits 2006	Other Benefits 2005
Net actuarial loss (gain)	$ 35.4	n/a	$ (5.5)	n/a
Prior service cost (credit)	0.5	n/a	15.9	n/a
Transition obligation (asset)	-	n/a	3.7	n/a
	$ 35.9		$ 14.1	

The accumulated benefit obligation for all defined benefit pension plans was $508.3 million and $509.7 million at Sep. 30, 2006 and 2005, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets

Accumulated benefit in excess of plan assets (millions)	2006	2005
Projected benefit obligation, measurement date	$ 569.9	$ 562.1
Accumulated benefit obligation, measurement date	508.3	509.7
Fair Value of plan asets, measurement date	435.2	434.7

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income

Net periodic benefit cost:	Pension Benefits			Other Benefits		
(millions)	2006	2005	2004	2006	2005	2004
Service cost	$ 15.8	$ 16.2	$ 17.0	$ 6.0	$ 6.5	$ 4.3
Interest cost	30.7	32.7	33.0	11.3	11.2	10.8
Expected return on plan assets	(35.7)	(37.2)	(39.1)	-	-	-
Amortization of:						
Actuarial loss	8.8	4.3	2.7	0.5	-	0.7
Prior service (benefit) cost	(0.5)	(0.5)	(0.6)	3.0	3.0	1.8
Transition (asset) obligation	-	(0.2)	(1.1)	2.7	2.7	2.7
Curtailment loss	-	-	0.5	-	-	
Settlement loss	-	1.4	6.6	-	-	
Net periodic benefit cost	$ 19.1	$ 16.7	$ 19.0	$ 23.5	$ 23.4	$ 20.3

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:

(millions)	Balance at Dec. 31, 2004	Movement for the year ended Dec. 31, 2005	Balance at Dec. 31, 2005	Movement for the year ended Dec. 31, 2006	Adjustment to implement FAS 158
Additional minimum pension liability	$ (44.3)	$ (7.2)	$ (51.5)	$ 42.7	$ 8.8
Unrecognized pension losses and prior service costs	-	-	-	-	(22.0)
Unrecognized other benefit losses, prior service costs and transition obligations	-	-	-	-	(8.6)
Total accumulated other comprehensive income, net of taxes	$ (44.3)	$ (7.2)	$ (51.5)	$ 42.7	$ (21.8)

(1) These balances exclude the pretax amounts recognized as Regulated Assets by Tampa Electric and Peoples Gas System as detailed as follows on a pretax basis:

Related to additional minimum pension liability	
Unrecognized pension losses and prior service costs	$ 57.0
Related to the adoption of FAS 158	
Unrecognized pension losses and prior service costs	$ 42.1
Unrecognized other benefit losses, prior service costs and transition obligations	49.8
Total related to the adoption of FAS 158, pretax	91.9
Total postretirement benefits included in regulated assets, pretax	$ 148.9

The estimated net loss and prior service net cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $2.3 million and $0.1 million, respectively. The estimated prior service cost and transition obligation for the other postretirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $1.3 million and $0.6 million, respectively.

In addition, the estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from regulatory assets into net periodic benefit cost over the next fiscal year totals $6.1 million. The estimated prior service cost and transition obligation for the other postretirement benefit plan that will be amortized from regulatory asset into net periodic benefit cost over the next fiscal year totals $3.8 million.

Additional Information

	Pension Benefits		Other Benefits	
(millions)	2006	2005	2006	2005
Increase in minimum liability included in other comprehensive income, net of tax	$ 42.7	$ (7.2)	$ -	$ -

The following table presents the incremental effect of adopting SFAS 158 on individual line items on the Consolidated balance sheets as of Dec. 31, 2006:

Increase (decrease) (millions)	Before application of SFAS 158	SFAS 158 Adjustments	After application of SFAS 158
Deferred income tax asset	$ 616.4	$ 13.8	$ 630.2
Long-term regulatory asset	139.4	91.9	231.3
Deferred charges and other assets	89.0	(1.7)	87.3
Total assets	7,251.4	104.0	7,355.4
Other current liabilities	-	14.2	14.2
Deferred credits and other liabilities	384.5	111.6	496.1
Total liabilities	5,500.6	125.8	5,626.4
Accumulated other comprehensive income	(8.7)	(21.8)	(30.5)
Total stockholder's equity	1,750.8	(21.8)	1,729.0
Total liability and stockholder's equity	7,251.4	104.0	7,355.4

Weighted-average assumptions used to determine benefit obligations at Sep. 30, the measurement date for the pension and other postretirement benefit plans

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Discount Rate	5.85%	5.50%	5.85%	5.50%
Rate of compensation increase	4.00%	3.75%	4.00%	3.75%

Weighted-average assumptions used to determine net periodic benefit cost for years ended Dec. 31,

	Pension Benefits			Other Benefits		
	2006	2005	2004	2006	2005	2004
Discount Rate	5.50%	6.00%	6.00%	5.50%	6.00%	6.00%
Expected long-term return on plan assets	8.50%	8.75%	8.75%	n/a	n/a	n/a
Rate of compensation increase	3.75%	4.25%	4.25%	3.75%	4.25%	4.25%

The expected return on assets assumption was based on expectations of long-term inflation, real growth in the economy, fixed income spreads and equity premiums consistent with our portfolio, with provision for active management and expenses paid. The salary increase assumption was based on the same underlying expectation of long-term inflation together with assumptions regarding real growth in wages and company-specific merit and promotion increases. The discount rate assumption was based on a cash flow matching technique developed by our outside actuaries and a review of current economic conditions. This technique matches the yields from high-quality (Aa-graded, non-callable) corporate bonds to the company's projected cash flows for the pension plan to develop a present value that is converted to a discount rate.

Healthcare cost trend rate	2006	2005	2004
Initial rate	9.50%	9.50%	10.50%
Ultimate rate	5.00%	5.00%	5.00%
Year rate reaches ultimate	2014	2013	2013

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(millions)	1% Increase	1% Decrease
Effect on total service and interest cost	$ 1.0	$ (0.7)
Effect on postretirement benefit obligation	$ 7.4	$ (6.0)

Asset Allocation

Pension plan assets (plan assets) are invested in a mix of equity and fixed income securities. The company's investment objective is to obtain above-average returns while minimizing volatility of expected returns over the long term. The target equities/fixed income mix is designed to meet investment objectives. The company's strategy is to hire proven managers and allocate assets to reflect a mix of investment styles, emphasize preservation of principal to minimize the impact of declining markets, and stay fully invested except for cash to meet benefit payment obligations and plan expenses.

Pension Plan Assets	Target Allocation	Actual Allocation, End of Year	
Asset Category		2006	2005
Equity securities	55-65%	66%	64%
Fixed income securities	35-45%	34%	36%
Total		100%	100%

Other Postretirement Benefit Plan Assets

There are no assets associated with TECO Energy's postretirement benefit plan.

Contributions

On Aug. 17, 2006, the President signed the Pension Protection Act of 2006 (the Act). While the company expects the Internal Revenue Service to issue regulations clarifying various terms of the Act, it generally introduces new minimum funding requirements beginning Jan. 1, 2008. The company's policy is to fund the plan at or above amounts determined by the company's actuaries to meet ERISA guidelines for minimum annual contributions and minimize PBGC premiums paid by the plan. The company contributed $36.3 million to the plan in 2006, which included a $30 million contribution in addition to the $6.3 million minimum contribution required. TECO Energy expects to make a $30 million contribution in 2007 and average annual contributions of $22 million in 2008 – 2011.

The supplemental executive retirement plan is funded annually to meet the benefit obligations. In 2006, the company made a contribution of $1.6 million to this plan. In 2007, the company expects to make a contribution of about $1.4 million to this plan.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Other Postretirement Benefits	
Expected benefit payments (millions):		Gross	Expected Federal Subsidy
2007	$ 44.8	$ 13.7	$ (0.9)
2008	44.9	14.9	(1.0)
2009	45.7	15.9	(1.1)
2010	47.1	16.7	(1.2)
2011	49.0	17.4	(1.3)
2012-2016	257.4	90.4	(8.5)

Defined Contribution Plan

The company has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries (the Employers) that enables participants to save a portion of their compensation up to the limits allowed by IRS guidelines. The company and its subsidiaries match up to 6% of the participant's payroll savings deductions. From Jan. 1, 2004 to Jun. 30, 2004, the company's matching contribution was 55% of eligible participant payroll savings deductions made in the form of the company's common stock. Effective Jul. 1, 2004, employer matching contributions were 30% of eligible participant contributions with additional incentive match of up to 70% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended Dec. 31, 2006, 2005 and 2004, the company and its subsidiaries recognized expense totaling $9.0 million, $10.2 million and $6.6 million, respectively, related to the matching contributions made to this plan.

6. Short-Term Debt

At Dec. 31, 2006 and 2005, the following credit facilities and related borrowings existed:

Credit Facilities	*Dec. 31, 2006*			*Dec. 31, 2005*		
(millions)	*Credit Facilities*	*Borrowings Outstanding[1]*	*Letters of Credit Outstanding*	*Credit Facilities*	*Borrowings Outstanding[1]*	*Letters of Credit Outstanding*
Tampa Electric Company:						
5-year facility	$ 325.0	$ 13.0	$ —	$ 325.0	$ 120.0	$ —
1-year accounts receivable facility	150.0	35.0	—	150.0	95.0	—
TECO Energy:						
5-year facility	200.0	—	9.5	200.0	—	14.3
Total	$ 675.0	$ 48.0	$ 9.5	$ 675.0	$ 215.0	$ 14.3

(1) Borrowings outstanding are reported as notes payable.

These credit facilities require commitment fees ranging from 12.5 to 37.5 basis points. The weighted average interest rate on outstanding notes payable at Dec. 31, 2006 and 2005 was 5.45% and 4.45%, respectively.

TECO Energy Credit Facility

On Oct. 11, 2005, TECO Energy amended its $200 million bank credit facility, extending the maturity to Oct. 11, 2010 with optional extensions of up to two additional years with lenders' consent. The amended facility also allows TECO Energy to increase the facility size by up to $50 million with lenders' consent. The facility is secured by the stock of TECO Transport, which security will be released if TECO Energy achieves investment-grade ratings and stable outlooks from both Moody's and Standard & Poor's. This facility includes a $100 million sub-limit for letters of credit. The facility requires that at the end of each quarter the ratio of debt to earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the agreement, not exceed 5.25 times through Mar. 31, 2007, 5.00 times from Apr. 1, 2007 through Dec. 31, 2009 and 4.50 times from and after Jan. 1, 2010, and TECO Energy's EBITDA to interest coverage ratio, as defined in the agreement, to be not less than 2.25 times through Dec. 30, 2005 and 2.60 times thereafter. As of Dec. 31, 2006, the company was in compliance with both requirements. The facility places certain limitations on the ability to sell core assets and limits the ability of TECO Energy and certain of its subsidiaries, excluding Tampa Electric Company, to issue additional indebtedness in excess of a calculated level (initially $100 million), unless the indebtedness refinances currently outstanding indebtedness or meets certain other conditions. The facility also provides that, in the

event the aggregate quarterly dividend payments on TECO Energy common stock were to equal or exceed a calculated amount (initially $50 million), subject to increase in the event TECO Energy issues additional shares of common stock, TECO Energy would not be able to declare or pay cash dividends on the common stock or make certain other distributions unless it had previously delivered liquidity projections satisfactory to the administrative agent under the credit facility demonstrating that TECO Energy will have sufficient cash to pay such dividends and distributions and the three succeeding quarterly dividends. The limitations described above on the ability to sell core assets, issue additional indebtedness and pay cash dividends will be released if TECO Energy achieves investment grade ratings and stable outlooks from both Moody's and Standard & Poor's.

Tampa Electric Company Credit Facility

On Oct. 11, 2005, Tampa Electric Company amended its $150 million bank credit facility, increasing the facility size to $325 million and extending the maturity to Oct. 11, 2010 with optional extensions of up to two additional years with lenders' consent. Tampa Electric Company terminated its $125 million 3-year bank credit facility. The amended facility also allows Tampa Electric Company to increase the facility size by up to $50 million with lenders' consent; and includes a $50 million sub-limit for letters of credit. The financial covenants were also amended to eliminate the requirement that Tampa Electric Company maintain a specified ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) to interest, as defined in the agreement, and increase the permissible quarter-end debt to capital, as defined in the agreement, to 65%. As of Dec. 31, 2006, Tampa Electric Company was in compliance with this requirement.

Tampa Electric Company Accounts Receivable Facility

On Jan. 6, 2005, Tampa Electric Company and TEC Receivables Corp (TRC), a wholly-owned subsidiary of Tampa Electric Company, entered into a $150 million accounts receivable collateralized borrowing facility. The assets of TRC are not intended to be generally available to the creditors of Tampa Electric Company. Under the Purchase and Contribution Agreement entered into in connection with that facility, Tampa Electric Company sells and/or contributes to TRC all of its receivables for the sale of electricity or gas to its retail customers and related rights (the Receivables), with the exception of certain excluded receivables and related rights defined in the agreement, and assigns to TRC the deposit accounts into which the proceeds of such Receivables are paid. The Receivables are sold by Tampa Electric Company to TRC at a discount. Under the Loan and Servicing Agreement among Tampa Electric Company as Servicer, TRC as Borrower, certain lenders named therein and Citicorp North America, Inc. as Program Agent, TRC may borrow up to $150 million to fund its acquisition of the Receivables under the Purchase Agreement. TRC has secured such borrowings with a pledge of all of its assets including the Receivables and deposit accounts assigned to it. Tampa Electric Company acts as Servicer to service the collection of the Receivables. TRC pays program and liquidity fees based on Tampa Electric Company's credit ratings. The receivables and the debt of TRC are included in the consolidated financial statements of TECO Energy and Tampa Electric Company.

On Dec. 22, 2006, Tampa Electric and TRC extended the maturity of Tampa Electric's $150 million accounts receivable collateralized borrowing facility from Jan. 5, 2006 to Dec. 21, 2007. As part of this extension, the EBITDA to interest covenant for Tampa Electric was eliminated. Tampa Electric's debt to capital covenant was increased from 60% to 65%.

7. Long-Term Debt

At Dec. 31, 2006, total long-term debt, excluding amounts currently due, had a carrying amount of $3,212.6 million and an estimated fair market value of $3,336.8 million. The estimated fair market value of long-term debt was based on quoted market prices for the same or similar issues, on the current rates offered for debt of the same remaining maturities, or for long-term debt issues with variable rates that approximate market rates, at carrying amounts.

A substantial part of the tangible assets of Tampa Electric are pledged as collateral to secure its first mortgage bonds, and certain pollution control equipment is pledged to secure certain installment contracts payable. There are currently no bonds outstanding under Tampa Electric's first mortgage bond indenture.

TECO Energy's maturities and annual sinking fund requirements of long-term debt for 2007 through 2011 and thereafter are as follows:

Long-Term Debt Maturities For Continuing Operations

Dec. 31, 2006 (millions)	*2007*	*2008*	*2009*	*2010*	*2011*	*Thereafter*	*Total Long-term debt*
TECO Energy							
Debt securities	$ 300.0	$ —	$ —	$ 400.0	$ 600.0	$ 600.0	$ 1,900.0
Junior subordinated notes	71.4	—	—	—	—	—	71.4
Tampa Electric	125.0	—	—	—	—	1,473.9	1,598.9
Peoples Gas	31.1	5.7	5.5	3.7	3.4	113.4	162.8
TECO Transport	110.6	—	—	—	—	—	110.6
TECO Guatemala	1.3	1.4	1.4	1.4	1.5	4.7	11.7
Total long-term debt maturities	$ 639.4	$ 7.1	$ 6.9	$ 405.1	$ 604.9	$ 2,192.0	$ 3,855.4

Debt Securities

TECO Energy – $100 million Senior Unsecured Floating Rate Notes

On Jun. 7, 2005, TECO Energy issued $100 million of senior unsecured Floating Rate Notes due 2010 through an institutional private placement. Net proceeds of $99.3 million were used to implement TECO Energy's debt redemption, refinancing, and hedging strategy. On Oct. 14, 2005, TECO Energy completed an exchange offer related to the Floating Rate Notes, thereby satisfying its obligations under a registration rights agreement.

TECO Energy – $200 million Senior Unsecured 6.75% Notes

On May 26, 2005, TECO Energy issued $200 million of senior unsecured 6.75% Notes due 2015. Net proceeds of $198.5 million were used in TECO Energy's debt redemption and refinancing plan. On Oct. 14, 2005, TECO Energy completed an exchange offer related to the 6.75% Notes, thereby satisfying its obligations under a registration rights agreement.

Tampa Electric – $250 million 6.55% Senior Unsecured Notes

On May 12, 2006, Tampa Electric Company issued $250 million aggregate principal amount of 6.55% Notes due May 15, 2036. The 6.55% Notes were sold at 99.375% of par to yield 6.598%. The offering resulted in net proceeds to Tampa Electric (after deducting underwriting discounts and commissions and estimated offering expenses) of approximately $246.0 million. Net proceeds were used to repay short-term debt and for general corporate purposes. Tampa Electric may redeem all or any part of the 6.55% Notes at its option at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of 6.55% Notes to be redeemed or (ii) the present value of the remaining payments of principal and interest on the 6.55% Notes to be redeemed, discounted at an applicable treasury rate (as defined in the applicable indenture), plus 25 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date.

Junior Subordinated Notes

Based on the provisions of FAS 150, the preferred securities issued by the company were reclassified and presented as long-term debt for external financial reporting purposes.

Effective Jan. 1, 2004, TECO Energy adopted FIN 46R. As a result, the company's preferred securities were no longer recognized as a result of the deconsolidation of the funding companies established to issue the securities purchases by the trusts described below. As described below, the company issued junior subordinated notes to the funding companies in connection with the issuance of the trust preferred securities. The company has reflected the junior subordinated notes and the equity investment in the funding companies on the balance sheet. See **Note 19** for additional discussion of the impact of FIN 46R.

Capital Trust I

In December 2000, TECO Capital Trust I, a trust established for the sole purpose of issuing Trust Preferred Securities (TRuPS) and purchasing company preferred securities, issued 8 million shares of $25 par, 8.5% TRuPS, due 2041, with an aggregate liquidation value of $200 million. Each TRuPS represents an undivided beneficial interest in the assets of the Trust. The TRuPS represent an indirect interest in a corresponding amount of the TECO Energy 8.5% junior subordinated notes due 2041. Distributions are payable quarterly in arrears on Jan. 31, Apr. 30, Jul. 31, and Oct. 31 of each year. Distributions were $18.2 million in 2005, and $17.0 million per year in 2004 and 2003. For 2005 and 2006, these distributions were reflected in interest expense.

On Dec. 20, 2005, TECO Energy completed the early redemption of $100 million aggregate liquidation amount of the 8.5% TRuPS of TECO Capital Trust I. On Dec. 20, 2006, TECO Energy completed the early redemption of the remaining outstanding $100 million aggregate liquidation amount of the 8.5% TRuPS of TECO Capital Trust I.

Capital Trust II

In January 2002, TECO Energy sold 17.965 million mandatorily convertible equity security units in the form of 9.5% equity units at $25 per unit resulting in $436 million of net proceeds. Each equity unit consisted of $25 in principal amount of a trust

preferred security of TECO Capital Trust II, a Delaware business trust formed for the purpose of issuing these securities, with a stated liquidation amount of $25 and a contract to purchase shares of common stock of TECO Energy in January 2005 at a price per share of between $26.29 and $30.10 based on the market price at that time. The equity units represented an indirect interest in a corresponding amount of the TECO Energy 5.11% junior subordinated notes. The holders of these contracts were entitled to quarterly contract adjustment payments at the annualized rate of 4.39% of the stated amount of $25 per year through and including Jan. 15, 2005.

In August 2004, the company exchanged approximately 10.227 million common shares and $14.9 million in cash for 10.756 million units through an early settlement offer (see **Note 9**). After the acceptance of the early settlement offer, approximately 7.209 million units remained outstanding.

In October 2004, $162.7 million of TECO Capital Trust II trust preferred securities out of a total $180.2 million aggregate stated liquidation amount of such trust preferred securities outstanding were remarketed. The distribution rate on the trust preferred securities was reset to a coupon rate of 5.934% per annum, payable quarterly, effective on and after Oct. 16, 2004.

At the closing of the remarketing on Oct. 15, 2004, the company purchased approximately $122.7 million of the trust preferred securities that were remarketed and retired the trust preferred securities it purchased. The company funded its participation by borrowing $124.1 million under an unsecured bridge loan facility with JP Morgan Chase Bank and Merrill Lynch Bank USA. The company received the proceeds of this loan on Oct. 15, 2004 and repaid the loan on Dec. 23, 2004 with the proceeds from the sale of Frontera Generation Limited Partnership (see **Note 16**).

On Jan. 14, 2005, the final settlement rate was set for TECO Energy's remaining outstanding 7.209 million equity security units that were not tendered in the early settlement offer completed in August 2004. On Jan. 18, 2005, each holder of the TECO Energy units purchased from TECO Energy 0.9509 shares of TECO Energy common stock per unit for $25 per share. The cash for the unit holders' purchase obligation was satisfied from the proceeds received upon the maturity of a portfolio of U.S. Treasury securities acquired in connection with the October 2004 remarketing of the trust preferred securities of TECO Capital Trust II. As a result, TECO Energy issued 6.85 million shares of common stock on Jan. 18, 2005 and received approximately $180 million of proceeds from the settlement (see **Note 22** for details regarding the redemption of these securities).

On Jan. 16, 2007, all $71.4 million outstanding trust preferred securities of TECO Capital Trust II were retired at maturity pursuant to their original terms.

At Dec. 31, 2006 and 2005, TECO Energy had the following long-term debt outstanding:

Long-term Debt *(millions) Dec. 31,*			*Due*	*2006*	*2005*
TECO Energy	Notes:	7.2% (effective rate of 7.38%) [1]	2011	$ 600.0	$ 600.0
		6.125% (effective rate of 6.32%) [1]	2007	300.0	300.0
		7% (effective rate of 7.09%) [1]	2012	400.0	400.0
		7.5% (effective rate of 7.85%) [1][2]	2010	300.0	300.0
		6.75% (effective rate of 6.85%) [1][2]	2015	200.0	200.0
		Floating rate 7.37% for 2006 and 6.25% for 2005 (effective rate 7.6% for 2006) [1][2][6]	2010	100.0	100.0
	Junior subordinated notes:				
		8.50% [3]	2041	—	106.2
		5.93% (Capital Trust II) [7]	2007	71.4	71.4
				1,971.4	2,077.6
Tampa Electric	Installment contracts payable: [4]				
		3.89% Variable rate for 2006 (effective rate of 4.13%) and fixed rate 6.25% for 2005 [6]	2034	86.0	86.0
		5.85% Refunding bonds (effective rate of 5.88%) [8]	2030	75.0	75.0
		5.1% Refunding bonds (effective rate of 5.72%)	2013	60.7	60.7
		5.5% Refunding bonds (effective rate of 6.29%)	2023	86.4	86.4
		4% (effective rate of 4.16%) [5][8]	2025	51.6	51.6
		4% (effective rate of 4.17%) [5][8]	2018	54.2	54.2
		4.25% (effective rate of 4.44%) [5][8]	2020	20.0	20.0
	Notes:	6.875% (effective rate of 6.98%) [1]	2012	210.0	210.0
		6.55% (effective rate of 7.35%) [1]	2036	250.0	—
		6.375% (effective rate of 7.35%) [1]	2012	330.0	330.0
		5.375% (effective rate of 5.59%) [1]	2007	125.0	125.0
		6.25% (effective rate of 6.31%) [1][2]	2014-2016	250.0	250.0
				1,598.9	1,348.9
Peoples Gas System	Senior Notes: [1][2]	10.35%	2007	1.0	1.8
		10.33%	2007-2008	2.0	3.0
		10.3%	2007-2009	3.8	4.8
		9.93%	2007-2010	4.0	5.0
		8%	2007-2012	17.0	19.1
	Notes:	6.875% (effective rate of 6.98%) [1]	2012	40.0	40.0
		6.375% (effective rate of 7.35%) [1]	2012	70.0	70.0
		5.375% (effective rate of 5.59%) [1]	2007	25.0	25.0
				162.8	168.7
TECO Guatemala					
	Note: 3% Fixed rate		2007-2014	11.7	13.0
				11.7	13.0
Other Unregulated	Dock and wharf bonds, 5% [4]		2007	110.6	110.6
				110.6	110.6
Unamortized debt discount, net				(3.4)	(2.4)
				3,852.0	3,716.4
Less amount due within one year				639.4	7.2
Total long-term debt				$ 3,212.6	$ 3,709.2

(1) These securities are subject to redemption in whole or in part, at any time, at the option of the company.
(2) These long-term debt agreements contain various restrictive financial covenants.
(3) These securities were redeemed on Dec. 20, 2006.
(4) Tax-exempt securities.
(5) The interest rate on these bonds was fixed for a five-year term on Aug. 5, 2002.
(6) Composite year-end interest rate.
(7) These notes were redeemed on Jan. 16, 2007.
(8) Certain pollution control equipment is pledged to secure these bonds.

8. Preferred Stock

Preferred stock of TECO Energy – $1 par
10 million shares authorized, none outstanding.
Preference stock (subordinated preferred stock) of Tampa Electric – no par
2.5 million shares authorized, none outstanding.
Preferred stock of Tampa Electric – no par
2.5 million shares authorized, none outstanding.
Preferred stock of Tampa Electric – $100 par
1.5 million shares authorized, none outstanding.

9. Common Stock

Stock-Based Compensation

On Jan. 1, 2006, TECO Energy adopted FAS 123R, requiring the company to recognize expense related to the fair value of its stock-based compensation awards. Prior to this, the company accounted for its share-based payments under APB 25 and related interpretations. The company adopted FAS 123R using the modified-prospective transition method. Under this transition method, compensation cost recognized beginning Jan. 1, 2006 includes compensation cost for all share-based payments granted prior to, but not yet vested as of, Dec. 31, 2005 (based on the grant-date fair market value estimated in accordance with the original provisions of FAS 123), and compensation cost for all share-based payments granted on or after Jan. 1, 2006 (based on the grant date fair market value estimated in accordance with the provisions of FAS 123R). Results for prior periods have not been restated.

TECO Energy has two share-based compensation plans (the Equity Plan and the Director Equity Plan), which are described below. The types of awards granted under these Plans include stock options, stock grants, time-vested restricted stock and performance-based restricted stock. Stock options are granted with an exercise price greater than or equal to the fair market value of the common stock on the date of grant and have a 10-year contractual term. Stock options for the Director Equity Plan vest immediately and stock options for the Equity Plan have graded vesting over a three-year period, with the first 33% becoming exercisable one year after the date of grant. Stock grants and time-vested restricted stock are granted at a price equal to the fair market value on the date of grant, with expense recognized over the vesting period, which is normally three years. Beginning in 2006, we granted time-vested restricted stock to directors that vests one-third each year. Performance-based restricted stock is granted with shares vesting after three years at 0% to 200% of the original grant, based on the total return of TECO Energy common stock compared to a peer group of utility stocks. Dividends are paid on all time-vested and performance-based restricted stock awards.

TECO Energy recognized total stock compensation expense for 2006 of $11.5 million pretax, or $7.1 million after-tax. Cash received from option exercises under all share-based payment arrangements was $7.3 million, $11.5 million and $5.7 million for the periods ended Dec. 31, 2006, 2005 and 2004 respectively. The aggregate intrinsic value of stock options exercised was $2.7 million, $5.5 million and $1.6 million for the periods ended Dec. 31, 2006, 2005 and 2004 respectively. The total fair market value of awards vesting during 2006 was $4.8 million, which includes stock grants, time-vested restricted stock and performance-based restricted stock. As of Dec. 31, 2006, there was $10.5 million of unrecognized compensation cost related to all non-vested awards that is expected to be recognized over a weighted average period of two years. Prior to the adoption of FAS 123R, TECO Energy presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Consolidated Condensed Statement of Cash Flows. Beginning on Jan. 1, 2006, the company changed its cash flow presentation in accordance with FAS 123R, which requires the cash flows resulting from excess tax deductions on share-based payments to be classified as financing cash flows.

Previously under APB 25, the company recognized or disclosed expenses for retirement-eligible employees over the nominal vesting period. Beginning Jan. 1, 2006 under FAS 123R, any new awards made to retirement-eligible employees are recognized immediately or over the period from the grant date to the date of retirement eligibility (non-substantive approach). The impact on net income for 2006 and 2005 of applying the nominal vesting period approach versus the non-substantive vesting period approach to awards granted prior to Jan. 1, 2006, for retirement-eligible employees would not have been material.

The fair market value of stock options is determined using the Black-Scholes valuation model, and the company uses the following methods to determine its underlying assumptions: expected volatilities are based on the historical volatilities; the expected term of options granted is based on the Staff Accounting Bulletin No. 107 (SAB 107) simplified method of averaging the vesting term and the original contractual term; the risk-free interest rate is based on the U.S. Treasury implied yield on zero-coupon issues (with a remaining term equal to the expected term of the option); and the expected dividend yield is based on the current annual dividend amount divided by the stock price on the date of grant.

The fair market value of performance-based restricted stock awards is determined using the Monte-Carlo valuation model, and the company uses the following methods to determine its underlying assumptions: expected volatilities are based on the historical volatilities; the expected term of the awards is based on the performance measurement period (which is generally three years); the risk-free interest rate is based on the U.S. Treasury implied yield on zero-coupon issues (with a remaining term equal to the expected term of the award); and the expected dividend yield is based on the current annual dividend amount divided by the stock price on the date of grant, with continuous compounding.

The value of time-vested restricted stock and stock grants are based on the fair market value of TECO Energy common stock at the time of grant.

Stock-based compensation expense reduced the Company's results of operations as follows:

(millions, except per share amounts)	Dec. 31, 2006
Income before income taxes	$ 11.50
Net income	$ 7.10
EPS - Basic:	$ 0.03
EPS - Diluted:	$ 0.03

The following table illustrates the effect on net income and earnings per share as if the company had applied the fair-value recognition provisions of FAS 123 to all share-based payments, prior to the adoption of FAS 123R. As all share-based payments have been expensed in 2006 in accordance with FAS 123R, no pro forma is required.

Pro Forma Stock-Based Compensation Expense

(millions, except per share amounts) *For the years ended Dec. 31,*	*2005*	*2004*
Net income from continuing operations		
As reported	$ 211.0	$ (355.5)
Add: Unearned compensation expense [1]	3.4	3.2
Less: Pro forma expense [2]	6.8	8.8
Pro forma	$ 207.6	$ (361.1)
Net income		
As reported	$ 274.5	$ (552.0)
Add: Unearned compensation expense [1]	3.4	3.2
Less: Pro forma expense [2]	6.8	8.8
Pro forma	$ 271.1	$ (557.6)
Net income from continuing operations – EPS, basic		
As reported	$ 1.02	$ (1.85)
Pro forma	$ 1.01	$ (1.87)
Net income from continuing operations – EPS, diluted		
As reported	$ 1.00	$ (1.85)
Pro forma	$ 0.99	$ (1.87)
Net income – EPS, basic		
As reported	$ 1.33	$ (2.87)
Pro forma	$ 1.31	$ (2.89)
Net income – EPS, diluted		
As reported	$ 1.31	$ (2.87)
Pro forma	$ 1.29	$ (2.89)

(1) Unearned compensation expense reflects the compensation expense of time-vested and performance-based restricted stock awards, after-tax.

(2) Includes compensation expense for stock options and performance-based restricted stock, determined using a fair-value based method, after-tax, plus compensation expense associated with time-vested restricted stock awards, determined based on fair market value at the time of grant, after-tax.

Assumptions	2006	2005	2004
Assumptions applicable to stock options			
Risk-free interest rate	4.92%	4.02%	4.04%
Expected lives (in years)	6	7	7
Expected stock volatility	27.00%	34.12%	34.09%
Dividend yield	4.66%	4.66%	5.67%
Assumptions applicable to performance-based restricted stock			
Risk-free interest rate	4.92%	3.74%	2.78%
Expected lives (in years)	3	3	3
Expected stock volatility	18.22%	45.31%	45.85%
Dividend yield	4.64%	4.49%	5.79%

Equity Plans

In April 2004, the company's shareholders approved the 2004 Equity Incentive Plan (2004 Plan). The 2004 Plan superseded the 1996 Equity Incentive Plan (1996 Plan), and no additional grants will be made under the 1996 Plan. Under the 2004 Plan, the Compensation Committee of the Board of Directors authorized 10 million shares of TECO Energy common stock that may be awarded as stock grants, stock options and/or stock equivalents to officers, key employees and consultants of TECO Energy and its subsidiaries. The Compensation Committee has discretion to determine the terms and conditions of each award, which may be subject to conditions relating to continued employment, restrictions on transfer or performance criteria.

Under the 2004 Plan and the 1996 Plan (collectively referred to as the "Equity Plans"), 1.1 million, 0.9 million and 2.4 million stock options were granted to employees in 2006, 2005 and 2004, respectively, with weighted average fair values of $3.26, $3.93 and $2.80. In addition, 0.5 million, 0.4 million and 0.3 million shares of restricted stock were granted in 2006, 2005 and 2004, respectively, with weighted average fair values of $16.85, $21.57 and $14.80. In 2006, 17,962 shares of unrestricted common stock were granted with a weighted average fair value of $17.54. A summary of non-vested shares of restricted stock and stock options for 2006 under the Equity Plans are shown as follows:

Nonvested Restricted Stock and Stock Options-Equity Plans

	Nonvested Restricted Stock [1]		Nonvested Stock Options	
	Number of Shares (thousands)	*Weighted Avg. Grant Date Fair Value (per share)*	*Number of Shares (thousands)*	*Weighted Avg. Grant Date Fair Value (per share)*
Nonvested balance at Dec. 31, 2005	801	$ 18.16	2,712	$ 2.97
Granted	456	$ 16.85	1,089	$ 3.26
Vested	(276)	$ 14.28	(1,492)	$ 2.67
Forfeited	(11)	$ 20.95	(68)	$ 3.18
Nonvested balance at Dec. 31, 2006	970	$ 18.62	2,241	$ 3.30

(1) The weighted average remaining contractual term of restricted stock is 2 years.

Stock option transactions during 2006 under the Equity Plans are summarized as follows:

Stock Options – Equity Plans

	Number of Shares (thousands)	*Weighted Avg. Option Price (per share)*	*Weighted Avg. Remaining Contractual Term (years)*	*Aggregate Intrinsic Value (millions)*
Outstanding balance at Dec. 31, 2005	9,694	$ 20.33		
Granted	1,089	$ 16.30		
Exercised	(594)	$ 11.93		
Forfeited/Expired	(383)	$ 22.67		
Outstanding balance at Dec. 31, 2006 (1)	9,806	$ 20.30	6	$ 15.3
Exercisable at Dec. 31, 2006 (2)	2,566	$ 12.82	7	$ 11.3
Available for future grant at Dec. 31, 2006	7,543			

(1) Option prices range from $11.09 to $31.58.

(2) Option prices range from $11.09 to $16.21.

As of Dec. 31, 2006, the 9.8 million options outstanding under the Equity Plans are summarized below:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Option Prices	Option Shares (thousands)	Weighted Avg. Option Price	Weighted Avg. Remaining Contractual Life	Option Shares (thousands)	Weighted Avg. Option Price	Weighted Avg. Remaining Contractual Life
$11.09 - $13.50	2,926	$12.63	7 Years	2,285	$12.40	7 Years
$16.21 - $18.87	1,927	$16.29	9 Years	281	$16.21	8 Years
$21.25 - $22.48	1,557	$21.35	3 Years	0	$0.00	-
$23.55 - $25.97	294	$24.35	1 Year	0	$0.00	-
$27.56 - $31.58	3,102	$29.10	4 Years	0	$0.00	-
Total	9,806	$20.30	6 Years	2,566	$12.82	7 Years

Director Equity Plan

In April 1997, the company's shareholders approved the 1997 Director Equity Plan (1997 Plan), as an amendment and restatement of the 1991 Director Stock Option Plan (1991 Plan). The 1997 Plan superseded the 1991 Plan, and no additional grants will be made under the 1991 Plan. The purpose of the 1997 Plan is to attract and retain highly qualified non-employee directors of the company and to encourage them to own shares of TECO Energy common stock. The 1997 Plan, administered by the Board of Directors, authorized 250,000 shares of TECO Energy common stock to be awarded as stock grants, stock options and/or stock equivalents.

Under the 1997 Plan, 26,875 shares of restricted stock were awarded in 2006, with a weighted average fair value of $16.30. Restricted stock transactions for the year ended Dec. 31, 2006 under the 1997 Plan are summarized as follows:

Nonvested Restricted Stock — Director Equity Plans

	Number of Shares (thousands)	*Weighted Avg. Grant Date Fair Value (per share)*
Nonvested balance at Dec. 31, 2005	-	$ -
Granted	27	$ 16.30
Vested	-	$ -
Forfeited	-	$ -
Nonvested balance at Dec. 31, 2006 (1)	27	$ 16.30

(1) The weighted average remaining contractual term is 2 years.

Under the 1997 Plan, 35,000 stock options were granted in each of the years 2005 and 2004, with weighted average fair values of $3.95 and $2.90, respectively. In addition, 5,000 shares of unrestricted common stock were granted in each of the years 2005 and 2004, with weighted average fair values of $16.21 and $13.56, respectively. Stock option transactions during the year ended Dec. 31, 2006 under the 1997 Plan are summarized as follows:

Stock Options – Director Equity Plans [1]

	Number of Shares (thousands)	*Weighted Avg. Option Price (per share)*	*Weighted Avg. Remaining Contractual Term (years)*	*Aggregate Intrinsic Value (millions)*
Outstanding balance at Dec. 31, 2005	253	$ 20.93		
Granted	-	$ -		
Exercised	(12)	$ 15.41		
Expired	(20)	$ 23.63		
Outstanding balance at Dec. 31, 2006 [2]	221	$ 20.99	5	$ 0.3
Exerciseable at Dec. 31, 2006 [3]	83	$ 13.54	7	$ 0.3
Available for future grant at Dec. 31, 2006	186			

(1) Stock options granted under the Director Equity Plans vest immediately.
(2) Option prices range from $11.09 to $31.58 per share.
(3) Option prices range from $11.09 to $16.21 per share.

Dividend Reinvestment Plan

In 1992, TECO Energy implemented a Dividend Reinvestment and Common Stock Purchase Plan. TECO Energy raised $4.4 million, $4.9 million and $5.1 million of common equity from this plan in 2006, 2005 and 2004, respectively.

Common Stock

On Jan. 18, 2005, TECO Energy issued 6.85 million shares of common stock as part of the final settlement for the remaining outstanding equity security units of TECO Capital Trust II; receiving approximately $180 million of proceeds from the settlement (see **Note 7**).

On Aug. 25, 2004, the company completed an early settlement exchange offer of its TECO Capital Trust II equity security units for 10.2 million shares of common stock (see **Note 7**).

Shareholder Rights Plan

In accordance with the company's Shareholder Rights Plan, a Right to purchase one additional share of the company's common stock at a price of $90 per share is attached to each outstanding share of the company's common stock. The Rights expire in May 2009, subject to extension. The Rights will become exercisable 10 business days after a person acquires 10% or more of the company's outstanding common stock or commences a tender offer that would result in such person owning 10% or more of such stock. If any person acquires 10% or more of the outstanding common stock, the rights of holders, other than the acquiring person, become rights to buy shares of common stock of the company (or of the acquiring company if the company is involved in a merger or other business combination and is not the surviving corporation) having a market value of twice the exercise price of each Right.

The company may redeem the Rights at a nominal price per Right until 10 business days after a person acquires 10% or more of the outstanding common stock.

Employee Stock Ownership Plan

Effective Jan. 1, 1990, TECO Energy amended the TECO Energy Group Retirement Savings Plan, a tax-qualified benefit plan available to substantially all employees, to include an employee stock ownership plan (ESOP). During 1990, the ESOP purchased 7 million shares of TECO Energy common stock on the open market for $100 million. The share purchase was financed through a loan from TECO Energy to the ESOP. This loan was at a fixed interest rate of 9.3% and was repaid from dividends on ESOP shares and from TECO Energy's contributions to the ESOP. Shares were released to provide employees with the company match in accordance with the terms of the TECO Energy Group Retirement Savings Plan and in lieu of dividends on allocated ESOP shares. At Dec. 31, 2004, the ESOP had no shares remaining to be allocated.

TECO Energy's contributions to the ESOP were $2.1 million in 2004. TECO Energy's annual contribution equals the interest accrued on the loan during the year plus additional principal payments needed to meet the matching allocation requirements under the plan, less dividends received on the ESOP shares. The components of net ESOP expense recognized for the prior years are as follows:

ESOP Expense		
(millions)		
For the years ended Dec. 31,		*2004*
Interest expense	$	0.3
Compensation expense		8.4
Dividends		(4.0)
Net ESOP expense	$	4.7

Compensation expense was determined by the shares allocated method.

For financial statement purposes, the unallocated shares of TECO Energy stock were reflected as a reduction of common equity, classified as unearned compensation. Dividends on all ESOP shares were recorded as a reduction of retained earnings, as are dividends on all TECO Energy common stock. The dividends received by the ESOP were used to pay debt service on the loan between TECO Energy and the ESOP.

The tax benefit related to dividends paid to the ESOP for allocated shares is a reduction of income tax expense and was $1.5 million for 2004. The tax benefit related to dividends paid to the ESOP for unallocated shares is an increase in retained earnings and was $0.1 million in 2004. All ESOP shares were considered outstanding for earnings per share computations.

10. Other Comprehensive Income

TECO Energy reported the following other comprehensive income (loss) (OCI) for the years ended Dec. 31, 2006, 2005 and 2004, related to changes in the fair value of cash flow hedges, foreign currency adjustments and adjustments to the minimum pension liability associated with the company's pension plans:

Comprehensive income (loss) *(millions)*		*Gross*		*Tax*		*Net*
2006						
Unrealized gain on cash flow hedges	$	—	$	—	$	—
Less: Gain reclassified to net income		(0.5)		(0.2)		(0.3)
Gain (loss) on cash flow hedges		(0.5)		(0.2)		(0.3)
Additional minimum pension liability		69.5		26.8		42.7
Total other comprehensive income	$	69.0	$	26.6	$	42.4
2005						
Unrealized gain on cash flow hedges	$	7.3	$	3.7	$	3.6
Less: Gain reclassified to net income		(5.7)		(2.0)		(3.7)
Gain (loss) on cash flow hedges		1.6		1.7		(0.1)
Additional minimum pension liability		(11.8)		(4.6)		(7.2)
Total other comprehensive loss	$	(10.2)	$	(2.9)	$	(7.3)
2004						
Unrealized loss on cash flow hedges	$	(14.6)	$	(4.9)	$	(9.7)
Less: Loss reclassified to net income [1]		22.8		8.3		14.5
Gain on cash flow hedges		8.2		3.4		4.8
Additional minimum pension liability		9.5		2.3		7.2
Total other comprehensive income	$	17.7	$	5.7	$	12.0

(1) Amounts include interest rate swaps designated as cash flow hedges at TPGC, which was consolidated effective Apr. 1, 2003 as a result of the termination of the partnership. Prior to Apr. 1, 2003, only the company's proportionate share of its equity investee's comprehensive loss was included. See **Note 21** for additional details regarding the OCI balances for cash flow hedges.

Accumulated Other Comprehensive Income *(millions) Dec. 31,*		*2006*		*2005*
Minimum pension liability adjustment [1]	$	—	$	(51.5)
Unrecognized pension losses and prior service costs [2]		(22.0)		—
Unrecognized other benefit losses, prior service costs and transition obligations [3]		(8.6)		—
Net unrealized gains from cash flow hedges [4]		0.1		0.4
Total accumulated other comprehensive loss	$	(30.5)	$	(51.1)

(1) Net of tax benefit of $32.5 million as of Dec. 31, 2005.

(2) Net of tax benefit of $13.9 million as of Dec. 31, 2006.

(3) Net of tax benefit of $5.5 million as of Dec. 31, 2006.
(4) Net of tax expense of $0.2 million and $0.4 million as of Dec. 31, 2006 and 2005, respectively.

11. Earnings Per Share

For the years ended Dec. 31, 2006, 2005 and 2004, stock options for 7.0 million shares, 5.4 million shares and 10.6 million shares, respectively, were excluded from the computation of diluted earnings per share due to their anti-dilutive effect. Additionally, 1.9 million common shares issuable under the purchase contract associated with the mandatorily convertible equity units were also excluded from the computation of diluted earnings per share for the year ended Dec. 31, 2004 due to their anti-dilutive effect.

Earnings per Share

(millions, except per share amounts) *For the years ended Dec. 31,*		*2006*	*2005*	*2004*
Numerator				
Net income (loss) from continuing operations, basic		$ 244.4	$ 211.0	$ (355.5)
Effect of contingent performance shares, net of tax		(0.0)	(2.0)	—
Net income (loss) from continuing operations, diluted		244.4	209.0	(355.5)
Discontinued operations, net of tax		1.9	63.5	(196.5)
Net income (loss), diluted		$ 246.3	$ 272.5	$ (552.0)
Denominator				
Average number of shares outstanding – basic		207.9	206.3	192.6
Plus: Incremental shares for unvested restricted stock and assumed conversions: Stock options at end of period, unvested unrestricted stock and contingent performance shares		3.3	5.4	—
Less: Treasury shares which could be purchased		(2.5)	(3.5)	—
Average number of shares outstanding – diluted		208.7	208.2	192.6
Earnings per share from continuing operations	Basic	$ 1.18	$ 1.02	$ (1.85)
	Diluted	$ 1.17	$ 1.00	$ (1.85)
Earnings per share from discontinued operations, net	Basic	$ 0.01	$ 0.31	$ (1.02)
	Diluted	$ 0.01	$ 0.31	$ (1.02)
Earnings per share	Basic	$ 1.19	$ 1.33	$ (2.87)
	Diluted	$ 1.18	$ 1.31	$ (2.87)

12. Commitments and Contingencies

Capital Investments

TECO Energy has made certain commitments in connection with its continuing capital expenditure program. These estimated capital investments total approximately $523 million for 2007.

For 2007, Tampa Electric expects to spend approximately $400 million, consisting of about $200 million to support system growth and generation reliability, approximately $14 million for distribution system reliability improvements, $13 million for transmission and distribution system storm hardening, $4 million for transmission system improvements to meet reliability requirements, $20 million for an additional natural gas pipeline to improve reliability of supply to the Bayside Power Station, $20 million for coal-fired generation capacity factor and availability improvements, $6 million to complete the addition of two combustion turbines at the Polk Power Station to meet its peaking generation capacity needs, $87 million for the addition of selective catalytic reduction (SCR) equipment at the Big Bend Station for NO_x control, and $34 million for other environmental compliance programs. At the end of 2006, Tampa Electric had outstanding commitments of about $198 million, for long-term capitalized maintenance agreements for its combustion turbines, materials and contractors for the SCR projects and for major maintenance outages at Big Bend Station.

Capital expenditures for PGS are expected to be about $50 million in 2007. Included in these amounts is an average of approximately $30 million annually for projects associated with customer growth and system expansion. The remainder represents capital expenditures for ongoing renewal, replacement and system safety.

TECO Coal and TECO Transport expect to invest a combined $70 million in 2007. Included in these amounts are new mine development projects to replace higher cost of production mines and position TECO Coal to increase production when coal markets improve at TECO Coal. Also included is normal renewal and replacement capital, including coal mining equipment, normal steel replacements, shipyard periods for oceangoing vessels, and inland river transportation equipment. TECO Coal had outstanding commitments of approximately $27 million, primarily for replacement of coal mining equipment at Dec. 31, 2006. TECO Transport had an outstanding commitment of $21 million for the construction of 50 replacement river barges, which is not included in the capital spending forecast as the company expects to charter these barges under an operating lease.

Legal Contingencies

At Dec. 31, 2006, the ultimate resolution of the following specific proceedings is uncertain and no liability has been reserved or can be estimated. At this time, the ultimate outcome of these proceedings is not expected to have a material adverse effect on the company's results of operations or financial condition.

Tampa Electric Transmission Litigation

In 2003, Tampa Electric completed a transmission project which required the placement of 95 foot and 125 foot transmission structures on public right of way in parts of residential neighborhoods, near the Egypt Lake subdivision in Tampa, Florida, in order to move electricity to the growth areas in the north-west part of its service area. The lawsuits for private nuisance (the Shaw, Acosta, and Alvarez cases) were filed shortly thereafter.

The Shaw plaintiffs' (39 parcels and approximately 55 individuals) appeal of the trial court's summary judgment denying plaintiffs' right to a mandatory injunction to remove the poles was decided in favor of the Company on Friday, Jan. 5, 2007. The Shaw case was set for trial on Jan. 8, 2007, but we were able to resolve the case and avoid the effect of a long and expensive trial. The legal principles in the Shaw case should apply to the remaining Acosta and Alvarez cases.

The Acosta plaintiffs are owners of 93 parcels and comprised of about 131 individuals. Many of these plaintiffs do not own property on the streets where the structures were placed. The case has been set for trial in May 2007.

There has been no activity in the Alvarez (substation) case, which involves only one parcel.

Grupo Arbitration

On Aug. 11, 2006, TPS International Power, Inc. (TPSI) received a favorable ruling from the Bogotá Chamber of Commerce Arbitration Tribunal in the Grupo-financed arbitration on behalf of itself and the Colombian trade union regarding a 1996 transaction that was never consummated related to the potential purchase and financing of a power plant. The Tribunal found no liability on the part of TPSI and found that it had no jurisdiction over TECO Energy or any of its subsidiaries. Accordingly, it did not become necessary to address the issue of damages.

Following the Arbitration Tribunal's finding of "no liability" as to TPSI on Aug. 11, 2006, the union filed a petition for annulment in the Ordinary courts on Aug. 31, 2006. The Union was ordered to file its detailed petition citing the record to substantiate its annulment claim on Oct. 12, but it failed to do so. The court appointed Tribunal issued a confirmation that the matter was closed. However, in early December, the Union filed papers asking the Tribunal to set aside its determination, that the Union's petition was barred due to the missed deadline, on the basis that the Tribunal's "Notification of the Oct. 12 date" was technically deficient. TPSI's counsel filed a reply on or about Dec. 14, 2006. There has not been any further activity.

Securities Class Action and Derivative Suits

Class Action Suit

After the consolidated Class Action Complaint brought by the "TECO Lead Plaintiff Group" in connection with TECO Energy's merchant power activities was dismissed without prejudice by the Court on Mar. 31, 2006, plaintiffs filed their further amended complaint to which TECO Energy and the individual defendants filed their motion to dismiss on Jul. 7, 2006 based on the same ground as raised in the prior motion, failure to plead loss causation. Defendants filed a renewed motion to dismiss, and on Oct. 10, 2006, the Court granted defendants' motion to dismiss in part, leaving only one remaining issue dealing with public statements relating to the status of the contracting plan for the approximately 6,000 MWs of merchant power then under construction in several states outside of Florida. On Oct. 30, 2006, the plaintiffs filed a Rule 54(b) motion asking the Court to enter a final judgment on the matters that were dismissed by its Oct. 10th order in order to appeal that portion of the order immediately, while maintaining the balance of the action in the district Court. The Court denied the Rule 54(b) motion. A mediation on the entire suit occurred on Feb. 16, 2007 whereby the company reached an agreement in principle to settle the shareholder securities class action lawsuit. See **Note 22** for more details.

Derivative Suit

On Apr. 5, 2006, the Hillsborough Circuit Court dismissed the derivative complaint filed against two named officers and the named directors without prejudice. Subsequently, the parties stipulated to dismiss with prejudice directors Penn and Whiting who were not members of the board during the relevant time period. Quarterly status reports of the Special Litigation Committee have been filed commencing Aug. 1, 2006. A mediation on the entire suit occurred on Feb. 16, 2007 whereby the company reached an agreement in principle to settle the derivative lawsuit. See **Note 22** for more details.

Other Issues

From time to time, TECO Energy and its subsidiaries are involved in various other legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of its business. Where appropriate, accruals are made in accordance with FAS No. 5, *Accounting for Contingencies*, to provide for matters that are probable of resulting in an estimable, material loss. While the outcome of such proceedings is uncertain, management does not believe that their ultimate resolution will have a material adverse effect on the company's results of operations or financial condition.

Superfund and Former Manufactured Gas Plant Sites

Tampa Electric Company, through its Tampa Electric and Peoples Gas divisions, is a potentially responsible party (PRP) for certain superfund sites and, through its Peoples Gas division, for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of Dec. 31, 2006, Tampa Electric Company has estimated its ultimate financial liability to be approximately $12.3 million, and this amount has been accrued in the company's financial statements. The environmental remediation costs associated with these sites, which are expected to be paid over many years, are not expected to have a significant impact on customer prices.

The estimated amounts represent only the estimated portion of the cleanup costs attributable to Tampa Electric Company. The estimates to perform the work are based on actual estimates obtained from contractors, or Tampa Electric Company's experience with similar work adjusted for site specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

Allocation of the responsibility for remediation costs among Tampa Electric Company and other PRPs is based on each party's relative ownership interest in or usage of a site. Accordingly, Tampa Electric Company's share of remediation costs varies with each site. In virtually all instances where other PRPs are involved, those PRPs are considered creditworthy.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. These costs are recoverable through customer rates established in subsequent base rate proceedings.

TECO Transport Storm Damage

In August and September 2005, TECO Transport subsidiaries sustained flood and wind damage, as well as business interruptions as a result of hurricanes Katrina and Rita. In 2006 and 2005, the company incurred $7.2 million pretax ($4.5 million after-tax) and $20.2 million pretax ($12.6 million after tax), respectively, of direct costs associated with these storms, including property damage, salvage, and cleanup expenses. The company carried wind and flood insurance for a majority of the property damaged and in 2006 and 2005, the company received $2.4 million pretax ($1.5 million after-tax) and $22.0 million pretax ($13.7 million after-tax), respectively, in insurance recoveries. As of Dec. 31, 2006, TECO Transport has settled all claims for terminal and marine damages related to the 2005 storms.

Long Term Commitments

TECO Energy has commitments under long-term operating leases, primarily for building space, office equipment and heavy equipment, and marine assets at TECO Transport.

Total rental expense for these operating leases, included in the Consolidated Statements of Income for the years ended Dec. 31, 2006, 2005 and 2004 was $30.0 million, $28.3 million and $32.3 million, respectively.

The following is a schedule of future minimum lease payments at Dec. 31, 2006 for all operating leases with non-cancelable lease terms in excess of one year:

Future Minimum Lease Payments of Operating Leases

Year ended Dec. 31:	*Amount (millions)*
2007	$ 28.1
2008	21.3
2009	18.9
2010	17.7
2011	16.0
Thereafter	87.4
Total minimum lease payments	$ 189.4

In 1994, Tampa Electric bought out a long-term coal supply contract which would have expired in 2004 for a lump sum payment of $25.5 million. In February 1995, the FPSC authorized the recovery of this buy-out amount plus carrying costs through the Fuel and Purchased Power Cost Recovery Clause over the 10-year period beginning Apr. 1, 1995. In 2004, $2.7 million of buy-out costs were amortized to expense. It was fully amortized by the end of 2004.

Guarantees and Letters of Credit

TECO Energy accounts for guarantees in accordance with FASB Interpretation No. (FIN) 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34).* Upon issuance or modification of a guarantee the company determines if the obligation is subject to either or both of the following:

- Initial recognition and initial measurement of a liability; and/or
- Disclosure of specific details of the guarantee.

Generally, guarantees of the performance of a third party or guarantees that are based on an underlying (where such a guarantee is not a derivative subject to FAS 133) are likely to be subject to the recognition and measurement, as well as the

disclosure provisions, of FIN 45. Such guarantees must initially be recorded at fair value, as determined in accordance with the interpretation.

Alternatively, guarantees between and on behalf of entities under common control or that are similar to product warranties are subject only to the disclosure provisions of the interpretation. The company must disclose information as to the term of the guarantee and the maximum potential amount of future gross payments (undiscounted) under the guarantee, even if the likelihood of a claim is remote.

A summary of the face amount or maximum theoretical obligation under TECO Energy's letters of credit and guarantees as of Dec. 31, 2006 are as follows:

Letters of Credit and Guarantees

(millions)	*Maturing*					
Letters of Credit and Guarantees for the Benefit of:	*2007*	*2008*	*2009-2011*	*After 2011*	*Total*	*Liabilities Recognized at Dec. 31, 2006*
Tampa Electric						
Letters of credit	$ –	$ –	$ –	$ 0.3	$ 0.3	$ –
Guarantees:						
Fuel purchase/energy management [1][2]	–	–	–	20.0	20.0	2.0
	–	–	–	20.3	20.3	2.0
TECO Transport						
Letters of credit	–	–	–	2.5	2.5	–
TECO Coal						
Letters of credit	–	–	–	6.7	6.7	–
Guarantees: Other [2]	–	–	–	1.4 [1]	1.4	1.4
	–	–	–	8.1	8.1	1.4
Other unregulated						
Guarantees:						
Fuel purchase/energy management [1][2]	43.7	–	–	3.9	47.6	0.8
Total	$ 43.7	$ –	$ –	$ 34.8	$ 78.5	$ 4.2

(1) These guarantees renew annually and are shown on the basis that they will continue to renew beyond 2011.

(2) The amounts shown are the maximum theoretical amount guaranteed under current agreements. Liabilities recognized represent the associated obligation of TECO Energy under these agreements at Dec. 31, 2006. The obligations under these letters of credit and guarantees include net accounts payable and net derivative liabilities.

Financial Covenants

In order to utilize their respective bank facilities, TECO Energy and Tampa Electric Company must meet certain financial tests as defined in the applicable agreements. In addition, TECO Energy, Tampa Electric Company and other operating companies have certain restrictive covenants in specific agreements and debt instruments. At Dec. 31, 2006, TECO Energy, Tampa Electric Company and the other operating companies were in compliance with all required financial covenants. See **Liquidity, Capital Resources-Covenants in Financing Agreements** in **MD&A**.

13. Related Parties

The company and its subsidiaries had certain transactions, in the ordinary course of business, with entities in which directors of the company had interests. The company paid legal fees of $1.2 million, $1.3 million and $1.4 million for the years ended Dec. 31, 2006, 2005 and 2004, respectively, to Ausley McMullen, P.A. of which Mr. Ausley (a director of TECO Energy) is an employee. Other transactions were not material for the years ended Dec. 31, 2006, 2005 and 2004. No material balances were payable as of Dec. 31, 2006 or 2005.

14. Segment Information

TECO Energy is an electric and gas utility holding company with significant diversified activities. Segments are determined based on how management evaluates, measures and makes decisions with respect to the operations of the entity. The management of TECO Energy reports segments based on each subsidiary's contribution of revenues, net income and total assets, as required by FAS 131, *Disclosures about Segments of an Enterprise and Related Information.* All significant intercompany transactions are eliminated in the consolidated financial statements of TECO Energy, but are included in determining reportable segments.

As more fully described in **Note 1**, during the first quarter of 2005, the company revised internal reporting information for the purpose of evaluating, measuring and making decisions with respect to the components which previously comprised the "Other Unregulated" operating segment. The revised operating segment, "TECO Guatemala", is comprised of all Guatemalan operations. The remaining components are now included in "Other & eliminations". Prior period segment results have been restated to reflect

the revised segment structure. In 2006, only historical data is presented for TWG Merchant as all merchant assets have been divested. Any residual results for 2006 are included in "Other and eliminations".

The information presented in the following table excludes all discontinued operations. See **Note 20** for additional details of the components of discontinued operations.

Segment Information [1]

(millions)	Tampa Electric	Peoples Gas	TECO Coal	TECO Transport	TECO Guatemala	TWG Merchant	Other & eliminations	Total TECO Energy
2006								
Revenues - outsiders	$ 2,082.7	$ 577.6	$ 574.9	$ 205.1	$ 7.6 [6]	$ -	$ 0.2	$ 3,448.1
Sales to affiliates	2.2	-	-	103.4	-	-	(105.6)	-
Total revenues	2,084.9	577.6	574.9	308.5	7.6	-	(105.4)	3,448.1
Earnings from Unconsol. Affiliates	-	-	-	(0.3)	58.7	-	0.5	58.9
Depreciation and amortization	186.3	36.5	36.4	22.1	0.6	-	0.3	282.2
Total interest charges [2]	107.4	15.2	10.6	4.5	15.0	-	125.6	278.3
Internally allocated interest [2]	-	-	9.9	(1.4)	14.6	-	(23.1)	-
Provision (benefit) for taxes	80.3	18.8	35.6	10.9	8.7	-	(35.6)	118.7
Net income (loss) from continuing operations [2]	$ 135.9	$ 29.7	$ 78.8	$ 22.8	$ 37.6 [4]	$ -	$ (60.4) [3]	$ 244.4
Goodwill, net	$ -	$ -	$ -	$ -	$ 59.4	$ -	$ -	$ 59.4
Investment in unconsolidated affiliates	-	-	-	2.9	276.0	-	14.0	292.9
Other non-current investments	-	-	-	-	-	-	8.0	8.0
Total assets	4,813.7	765.2	389.4 [5]	333.9	424.6	-	635.0	7,361.8
Capital expenditures	$ 366.4	$ 54.0	$ 40.2	$ 16.5	$ 0.7	$ -	$ (22.1) [7]	$ 455.7
2005								
Revenues - outsiders	$ 1,744.3	$ 549.5	$ 505.1	$ 192.5	$ 7.7 [6]	$ 0.4	$ 10.6	$ 3,010.1
Sales to affiliates	2.5	-	-	85.7	-	-	(88.2)	-
Total revenues	1,746.8	549.5	505.1	278.2	7.7	0.4	(77.6)	3,010.1
Earnings from Unconsol. Affiliates	-	-	-	(0.3)	57.9	-	2.8	60.4
Depreciation and amortization	187.1	35.0	36.8	21.4	0.8	0.7	0.4	282.2
Total interest charges [2]	98.3	15.1	13.4	5.1	15.9	10.4	133.2	291.4
Internally allocated interest [2]	-	-	12.5	(0.6)	14.2	10.1	(36.2)	-
Provision (benefit) for taxes	90.6	18.5	64.9	8.1	(1.9)	(10.9)	(67.4)	101.9
Net income (loss) from continuing operations [2]	$ 147.1	$ 29.6	$ 115.4	$ 20.2	$ 40.4	$ (14.6)	$ (127.1) [3]	$ 211.0
Goodwill, net	$ -	$ -	$ -	$ -	$ 59.4	$ -	$ -	$ 59.4
Investment in unconsolidated affiliates	-	-	-	2.9	274.0	-	20.2	297.1
Other non-current investments	-	-	-	-	-	-	8.0	8.0
Total assets	4,554.0	721.5	385.6 [5]	322.4	408.4	233.0	545.2	7,170.1
Capital expenditures	$ 203.5	$ 42.5	$ 24.1	$ 18.1	$ 0.2	$ 6.9	$ -	$ 295.3
2004								
Revenues - outsiders	$ 1,683.8	$ 417.2	$ 327.6	$ 173.4	$ 11.5 [6]	$ 7.6	$ 18.3	$ 2,639.4
Sales to affiliates	3.6	-	-	76.2	-	-	(79.8)	-
Total revenues	1,687.4	417.2	327.6	249.6	11.5	7.6	(61.5)	2,639.4
Earnings from Unconsol. Affiliates	-	-	-	0.2	45.7	(9.2)	(0.6)	36.1
Depreciation and amortization	180.9	34.1	36.3	21.9	0.8	1.0	0.9	275.9
Restructuring costs	-	0.7	-	-	-	0.5	-	1.2
Total interest charges [2]	95.8	15.2	11.2	4.7	14.7	50.7	130.6	322.9
Internally allocated interest [2]	-	-	11.1	(1.0)	14.3	50.7	(76.8)	(1.7)
Provision (benefit) for taxes	83.9	17.3	22.8	4.6	8.1	(314.0)	(67.8)	(245.1)
Net income (loss) from continuing operations [2]	$ 146.0	$ 27.7	$ 61.3	$ 10.2	$ 5.7 [4]	$ (534.1)	$ (72.3) [3]	$ (355.5)
Goodwill, net	$ -	$ -	$ -	$ -	$ 59.4	$ -	$ -	$ 59.4
Investment in unconsolidated affiliates	-	-	-	3.3	239.2	-	20.5	263.0
Other non-current investments	-	-	-	-	-	-	8.0	8.0
Total assets	4,167.3	671.1	413.9 [5]	315.4	363.6	2,736.8	304.3	8,972.4
Capital expenditures	$ 181.2	$ 38.7	$ 22.9	$ 20.2	$ 0.4	$ 0.2	$ 0.1	$ 263.7

(1) From continuing operations. All periods have been adjusted to reflect the reclassification of results from operations to discontinued operations for CCC and Frontera Generation Limited Partnership (Frontera) (formerly included in the TWG Merchant segment) and BCH Mechanical, Inc. (BCH) and other Energy Services operations (formerly included in the Eliminations & Other segment).

(2) Segment net income is reported on a basis that includes internally allocated financing costs. Internally allocated costs for 2006, 2005 and 2004 were at pretax rates of 8%, based on the average of each subsidiary's equity and indebtedness to TECO Energy assuming a 50/50 debt/equity capital structure. Internally allocated interest charges are a component of total interest charges.

(3) Net income for 2006 includes after-tax gains of $8.1 million on the sale of McAdams and $5.7 million on the sale of two steam turbines (original impairment recorded on TECO Guatemala in 2004, see (5) below). Net income for 2005 includes $46.7 million after-tax of debt extinguishment charges at TECO Energy parent (including a $19.8 million non-cash charge). Net income for 2004 includes an after-tax gain of $12.0 million on the sale of TECO Energy's interest in its propane business, partially offset by a non-cash $3.4 million after-tax asset impairment charge at TECO Solutions.

(4) Net income for 2004 includes a non-cash $12.8 million after-tax asset impairment charge related to certain steam turbines (see **Note 18**), $6.7 million after-tax charge related to the refinancing of the debt associated with the San José power station in Guatemala, and $17.4 million in after-tax charges associated with income taxes due to repatriation of cash from Guatemala following the refinancing.

(5) The carrying value of mineral rights as of Dec. 31, 2006, 2005, and 2004 was $20.6 million, $22.5 million and $25.0 million, respectively.

(6) Revenues for 2006, 2005 and 2004 are exclusive of entities deconsolidated as a result of FIN 46R and include only revenues for the consolidated Guatemalan entities.

(7) Included in other capital expenditures is a cash offset of $22.1 million, related to the sale of two combustion turbines by TPS McAdams to Tampa Electric. The corresponding capital expenditure is included in Tampa Electric's capital expenditures for 2006.

Tampa Electric provides retail electric utility services to more than 660,000 customers in West Central Florida. PGS is engaged in the purchase and distribution of natural gas for more than 332,000 residential, commercial, industrial and electric power generation customers in the state of Florida.

TECO Coal, through its wholly-owned subsidiaries, owns mineral rights and owns or operates surface and underground mines and coal processing and loading facilities in Kentucky, Tennessee and Virginia. TECO Coal acquired and began operating two synthetic fuel facilities in 2000, whose production qualifies for the nonconventional fuels tax credit. In 2003, these synthetic fuel operations were transferred into a newly formed LLC for the purpose of continuing growth in the production and sale of synthetic fuel. In April 2003, TECO Coal sold 49.5% interest in this entity, with another 40.5% being sold in 2004, and an additional 8% sold in 2005.

TECO Transport, through its wholly-owned subsidiaries, transports, stores and transfers coal and other dry bulk commodities for third parties and Tampa Electric. TECO Transport's subsidiaries operate on the Mississippi, Ohio and Illinois rivers, in the Gulf of Mexico and worldwide.

TECO Guatemala includes the equity investments in the San José and Alborada power plants, TEMSA, the equity investment in the Guatemalan distribution company, EEGSA, and the TECO Guatemala parent company. See below for further information on the deconsolidated Guatemala investments.

TWG Merchant's assets were entirely divested by the end of 2006.

Foreign Operations

TECO Guatemala, through its subsidiaries, owns independent power operations and other electric related investments in Guatemala. TECO Energy, through its equity investments, has a 100% ownership interest in the 120-megawatt San José power station and in transmission facilities in Guatemala. The plant provides capacity and energy under a U.S. dollar-denominated power sales agreement to EEGSA. TECO Energy, through its equity investments, also has a 96% ownership interest and operates the 78-megawatt Alborada power station that supplies capacity and energy to EEGSA, under a U.S. dollar-denominated power sales agreement. Prior to 2004, the subsidiaries that hold interests in the San José and Alborada power stations in Guatemala were consolidated entities. Subsequent to 2004, in accordance with the interpretation and application of the consolidation guidance established in FIN 46R regarding long-term power purchase agreements, TECO Energy could no longer consolidate these project companies and they are accounted for as equity investments (see **Notes 1** and **19** for additional details).

TECO Energy, through its subsidiaries, owns a 30% interest in a three member consortium that also includes Iberdrola, an electric utility in Spain, and Electricidad de Portugal, an electric utility in Portugal. The consortium, called Distribución Electrica Centroamericana Dos, S.A. owns an 80.9% interest in Empresa Electrica de Guatemala, S.A. - EEGSA, the largest electric distribution company in Central America, Inversiones Electricas Centroamericanas, S.A.-INVELCA, (the holding company for Guatemalan-based electric transmission, services and unregulated distribution companies) and Inmobiliaria y Desarrolladora Empresarial de America, S.A.-IDEAMSA, a real estate company, a 55% interest in Navega.com and subsidiaries in Central

America, a telecommunications and data transmission carrier, and a 99.7% interest in Almacenaje y Manejo de Materiales Eléctricos, S.A., a company that manages, controls and sells electrical supplies and inventory materials.

The information presented in the following table provides select condensed financial information for the unconsolidated operations of the San José and Alborada power stations and the DECA II/EEGSA project.

TECO Guatemala Selected Financial Data

(millions)	*San José*	*Alborada*	*DECA II/EEGSA*[1]
2006			
Condensed income statement information			
Revenues	$ 84.2	$ 21.9	$ 648.4
Net income	26.2	14.7	81.1
TECO's equity in net income [3]	$ 26.2	$ 14.2	$ 18.3
Condensed balance sheet information			
Total assets	$ 196.9	$ 46.4	[2]
Total liabilities	90.6	14.8	[2]
TECO's equity and advances	$ 106.3	$ 31.6	$ 152.1
2005			
Condensed income statement information			
Revenues	$ 75.4	$ 21.0	$ 580.8
Net income	27.0	12.8	67.7
TECO's equity in net income [3]	$ 27.0	$ 12.3	$ 18.6
Condensed balance sheet information			
Total assets	$ 201.1	$ 49.5	$ 983.9
Total liabilities	99.1	19.5	436.6
TECO's equity and advances	$ 100.3	$ 30.1	$ 155.5
2004			
Condensed income statement information			
Revenues	$ 70.1	$ 20.5	$ 639.6
Net income	17.6	11.8	42.5
TECO's equity in net income	$ 17.6	$ 11.4	$ 16.2
Condensed balance sheet information			
Total assets	$ 200.5	$ 55.8	$ 926.4
Total liabilities	114.1	28.0	432.2
TECO's equity and advances	$ 84.2	$ 24.4	$ 138.2

(1) 2006 information is based on management's estimates, derived from information provided by EEGSA and its related affiliates. Final 2006 income statement information for the DECA II/EEGSA project will be received during the first quarter of 2007 and true-up adjustments will be made at that time. These adjustments are not expected to be material.

(2) EEGSA and its related affiliates had not provided balance sheet information prior to the company's filing date.

(3) Total net income from the entire Guatemalan segment was $37.6 million, $40.4 million and $5.7 million for 2006, 2005 and 2004, respectively. The above selected income information includes only the project level information as stated above and does not include certain parent-based oversight costs and U.S. taxes.

15. Asset Retirement Obligations

TECO Energy accounts for asset retirement obligations under FAS 143. An asset retirement obligation (ARO) for a long-lived asset is recognized at fair value at inception of the obligation if there is a legal obligation under an existing or enacted law or statute, a written or oral contract, or by legal construction under the doctrine of promissory estoppel. Retirement obligations are recognized only if the legal obligation exists in connection with or as a result of the permanent retirement, abandonment or sale of a long-lived asset.

When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its estimated future value. The corresponding amount capitalized at inception is depreciated over the remaining useful life of the asset. The liability must be revalued each period based on current market prices.

TECO Energy has recognized asset retirement obligations for reclamation and site restoration obligations principally associated with coal mining, storage and transfer facilities. The majority of obligations arise from environmental remediation and restoration activities for coal-related operations. Prior to the adoption of FAS 143, TECO Coal accrued reclamation costs for such

activities. For TECO Coal, the adoption of FAS 143 modified the valuation and accrual methods used to estimate the fair value of asset retirement obligations.

In the fourth quarter of 2005, Tampa Electric recorded an increase to net property, plant and equipment of $3.6 million (net of accumulated depreciation of $0.4 million), an increase to regulatory assets of $2.7 million and an increase to asset retirement obligations of $18.3 million (including $12.1 million reclassified from a regulatory liability), in accordance with FIN 47.

For the years ended Dec. 31, 2006, 2005 and 2004, TECO Energy recognized $1.5 million, $1.6 million, and $2.0 million of accretion expense, respectively, associated with asset retirement obligations.

Reconciliation of beginning and ending carrying amount of asset retirement obligations:

	Dec. 31,	
(in millions)	*2006*	*2005*
Beginning Balance	$ 42.2	$ 23.6
Additional liabilities	3.5	1.1
Liabilities settled	(2.4)	(2.4)
Accretion expense	1.5	1.6
Revisions to estimated cash flows	7.3	-
Implementation of FIN 47	-	18.3
Other[(1)]	0.6	-
Ending Balance	$ 52.7	$ 42.2

(1) Accretion expense reclassed as a deferred regulatory asset.

During 2006, estimated cash flows used in determining the recognized asset retirement obligations were adjusted by $7.3 million at Tampa Electric Company. The amount is related to the increased cost of removal of materials used for the generation and transmission of power.

As regulated utilities, Tampa Electric and PGS must file depreciation and dismantlement studies periodically and receive approval from the FPSC before implementing new depreciation rates. Included in approved depreciation rates is either an implicit net salvage factor or a cost of removal factor, expressed as a percentage. The net salvage factor is principally comprised of two components—a salvage factor and a cost of removal or dismantlement factor. The company uses current cost of removal or dismantlement factors as part of the estimation method to approximate the amount of cost of removal in accumulated depreciation.

For Tampa Electric and PGS, the original cost of utility plant retired or otherwise disposed of and the cost of removal, or dismantlement, less salvage value is charged to accumulated depreciation and the accumulated cost of removal reserve reported as a regulatory liability, respectively.

16. Mergers, Acquisitions and Dispositions

Sale of Properties

During the year ended Dec. 31, 2006, the company sold two lots adjacent to the corporate office in downtown Tampa, Florida to third party real estate developers. The sales included total proceeds of $15.0 million and resulted in pretax gains of $6.4 million. Included in each sale agreement were the ability to lease the properties until construction commenced and options to repurchase the properties after a certain period of time in the event the lots were not developed. As a result of this continuing involvement, the total gain is being deferred until such time as the continuing involvement terminates.

Sale of Steam Turbines

In July of 2006, the company sold a steam turbine generator located in Maricopa County, Arizona to a third party for a net after-tax gain of $2.6 million. In December of 2006, the company sold a second steam turbine generator also located in Maricopa County, Arizona to a third party for a net after-tax gain of $3.1 million

Sale of TPS McAdams, LLC

On Jun. 23, 2006, TPS McAdams, LLC, an indirect subsidiary of TECO Energy was sold to Von Boyett Corporation for $1.2 million in cash. The assets of TPS McAdams, LLC had been impaired in 2004 to an estimate of salvage value, which included allowances for potential future site restoration costs. In the first quarter of 2006, TPS McAdams, LLC sold the combustion turbines at the site to Tampa Electric Company at the book value contemplated in the salvage estimate. The sale and transfer of TPS McAdams, LLC, including its remaining assets and any potential site restoration costs at terms better than contemplated in the salvage estimate, resulted in a pretax gain of $10.7 million ($8.1 million after-tax) being recognized in continuing operations.

Sale of TECO Thermal

In May of 2006, the company sold the assets of TECO Thermal, an indirect subsidiary of TECO Energy, to a third party. Total proceeds on the sale were $8.1 million and resulted in an after-tax gain of $0.5 million.

Dell Power Station

On Aug. 16, 2005, an indirect subsidiary of TECO Energy completed the sale of substantially all of its assets, including the Dell Power Station, to Associated Electric Cooperative, Inc., a Missouri electric cooperative, for $75 million. The sale resulted in a pretax gain of $23.2 million ($14.9 million after-tax). TECO Energy retained certain other operating liabilities totaling $11.0 million pretax ($7.1 million after-tax). The net after-tax impact of $7.8 million is included in continuing operations.

Union and Gila River Project Companies

On Jun. 1, 2005, the company completed the sale and transfer of ownership of its indirect subsidiaries, Union Power Partners, L.P., Panda Gila River, L.P., Trans-Union Interstate Pipeline, L.P., and UPP Finance Co., LLC, owners of the Union and Gila River power stations in Arkansas and Arizona, respectively (collectively, the Projects) to an entity owned by the Projects' lenders in the manner set forth in the Projects' confirmed Joint Plan of Reorganization (the Plan). In connection with the transfer and the related release of liability, the company and its indirect subsidiaries paid an aggregate of $31.8 million, consisting of $30.0 million to the Project's lenders as consideration for release of liability and $1.8 million as reimbursement of legal fees for two non-consenting lenders in the recently concluded Chapter 11 proceeding.

BCH Mechanical, Inc.

On Jan. 7, 2005, an indirect subsidiary of TECO Energy completed the disposal of its 100% interest in BCH Mechanical, Inc. (BCH) pursuant to a Stock Purchase Agreement dated as of Dec. 31, 2004. The purchaser of BCH was BCH Holdings, Inc., majority owned at that time by Daryl W. Blume, who was a Vice President of BCH and one of the owners of BCH when it was purchased by a subsidiary of TECO Energy in September 2000. Under the transaction, TECO Energy retained BCH's net working capital determined as of Dec. 31, 2004, and certain other existing obligations. During the third quarter of 2005, terms of the sale were modified from a sale of assets to a sale of stock. This modification resulted in an additional after-tax loss of $1.4 million on tax-related assets. The results of BCH are reflected in discontinued operations for all periods presented (see **Note 20**).

PLC/TIE

On Aug. 30, 2004, a TWG Merchant subsidiary completed the sale of its 50% indirect interest in TIE to PSEG Americas Inc., for $0.5 million. The company recorded a $152.3 million pretax impairment ($99.0 million after tax) to write off the value of the investment as a result of the sale.

Frontera

On Dec. 22, 2004, subsidiaries of TWG Merchant completed the sale of their respective interests in Frontera Generation Limited Partnership (Frontera), the owner of the Frontera Power Station in Texas, to a subsidiary of Centrica plc for $133.7 million, consisting of $128.5 million of cash and assumption of $5.2 million of liabilities. As a result of the sale, a pretax loss of $42.1 million ($27.0 million after tax) was recorded. See **Note 20** for additional details related to this transaction.

Commonwealth Chesapeake

In August 2004, the company entered into an agreement with NCP of Virginia, LLC (NCP), the non-equity member in Commonwealth Chesapeake Company (CCC), under which TECO Energy and a subsidiary agreed to purchase NCP's interest in CCC for $30 million in cash plus shares of TECO Energy common stock having a value of $10 million, and NCP released all claims against the company and its subsidiaries. The funds and shares were released from escrow upon receipt of FERC approval on Sep. 30, 2004.

On Apr. 19, 2005, an indirect subsidiary of TECO Energy completed the sale of its membership interests in CCC, the owner of the Commonwealth Chesapeake Power Station in Virginia, to an affiliate of Tenaska Power Fund, L.P. Net proceeds from the sale were $90.2 million after consideration for the value of working capital less transaction-related expenses. As a result of asset impairments recorded in the fourth quarter 2004, the sale transaction resulted in a pretax gain of $0.9 million ($0.6 million after-tax) upon close. The transaction terms provided for certain ordinary and customary post-closing adjustments to working capital items, which were completed as expected with no material adjustments in the third quarter of 2005. CCC's results are reflected in discontinued operations for all periods presented (see **Note 20**).

TECO Propane Ventures

In the first quarter of 2004, US Propane, LLC, in which TECO Propane Ventures owned an interest, sold a majority of its assets, consisting of direct and indirect equity investments in Heritage Propane Partners, L.P., and the remaining indirect investment was sold in the second quarter of 2004. The sales resulted in cash proceeds of $53 million and after-tax gains totaling $12.0 million.

Hamakua Power Station

On Jul. 15, 2004, TECO Wholesale Generation's 50% indirect interest in the Hamakua Power Station in Hawaii was sold to an affiliate of Black River Energy, an affiliate of Energy Investors Funds' US Power Fund, L.P. Via its ownership of Black River Energy, which already owns 50% of the plant, Energy Investors Funds became the sole owner of Hamakua. Cash proceeds from the sale were approximately $12 million, and resulted in an immaterial gain. As a result of the transaction, TECO Energy was also relieved of certain financial guarantees related to the facility.

Prior Energy

Effective Feb. 1, 2004, a subsidiary of TECO Energy completed the sale of Prior Energy for net proceeds of approximately $30 million. This sale did not result in a material gain or loss to the company.

BGA

Effective Jan. 1, 2004, the company completed the sale of TECO BGA to an entity owned by an employee group for a loss on disposal of $12.2 million ($7.5 million after tax). This loss was recorded as part of the asset impairment charge reported in the income statement for the year ended Dec. 31, 2003.

Synthetic Fuel Facilities

Effective Apr. 1, 2003, TECO Coal sold a 49.5% indirect interest in Pike Letcher Synfuel, LLC (PLS), which owns synthetic fuel production facilities located at TECO Coal's operations in eastern Kentucky. In May 2004, TECO Coal sold an additional 40.5% of its membership interest in the synthetic fuel facilities and another 8% in July 2005, under similar terms as the first transaction. On Dec. 29, 2005, the agreements with the investors were amended to permit the curtailment of synthetic fuel production when oil prices are above certain thresholds and to allow TECO the right, but not the obligation, to cause PLS to reduce or halt synthetic fuel production should estimates for crude oil prices reach certain levels. This amendment also allowed for the release of $20 million of the $50 million restricted cash that has been held in escrow. Generally, revenue is recognized as the monthly installments are received. Because the purchase price for this sale, as well as the other sales of ownership interests, is related to the value of tax credits generated through December 2007, it is subject to a reduction to the extent the credit is limited due to the average domestic oil price for a particular year exceeding the benchmark designated for that year by the Department of Energy. In addition to retaining a 2% membership interest in the facilities, TECO Coal has continued to supply the feedstock and operate the facilities.

17. Goodwill and Other Intangible Assets

FAS 141 *Business Combinations*, requires all business combinations be accounted for using the purchase method of accounting. Under FAS 142 *Goodwill and Other Intangible Assets*, goodwill is not subject to amortization. Rather, goodwill and intangible assets, with an indefinite life, are subject to an annual assessment for impairment by applying a fair-value-based test. Intangible assets with a measurable useful life are required to be amortized.

As required under FAS 142, TECO Energy reviews recorded goodwill and intangible assets at least annually during the fourth quarter, for each reporting unit. Reporting units are generally determined as one level below the operating segment level; reporting units with similar characteristics are grouped for the purpose of determining the impairment, if any, of goodwill and other intangible assets. The fair value for the reporting units evaluated is generally determined using discounted cash flows appropriate for the business model of each significant group of assets within each reporting unit. The models incorporate assumptions relating to future results of operations that are based on a combination of historical experience, fundamental economic analysis, observable market activity and independent market studies. Management periodically reviews and adjusts the assumptions, as necessary, to reflect current market conditions and observable activity. If a sale is expected in the near term or a similar transaction can be readily observed in the marketplace, then this information is used by management to estimate the fair value of the reporting unit.

At Dec. 31, 2006, the company has $59.4 million of goodwill on its balance sheet, which is reflected in the TECO Guatemala segment. In conducting its annual impairment assessment, the company determined the fair value of the Guatemalan reporting unit supported the goodwill. The balance of goodwill arose from the purchase of multiple entities as a result of the company's investment in its operations in Guatemala. The amount remained unchanged from Dec. 31, 2005.

In December 2004, the company recognized an $11.8 million pretax charge ($8.4 million after tax) to write off the value of the remaining goodwill associated with BCH Mechanical. This charge is reflected in discontinued operations. See **Note 20** for additional details.

In December 2004, as a result of its annual impairment assessment, the company recognized a pretax impairment charge of $4.8 million ($3.1 million after tax) to write off the value of an intangible asset associated with the acquisition of the Commonwealth Chesapeake power station (see **Note 18** for additional details). For the year ended Dec. 31, 2004, the company recognized amortization expense of $0.2 million.

18. Asset Impairments

The company accounts for asset impairments in accordance with FAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144). FAS 144 requires that long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. As of Dec. 31, 2006, the carrying value of all long lived assets was determined to be recoverable. No adjustments for asset impairments were necessary.

Following major investments in merchant power, during 2001 and 2002, conditions in merchant energy markets changed dramatically, reducing prospects for profitability and leading to cessation of new merchant development activities in 2003. During 2003, the company announced that it would re-focus on its regulated utilities and its profitable unregulated businesses, and reduce its exposure to the merchant power sector. This led to the decision in 2003 to exit the Union and Gila River power stations (see **Note 20** for additional details). During 2004, wholesale power prices remained weak and prospects for price recovery for the next several years remained poor. While management monitored these events throughout 2004, there were no specific triggering events prior to the fourth quarter that warranted a SFAS 142 or 144 impairment analysis. In the fourth quarter of 2004, management conducted a

review of prospects for long-term price recovery as well as opportunities for sales of the assets. This review led to the sale of the company's investment in the Frontera power station in December 2004 (see **Note 16**). Also as a result of this review, management determined as of Dec. 31, 2004 there existed a lower probability that the remaining merchant investments would be held for the long term resulting in the impairments to the Dell, McAdams, and Commonwealth Chesapeake power stations described below. During 2005, an additional impairment was made to McAdams, also discussed below.

In the fourth quarter of 2005, a pretax impairment charge of $3.2 million ($2.1 million after tax) was recognized related to the company's investment in the McAdams power station. The reduction in fair value resulted from an updated strategic review of the potential salvage options (including asset retirement obligations as a result of exiting the facility) following the decision to sell the combustion turbines and certain ancillary equipment to Tampa Electric.

In December 2004, a pretax impairment charge of $609.5 million ($390.7 million after tax) was recognized related to the company's investments in the Dell and McAdams power stations. Under a probability analysis weighted toward short-term recovery, the investments failed the recoverability test of FAS 144. As a result, the assets were written down to fair market value based on a probability weighting of potential sales of the assets and salvage value, which represented the best estimate of fair market value.

In December 2004, the company recognized a pretax impairment charge of $81.3 million ($52.1 million after tax) related to its investment in the Commonwealth Chesapeake power station. Under a probability analysis weighted toward short-term recovery, the investments failed the recoverability test of FAS 144. As a result, the assets were written down to fair market value based on a probability weighting of potential sales of the assets, which represented the best estimate of fair market value. Of the $81.3 million charge, $4.8 million ($3.1 million after tax) was recorded as an impairment of an intangible asset related to the acquisition of the membership interest in the project and is included in "goodwill and intangible asset impairment" on TECO Energy's Consolidated Statements of Income.

On Aug. 30, 2004, a TWG Merchant subsidiary completed the sale of its 50% indirect interest in TIE. In the second quarter of 2004 the company recorded a $151.9 million pretax impairment ($98.7 million after tax) to record the estimated write-off of the investment reflecting the anticipated sale. This estimate was finalized resulting in an additional $0.4 million pretax impairment ($0.3 million after tax) being recorded in the third quarter of 2004. See **Note 16** for additional details.

In December 2004, a pretax impairment charge of $8.2 million ($5.9 million after tax) was recognized related to the company's interests in BCH Mechanical. The impairment charge and results of operations are reflected in discontinued operations (see **Note 20**).

In December 2004, as part of its annual impairment review, pretax impairment charges of $21.1 million ($12.8 million after tax) were recognized to write off the remaining value of steam turbines originally planned for use in a cogeneration project. Based on management's review of the market for steam turbines and its refocus on its core businesses, it was determined that the turbines should be written down to fair market value. In December 2003, pretax asset impairment charges of $27.8 million ($17.4 million after tax) were recognized primarily related to the steam turbines and licenses that were also planned for use in a cogeneration project. Although the steam turbine impairment charges were not directly related to TECO Guatemala, they are reflected in the TECO Guatemala segment for accounting purposes, due to the revised segment reporting described in **Note 1**.

In the first quarter of 2004, Litestream Technologies, LLC, an entity in which TECO Fiber, a subsidiary of TECO Solutions, held an equity investment, was placed into bankruptcy by creditors. As a result of the bankruptcy, the company recognized a pretax loss of $5.5 million ($3.4 million after tax). The loss on the equity investment in Litestream was determined using the estimated fair value of the company's claims to net assets. The charge is reflected in the Other and eliminations segment.

Additional impairment charges recognized in 2004 included a $2.4 million pretax ($1.5 million after tax) valuation adjustment at TECO Solutions related to a district cooling plant, which is reflected in discontinued operations, and a pretax impairment of $0.9 million ($0.6 million after tax) on ocean-going barges at TECO Transport.

19. Variable Interest Entities

The equity method of accounting is generally used to account for significant investments in arrangements in which we or our subsidiary companies do not have a majority ownership interest or exercise control. A new approach for determining if a reporting entity should consolidate certain legal entities, including partnerships, limited liability companies, or trusts, among others, collectively defined as variable interest entities (VIEs) was developed and later revised under FIN 46 (FIN 46R), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51.*

A legal entity is considered a VIE, with some exemptions if specific criteria are met, if it does not have sufficient equity at risk to finance its own activities without relying on financial support from other parties. Additional criteria must be applied to determine if this condition is met or if the equity holders, as a group, lack any one of three stipulated characteristics of a controlling financial interest. If the legal entity is a VIE, then the reporting entity determined to be the primary beneficiary of the VIE must consolidate it. Even if a reporting entity is not obligated to consolidate a VIE, then certain disclosures must be made about the VIE if the reporting entity has a significant variable interest.

TECO Energy adopted the provisions of FIN 46 in 2003 without material impact. As of Jan. 1, 2004, FIN 46R was adopted for the remaining VIEs as described below.

Prior to the adoption of FIN 46, the company formed TCAE to own and construct the Alborada Power Station and the company formed CGESJ to own and construct the San José Power Station. Both power stations are located in Guatemala and both projects obtained long-term power purchase agreements (PPA) with EEGSA, a distribution utility in Guatemala. The terms of the two separate PPAs include EEGSA's right to the full capacity of the plants for 15 years, U.S. dollar based capacity payments, certain terms for providing fuel, and certain other terms including the right to extend the Alborada and San José contracts. Management

believes that EEGSA is the primary beneficiary of the variable interests in TCAE and CGESJ due to the terms of the PPAs. Accordingly, both entities were deconsolidated as of Jan. 1, 2004. The TCAE deconsolidation resulted in the initial removal of $25 million of debt and $15.1 million of net assets from TECO Energy's Consolidated Balance Sheet. The San José deconsolidation resulted in the initial removal of $65.5 million of debt and $106.6 million of net assets from TECO Energy's Consolidated Balance Sheet. The results of operations for the two projects are classified as "Income (loss) from Equity Investments" in TECO Energy's Consolidated Statements of Income since the date of deconsolidation. TECO Energy's estimated maximum loss exposure is its equity investment of approximately $118.5 million in these entities. (See **Note 14** for additional financial information related to these projects).

Pike Letcher Synfuel, LLC was established as part of the Apr. 1, 2003, sale of TECO Coal's synthetic fuel production facilities. While TECO Energy's maximum loss exposure in this entity is its investment of approximately $8.2 million, the company could lose potential earnings and could incur losses related to the production costs for the future production of synthetic fuel, in the event that such production creates non-conventional fuel tax credits in excess of TECO Energy's or the other buyers' capacity to generate sufficient taxable income to use such credits or fuel tax credits are reduced or eliminated due to high oil prices. Management believes that the company is the primary beneficiary of this VIE and continues to consolidate the entity under the guidance of FIN 46R.

TECO Transport entered into two separate sale leaseback transactions for certain vessels which were recognized as sales in December 2001 and December 2002, and are currently recognized as operating leases for use of the assets. The sale leaseback transactions were entered into with separate third parties that the company believes meet the definition of a VIE. TECO Transport currently leases two ocean going tugboats, four ocean going barges, five river towboats and 49 river barges through these two trusts. The estimated maximum loss exposure faced by TECO Transport is the incremental cost of obtaining suitable replacement equipment to meet the company's contractual shipping obligations. In accordance with the guidance of FIN 46R, management has concluded that the company is not the primary beneficiary of the lessor trusts and continues to report only the impacts of the operating leases and any other required cash contributions.

In 1992, a subsidiary of the company, Hardee Power Partners, Ltd. commenced construction of the Hardee Power Station in central Florida. HPP obtained dual 20-year PPAs with Tampa Electric and another Florida utility company to provide peaking capacity. The company sold its interest in HPP to an affiliate of Invenergy LLC and GTCR Golder Rauner LLC in 2003. Under FIN 46R, the company is required to make an exhaustive effort to obtain sufficient information to determine if HPP is a VIE and which holder of the variable interests is the primary beneficiary. The new owners of HPP are not willing to provide the information necessary to make these determinations and have no obligation to do so. The information is not available publicly. As a result, the company is unable to determine if HPP is a VIE and if so, which variable interest holder, if any, is the primary beneficiary. The maximum exposure for the company is the ability to purchase electricity under terms of the PPA with HPP at rates unfavorable to the wholesale market. For a description and measure of the purchases of electricity under the HPP PPA, see **Note 1 – Purchased Power.**

TECO Properties formed a limited liability company (Hernando Oaks, LLC) with a project developer to buy and develop land in Hernando County, Florida into a residential golf community. Hernando Oaks, LLC met the definition of a VIE, due to subordinated financial support in the form of a guarantee by the company on behalf of Hernando Oaks, LLC. The company consolidated Hernando Oaks, LLC as of Jan. 1, 2004, resulting in an increase in assets of $18.5 million and a corresponding increase in liabilities. Hernando Oaks, LLC was sold during 2005.

A subsidiary of TECO Solutions formed a partnership to construct, own and operate a water cooling plant to produce and distribute chilled water to customers via a local distribution loop primarily for use in air conditioning systems. The partnership, TECO AGC, Ltd., met the definition of a VIE due to subordinated financing of $3.3 million provided to the partnership as of Dec. 31, 2003, in addition to the company's equity investment. The company consolidated TECO AGC, Ltd. as of Jan. 1, 2004 with no material increase in assets or liabilities. TECO AGC, Ltd was sold in 2004.

20. Discontinued Operations and Assets Held for Sale

Union and Gila River Project Companies (TPGC)

On Jun. 1, 2005, the company completed the previously announced sale and transfer of ownership of its indirect subsidiaries Union Power Partners, L.P., Panda Gila River, L.P., Trans-Union Interstate Pipeline, L.P., and UPP Finance Co., LLC, owners of the Union and Gila River power stations in Arkansas and Arizona, respectively (collectively, the Projects) to an entity owned by the Projects' lenders in the manner set forth in the Projects' confirmed Joint Plan of Reorganization. In connection with the transfer and the related release of liability, the company and its indirect subsidiaries paid an aggregate of $31.8 million, consisting of $30.0 million to the Project's lenders as consideration for the release of liability and $1.8 million as reimbursement of legal fees for two non-consenting lenders in the Chapter 11 proceeding. As a result of the transaction, the company recorded a non-cash, pretax gain of $117.7 million ($76.5 million after tax), which is reflected in discontinued operations. Through the May 31, 2005 effective date of the transfer to the lending group, the net equity of the Projects was reduced by accumulated unfunded operating losses primarily related to unpaid accrued interest expense on the Projects. As a result of the recognition of these subsequent losses, the book value of the assets was less than the book value of non-recourse project financing at the effective date of the sale and transfer to the lending group. Accordingly, the gain on the disposition represents the transfer of equity in the projects and the related non-recourse debt and other liabilities in excess of the asset value of the projects.

As an asset held for sale, the assets and liabilities that were expected to be transferred as part of the sale, as of Dec. 31,

2004, were reclassified in the balance sheet. The results from operations and the gain on sale have been reflected in discontinued operations for all periods presented. The following table provides selected components of discontinued operations for the Union and Gila River project companies.

Components of income from discontinued operations – Union and Gila River Project Companies

(millions) *For the years ended Dec. 31,*	*2006*	*2005*	*2004*
Revenues	$ –	$ 109.1	$ 510.7
Loss from operations	–	(23.0)	(33.5)
Loss on joint venture termination	–	–	–
Gain on sale before tax	–	117.7	–
Income (loss) before provision for income taxes	–	90.0	(144.9)
Provision (benefit) for income taxes	–	24.9	(48.9)
Net income (loss) from discontinued operations	$ –	$ 65.1	$ (96.0)

Interest Expense

In accordance with the Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7), and the provisions of the U.S. bankruptcy code and the Joint Plan, interest expense on the Project entities' non-recourse debt subsequent to the bankruptcy filing was not to be paid and was therefore not recorded. Had the bankruptcy proceeding not occurred, the Project entities would have recorded additional pretax interest expense of $44.3 million during 2005, which would have been reported in income (loss) from discontinued operations.

Other transactions

Components of income from discontinued operations include CCC (sold in 2005), BCH Mechanical (sold in 2005), Frontera (sold in 2004), Prior Energy (sold in 2004), TECO BGA (sold in 2004) and TECO AGC (sold in 2004). See **Note 16** for additional details related to these sales. Results for 2004 include a $2.4 million pretax ($1.5 million after-tax) asset impairment charge at TECO Solutions related to a district cooling plant.

At Dec. 31, 2005, assets and liabilities held for sale includes TECO Thermal, an investment of TECO Solutions. For all periods presented, the results from operations of each of these entities are presented as discontinued operations on the income statement. There are no assets held for sale as of Dec. 31, 2006.

The following table provides selected components of discontinued operations for transactions other than the Union and Gila River projects (TPGC) transaction:

Components of income from discontinued operations – Other

(millions) *For the years ended Dec. 31,*	*2006*	*2005*	*2004*
Revenues	$ 0.8	$ 10.6	$ 141.7
Income (loss) from operations	$ 1.5	$ (0.3)	$ (110.1)
(Loss) gain on sale	$ 0.8	$ (2.1)	$ (43.4)
Income (loss) before provision for income taxes [(1)]	$ 2.3	$ (1.8)	$ (149.1)
Provision (benefit) for income taxes	0.4	(0.2)	(48.6)
Net income (loss) from discontinued operations [(1)]	$ 1.9	$ (1.6)	$ (100.5)

(1) Results for BCH, TECO Thermal, TECO BGA and Prior Energy include internal financing costs, allocated prior to discontinued operations designation. Internally allocated costs for 2004 were at a pretax rate of 8%, based on the average investment in each subsidiary. There were no internally allocated financing costs to discontinued operations in 2006 or 2005.

Revenues

Discontinued operations for 2005 and 2004 include revenues for energy marketing operations at Prior Energy, which are presented on a net basis in accordance with Emerging Issues Task Force No. (EITF) 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and EITF 02-3, *Recognition and Reporting of Gains and Losses on Energy Trading Contracts Under Issues No. 98-10 and 00-17*, to reflect the nature of the contractual relationships with customers and suppliers. As a result, costs netted against revenues for the years ended Dec. 31, 2005 and 2004 were ($0.1) million and $128.0 million, respectively. There were no revenues for Prior Energy in 2006.

(Loss) Gain on sale

As a result of the sale of Frontera in December 2004, the company recognized a pretax loss of $42.1 million ($27.0 million after tax). The sales of Prior Energy and TECO AGC, Ltd. in 2004 did not result in a material gain or loss to the company.

Assets and Liabilities

The following table provides a summary of the carrying amounts of the significant assets and liabilities reported in the combined current and non-current "Assets held for sale" and "Liabilities associated with assets held for sale" line items for all other transactions described above:

Assets held for sale

(millions) Dec. 31,	*2006*	*2005*
Net property, plant and equipment	$ –	$ 6.4
Other non-current assets	–	1.6
Total assets held for sale	$ –	$ 8.0

Liabilities associated with assets held for sale

(millions) Dec. 31,	*2006*	*2005*
Current liabilities	$ –	$ 1.8
Total liabilities associated with assets held for sale	$ –	$ 1.8

21. Derivatives and Hedging

From time to time, TECO Energy and its affiliates enter into futures, forwards, swaps and option contracts for the following purposes:

- To limit the exposure to price fluctuations for physical purchases and sales of natural gas in the course of normal operations at Tampa Electric and PGS;
- To limit the exposure to interest rate fluctuations on debt securities at TECO Energy and its affiliates;
- To limit the exposure to electricity, natural gas and fuel oil price fluctuations related to the operations of natural gas-fired and fuel oil-fired power plants at TWG Merchant, prior to the transfer of the Union & Gila power plants in June 2005;
- To limit the exposure to price fluctuations for physical purchases of fuel at TECO Transport and TECO Coal; and
- To limit the exposure to synthetic fuel tax credits from TECO Coal's synthetic fuel produced as a result of changes to the reference price of domestically produced oil.

TECO Energy and its affiliates use derivatives only to reduce normal operating and market risks, not for speculative purposes. The company's primary objective in using derivative instruments for regulated operations is to reduce the impact of market price volatility on ratepayers.

The risk management policies adopted by TECO Energy provide a framework through which management monitors various risk exposures. Daily and periodic reporting of positions and other relevant metrics are performed by a centralized risk management group which is independent of all operating companies.

The company applies the provisions of FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by FAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activity* and FAS 149, *Amendment on Statement 133 on Derivative Instruments and Hedging Activities*. These standards require companies to recognize derivatives as either assets or liabilities in the financial statements, to measure those instruments at fair value, and to reflect the changes in the fair value of those instruments as either components of OCI or in net income, depending on the designation of those instruments. The changes in fair value that are recorded in OCI are not immediately recognized in current net income. As the underlying hedged transaction matures or the physical commodity is delivered, the deferred gain or the loss on the related hedging instrument must be reclassified from OCI to earnings based on its value at the time of the instruments' settlement. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the amount paid or received on the underlying physical transaction.

At Dec. 31, 2006 and 2005, respectively, TECO Energy and its affiliates had derivative assets (current and non-current) totaling $7.2 million and $68.9 million, and liabilities (current and non-current) totaling $74.0 million and $0.3 million. At Dec. 31, 2006 and 2005, accumulated other comprehensive income (AOCI) included $0.1 million and $0.4 million, respectively, of unrealized after-tax gains, representing the fair value of cash flow hedges whose underlying transactions will occur within the next 12 months. Amounts recorded in AOCI reflect the estimated fair value of derivative instruments designated as hedges, based on market prices as of the balance sheet date. These amounts are expected to fluctuate with movements in market prices and may or may not be realized as a loss upon future reclassification from OCI.

For the years ended Dec. 31, 2006, 2005 and 2004, TECO Energy and its affiliates reclassified amounts from OCI (excluding certain reclassifications for interest rate swaps described below) and recognized net pretax gains (losses) of $0.5 million, $5.7 million and $1.2 million, respectively. Amounts reclassified from OCI were primarily related to cash flow hedges for physical purchases of fuel oil at TECO Transport. For these types of hedge relationships, the gain on the derivative at settlement is reclassified from OCI to earnings, which is offset by the increased cost of spot purchases for fuel oil.

As a result of 1) the suspension of construction on the Dell and McAdams power plants at TWG in 2003 and 2) the maintenance activity on the Frontera Power Station at TWG in early 2003, the company discontinued hedge accounting for purchases of natural gas and sales of electricity which were no longer anticipated to take place within two months of the

originally designated time period for delivery. The discontinuation of hedge accounting resulted in a reclassification of a pretax gain of $0.2 million from OCI to earnings, reflecting the fair value of the related derivatives as of the discontinuation date. In addition, as a result of the designation of TPGC as an asset held for sale in 2003, the company concluded that the hedged interest expense for periods beyond the expected disposition date were no longer probable. As a result, the company reclassified pretax losses of $24.0 million ($15.6 million after tax) from OCI to income from discontinued operations in 2004 (see **Note 20**). Gains and losses on these derivative instruments, subsequent to the discontinuation of hedge accounting treatment, were recorded in earnings.

At Dec. 31, 2006, TECO Energy subsidiaries had derivative assets totaling $7.0 million for transactions related to crude oil options that were not designated as either a cash flow or fair value hedge. These derivatives are marked-to-market with fair value gains and losses recognized through earnings. For the years ended Dec. 31, 2006, 2005 and 2004, the company recognized gains on marked-to-market derivatives of $2.9 million, $0.5 million and $0.8 million, respectively.

22. Subsequent Events

TECO Capital Trust II

On Jan. 16, 2007, all $71.4 million outstanding subordinated notes were retired by TECO Energy pursuant to their original terms. This caused the retirement of $57.5 million trust preferred securities of TECO Capital Trust II, pursuant to their original terms.

Settlement of the Securities Class Action and Derivative Suits

During the scheduled mediation on Feb. 16, 2007, the company reached an agreement in principle to settle the shareholder securities class action lawsuit ("class action suit") and, at the same time, the company's officers and directors reached a similar agreement to settle the shareholder derivative lawsuit ("derivative suit") pending in the Federal District Court in Tampa, Florida and the Florida State Circuit Court for the 13th Circuit in Tampa, respectively, both relating to merchant power activities during 2001 and 2002. The settlement in the class action suit will resolve all issues in the case against the company and the two individual defendants, including the one remaining category of claims that was not dismissed by the federal court's order issued on Oct. 10, 2006, in response to the company's motion to dismiss. The settlement in the derivative suit will also resolve all claims against the directors and officers. Under the terms of the settlements, the company's primary insurance carrier will pay the settlement amount of $17.4 million to completely resolve the class action suit. In the derivative suit, the company will institute certain corporate governance changes along with those previously instituted since the pendency of the suit and the company's insurance carrier will pay the plaintiff's attorney's fees in the amount of $400,000. All defendants in both cases will receive releases of all claims, and both lawsuits will be dismissed with prejudice. The settlement is subject to various conditions, including the execution of definitive agreements and releases, approval by the applicable federal or state court and the appropriate shareholder notices. See **Note 12**.

23. Quarterly Data (unaudited)

Financial data by quarter is as follows:

(millions, except per share amounts)					
Quarter ended	*Dec. 31*	*Sep. 30*	*Jun. 30*	*Mar. 31*
2006				
Revenues	$ 826.2	$ 922.9	$ 862.6	$ 836.4
Income from operations	$ 78.4	$ 135.3	$ 118.3	$ 86.2
Net income				
Net income from continuing operations	$ 48.4	$ 79.7	$ 61.1	$ 55.2
Net income	$ 48.9	$ 79.7	$ 62.5	$ 55.2
Earnings per share (EPS) — basic				
EPS from continuing operations	$ 0.23	$ 0.38	$ 0.29	$ 0.27
EPS	$ 0.23	$ 0.38	$ 0.30	$ 0.27
Earnings per share (EPS) — diluted				
EPS from continuing operations	$ 0.23	$ 0.38	$ 0.29	$ 0.26
EPS	$ 0.23	$ 0.38	$ 0.30	$ 0.26
Dividends paid per common share	$ 0.19	$ 0.19	$ 0.19	$ 0.19
Stock price per common share [1]				
High	$ 17.50	$ 16.20	$ 16.75	$ 16.75
Low	$ 15.57	$ 14.86	$ 14.40	$ 15.97
Close	$ 17.23	$ 15.65	$ 14.94	$ 16.12

Quarter ended	*Dec. 31*[3]	*Sep. 30*	*Jun. 30*[2]	*Mar. 31*
2005				
Revenues	$ 770.0	$ 836.4	$ 719.0	$ 684.7
Income from operations	$ 83.5	$ 100.6	$ 92.7	$ 79.9
Net income				
Net income from continuing operations	$ 52.6	$ 94.5	$ 12.4	$ 51.5
Net income	$ 52.0	$ 94.6	$ 95.2	$ 32.7
Earnings per share (EPS) — basic				
EPS from continuing operations	$ 0.25	$ 0.46	$ 0.06	$ 0.25
EPS	$ 0.25	$ 0.46	$ 0.46	$ 0.16
Earnings per share (EPS) — diluted				
EPS from continuing operations	$ 0.24	$ 0.45	$ 0.04	$ 0.25
EPS	$ 0.24	$ 0.45	$ 0.44	$ 0.16
Dividends paid per common share	$ 0.19	$ 0.19	$ 0.19	$ 0.19
Stock price per common share [1]				
High	$ 18.25	$ 19.30	$ 19.05	$ 16.50
Low	$ 15.72	$ 17.15	$ 15.30	$ 14.87
Close	$ 17.18	$ 18.00	$ 18.91	$ 15.68

(1) Trading prices for common shares

(2) Second quarter 2005 results include a debt extinguishment charge.

(3) Fourth quarter 2005 results include an impairment charge as described in **Note 18.**

TAMPA ELECTRIC COMPANY
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All other financial statement schedules have been omitted since they are not required, are inapplicable or the required information is presented in the financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Tampa Electric Company:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Tampa Electric Company and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for its defined benefit pension and other postretirement plans as of December 31, 2006.

PricewaterhouseCoopers LLP
Tampa, Florida
February 27, 2007

TAMPA ELECTRIC COMPANY
Consolidated Balance Sheets

Assets *(millions) Dec. 31,*	*2006*	*2005*
Property, plant and equipment		
Utility plant in service		
Electric	$ 5,026.8	$ 4,889.0
Gas	877.7	839.6
Construction work in progress	318.9	164.0
Property, plant and equipment, at original costs	6,223.4	5,892.6
Accumulated depreciation	(1,760.5)	(1,658.7)
	4,462.9	4,233.9
Other property	4.4	7.4
Total property, plant and equipment	4,467.3	4,241.3
Current assets		
Cash and cash equivalents	5.1	17.4
Receivables, less allowance for uncollectibles of $1.2 million and $1.3 million at Dec. 31, 2006 and 2005, respectively	234.9	232.5
Inventories		
Fuel, at average cost	63.7	68.3
Materials and supplies	51.3	45.5
Current regulatory assets	255.7	273.3
Current derivative assets	0.1	58.2
Taxes receivable	15.0	35.1
Prepayments and other current assets	11.2	7.9
Total current assets	637.0	738.2
Deferred debits		
Unamortized debt expense	20.8	17.4
Long-term regulatory assets	231.3	99.9
Long-term derivative assets	0.1	4.9
Other	8.6	30.3
Total deferred debits	260.8	152.5
Total assets	$5,365.1	$ 5,132.0

The accompanying notes are an integral part of the consolidated financial statements.

TAMPA ELECTRIC COMPANY
Consolidated Balance Sheets (continued)

Liabilities and capital *(millions) Dec. 31,*	*2006*	*2005*
Commitments and Contingencies (see **Note 9**)		
Capital		
Common stock	$ 1,428.6	$ 1,376.8
Retained earnings	284.9	288.7
Total capital	1,713.5	1,665.5
Long-term debt, less amount due within one year	1,601.4	1,508.5
Total capitalization	3,314.9	3,174.0
Current liabilities		
Long-term debt due within one year	156.1	5.9
Notes payable	48.0	215.0
Accounts payable	222.8	231.2
Customer deposits	129.5	115.2
Current regulatory liabilities	46.7	146.8
Current derivative liabilities	70.3	0.3
Interest accrued	26.6	25.5
Current deferred income taxes	50.4	92.6
Other	11.2	—
Taxes accrued	19.4	15.2
Total current liabilities	781.0	847.7
Deferred credits		
Non-current deferred income taxes	390.5	372.9
Investment tax credits	14.6	17.1
Long-term regulatory liabilities	555.3	543.1
Long-term derivative liability	3.7	—
Other	305.1	177.2
Total deferred credits	1,269.2	1,110.3
Total liabilities and capital	$ 5,365.1	$ 5,132.0

The accompanying notes are an integral part of the consolidated financial statements.

TAMPA ELECTRIC COMPANY
Consolidated Statements of Income

(millions) *For the years ended Dec. 31,*	*2006*	*2005*	*2004*
Revenues			
Electric (includes franchise fees and gross receipts taxes of $81.4 million in 2006, $70.6 million in 2005, and $69.6 million in 2004)	$ 2,084.9	$ 1,746.2	$ 1,686.7
Gas (includes franchise fees and gross receipts taxes of $22.8 million in 2006, $16.6 million in 2005, and $14.2 million in 2004)	577.0	549.5	417.2
Total revenues	2,661.9	2,295.7	2,103.9
Expenses			
Operations			
Fuel	906.8	546.8	613.0
Purchased power	221.3	269.7	172.3
Cost of natural gas sold	365.3	350.2	226.2
Other	293.5	269.7	257.5
Maintenance	111.8	91.8	90.5
Depreciation and amortization	222.8	222.1	214.9
Restructuring charges	—	—	0.7
Taxes, federal and state income	96.8	107.8	100.3
Taxes, other than income	172.4	153.8	146.0
Total expenses	2,390.7	2,011.9	1,821.4
Income from operations	271.2	283.8	282.5
Other (expense) income			
Allowance for other funds used during construction	2.7	—	0.7
Other income, net	14.3	6.3	1.5
Total other income	17.0	6.3	2.2
Interest charges			
Interest on long-term debt	106.7	98.3	100.7
Other interest	17.0	15.1	10.6
Allowance for borrowed funds used during construction	(1.1)	—	(0.3)
Total interest charges	122.6	113.4	111.0
Net income	$ 165.6	$ 176.7	$ 173.7

The accompanying notes are an integral part of the consolidated financial statements.

TAMPA ELECTRIC COMPANY
Consolidated Statements Of Cash Flows

(millions) *For the years ended Dec. 31,*	*2006*	*2005*	*2004*
Cash flows from operating activities			
Net income	$ 165.6	$ 176.7	$ 173.7
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	222.8	222.1	214.9
Deferred income taxes	(23.2)	72.2	54.9
Investment tax credits, net	(2.5)	(2.6)	(2.7)
Allowance for other funds used during construction	(2.7)	—	(1.0)
Deferred recovery clause	53.4	(154.3)	25.2
Receivables, less allowance for uncollectibles	0.6	(32.4)	(11.6)
Inventories	(1.3)	(32.0)	33.3
Prepayments and other deposits	(3.3)	3.0	(5.3)
Taxes accrued	24.5	0.1	(102.8)
Interest accrued	1.2	0.3	(1.5)
Accounts payable	(9.1)	67.5	(6.8)
Other regulatory assets and liabilities	(3.8)	1.6	(68.0)
Other	33.6	13.5	12.0
Cash flows from operating activities	455.8	335.7	314.3
Cash flows from investing activities			
Capital expenditures	(420.4)	(246.0)	(219.9)
Allowance for other funds used during construction	2.7	—	1.0
Purchase of business	(1.4)	—	—
Net proceeds from sales of assets	—	5.3	0.8
Cash flows used in investing activities	(419.1)	(240.7)	(218.1)
Cash flows from financing activities			
Common Stock	51.8	—	—
Proceeds from long-term debt	327.5	—	—
Repayment of long-term debt	(91.9)	(5.5)	(80.3)
Net increase (decrease) in short-term debt	(167.0)	100.0	115.0
Payment of dividends	(169.4)	(173.4)	(163.2)
Cash flows used in financing activities	(49.0)	(78.9)	(128.5)
Net (decrease) increase in cash and cash equivalents	(12.3)	16.1	(32.3)
Cash and cash equivalents at beginning of year	17.4	1.3	33.6
Cash and cash equivalents at end of year	$ 5.1	$ 17.4	$ 1.3
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest	$ 106.9	$ 100.7	$ 103.9
Income taxes	$ 100.1	$ 30.3	$ 103.9

The accompanying notes are an integral part of the consolidated financial statements.

TAMPA ELECTRIC COMPANY
Consolidated Statements Of Retained Earnings

(millions) *For the years ended Dec. 31,*	*2006*	*2005*	*2004*
Balance, beginning of year	$ 288.7	$ 285.4	$ 274.9
Add: Net income	165.6	176.7	173.7
	454.3	462.1	448.6
Deduct: Cash dividends on capital stock			
Common	169.4	173.4	163.2
	169.4	173.4	163.2
Balance, end of year	$ 284.9	$ 288.7	$ 285.4

Consolidated Statements of Capitalization

(millions, except share amounts)	*Current Redemption Price*	*Capital Stock Outstanding Dec. 31,* *Shares*	*Amount*	*Cash dividends paid (1)* *Per Share*	*Amount*
Common stock — without par value					
25 million shares authorized					
2006	N/A	10	$ 1,428.6	(2)	$169.4
2005	N/A	10	$ 1,376.8	(2)	$173.4
Preferred stock — $100 par value					
1.5 million shares authorized, none outstanding.					
Preferred stock – no par					
2.5 million shares authorized, none outstanding.					
Preference stock – no par					
2.5 million shares authorized, none outstanding.					

(1) Quarterly dividends paid on Feb. 15, May 15, Aug. 15 and Nov. 15.
(2) Not meaningful

The accompanying notes are an integral part of the consolidated financial statements.

TAMPA ELECTRIC COMPANY
Consolidated Statements of Capitalization (continued)

Long-Term Debt (millions) Dec. 31,			*Due*	*2006*	*2005*
Tampa Electric	Installment contracts payable: [1]				
	3.89% Variable rate for 2006 (effective rate of 4.13%) and fixed rate 6.25% for 2005 [2]		2034	$ 86.0	$ 86.0
	5.85% Refunding bonds (effective rate of 5.88%)[3]		2030	75.0	75.0
	5.1% Refunding bonds (effective rate of 5.72%)		2013	60.7	60.7
	5.5% Refunding bonds (effective rate of 6.29%)		2023	86.4	86.4
	4% (effective rate of 4.16%) [4][3]		2025	51.6	51.6
	4% (effective rate of 4.17%) [4][3]		2018	54.2	54.2
	4.25% (effective rate of 4.44%) [4][3]		2020	20.0	20.0
	Notes: 6.875% (effective rate of 6.98%) [5]		2012	210.0	210.0
	6.55% (effective rate of 7.35%) [5]		2036	250.0	—
	6.375% (effective rate of 7.35%) [5]		2012	330.0	330.0
	5.375% (effective rate of 5.59%) [5]		2007	125.0	125.0
	6.25% (effective rate of 6.31%) [5][6]		2014-2016	250.0	250.0
				1,598.9	1,348.9
Peoples Gas System	Senior Notes: [5][6]	10.35%	2007	1.0	1.8
		10.33%	2007-2008	2.0	3.0
		10.3%	2007-2009	3.8	4.8
		9.93%	2007-2010	4.0	5.0
		8%	2007-2012	17.0	19.1
	Notes: 6.875% (effective rate of 6.98%) [5]		2012	40.0	40.0
	6.375% (effective rate of 7.35%) [5]		2012	70.0	70.0
	5.375% (effective rate of 5.59%) [5]		2007	25.0	25.0
				162.8	168.7
				1,761.7	1,517.6
Unamortized debt premium (discount), net				(4.2)	(3.2)
				1,757.5	1,514.4
Less amount due within one year				156.1	5.9
Total long-term debt				$1,601.4	$1,508.5

(1) Tax-exempt securities.
(2) Composite year-end interest rate.
(3) Certain pollution control equipment is pledged to collateralize these bonds.
(4) The interest rate on these bonds was fixed for a five-year term on Aug. 5, 2002
(5) These securities are subject to redemption in whole or in part, at any time, at the option of the company.
(6) These long-term debt agreements contain various restrictive financial covenants.

At Dec. 31, 2006, total long-term debt, excluding amounts currently due, had a carrying amount of $1,601.4 million and an estimated fair market value of $1,673.0 million. The estimated fair market value of long-term debt was based on quoted market prices for the same or similar issues, on the current rates offered for debt of the same remaining maturities, or for long-term debt issues with variable rates that approximate market rates, at carrying amounts. The carrying amount of long-term debt due within one year approximated fair market value because of the short maturity of these instruments.

A substantial part of the tangible assets of Tampa Electric is pledged as collateral for the first mortgage bonds issued under Tampa Electric's first mortgage bond indentures, and certain pollution control equipment is pledged as collateral for the installment contracts payable. There are currently no bonds outstanding under Tampa Electric's first mortgage bond indenture, and Tampa Electric could cause the lien associated with this indenture to be released at any time. If the lien under the first mortgage bond indenture were released, the terms of the liens on the pollution control equipment would permit Tampa Electric to cause these liens to be discharged, as well. Maturities and annual sinking fund requirements of long-term debt for the years 2007 through 2011 and thereafter are as follows:

Long-Term Debt Maturities

Dec. 31, 2006 (millions)	*2007*	*2008*	*2009*	*2010*	*2011*	*Thereafter*	*Total Long-term Debt*
Tampa Electric	$ 125.0	$ —	$ —	$ –	$ –	$ 1,473.9	$ 1,598.9
Peoples Gas	31.1	5.7	5.5	3.7	3.4	113.4	162.8
Total long-term debt maturities	$ 156.1	$ 5.7	$ 5.5	$ 3.7	$ 3.4	$ 1,587.3	$ 1,761.7

The accompanying notes are an integral part of the consolidated financial statements.

TAMPA ELECTRIC COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

The significant accounting policies are as follows:

Principles of Consolidation

Tampa Electric Company is a wholly-owned subsidiary of TECO Energy, Inc, and is comprised of the Electric division, generally referred to as Tampa Electric, and the Natural Gas division, generally referred to as Peoples Gas System (PGS). All significant intercompany balances and intercompany transactions have been eliminated in consolidation.

The use of estimates is inherent in the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Actual results could differ from these estimates.

Planned Major Maintenance

Tampa Electric and PGS expense major maintenance costs as incurred. Concurrent with a planned major maintenance outage, the cost of adding or replacing retirement units-of-property is capitalized in conformity with Florida Public Service Commission (FPSC) and Federal Energy Regulatory Commission (FERC) regulations.

Depreciation

Tampa Electric computes depreciation expense by applying composite, straight-line rates (approved by the state regulatory agency) to the investment in depreciable property. Total depreciation expense for the years ended Dec. 31, 2006, 2005 and 2004 was $217.4 million, $215.0 million and $207.5 million, respectively. Total plant acquisition adjustments were $10.0 million as of Dec. 31, 2005. No acquisition adjustments were made in 2006. The provision for total regulated and unregulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 3.9% for 2006, 4.0% for 2005 and 3.9% for 2004 as approved by the FPSC. Construction work-in progress is not depreciated until the asset is completed or placed in service.

The implementation of FAS 143 in 2003 and FIN 47 in 2005 resulted in increases in the carrying amount of long-lived assets and the reclassification of the accumulated reserve for cost of removal as "Regulatory liabilities" for all periods presented. The adjusted capitalized amount is depreciated over the remaining useful life of the asset. See **Note 11**.

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a non-cash credit to income with a corresponding charge to utility plant which represents the cost of borrowed funds and a reasonable return on other funds used for construction. The rate used to calculate AFUDC is revised periodically to reflect significant changes in Tampa Electric's cost of capital. The rate was 7.79% for 2006 and 2004. Total AFUDC for 2006 and 2004 was $3.8 million and $1.0 million, respectively. No projects qualified for AFUDC in 2005. The base on which AFUDC is calculated excludes construction work-in-progress which has been included in rate base.

Deferred Income Taxes

Tampa Electric Company utilizes the liability method in the measurement of deferred income taxes. Under the liability method, the temporary differences between the financial statement and tax bases of assets and liabilities are reported as deferred taxes measured at current tax rates. Tampa Electric and PGS are regulated, and their books and records reflect approved regulatory treatment, including certain adjustments to accumulated deferred income taxes and the establishment of a corresponding regulatory tax liability reflecting the amount payable to customers through future rates.

Investment Tax Credits

Investment tax credits have been recorded as deferred credits and are being amortized as reductions to income tax expense over the service lives of the related property.

Revenue Recognition

Tampa Electric Company recognizes revenues consistent with the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) 104, *Revenue Recognition in Financial Statements*. The interpretive criteria outlined in SAB 104 are that 1) there is persuasive evidence that an arrangement exists; 2) delivery has occurred or services have been rendered; 3) the fee is fixed and determinable; and 4) collectibility is reasonably assured. Except as discussed below, Tampa Electric Company recognizes revenues on a gross basis when earned for the physical delivery of products or services and the risks and rewards of ownership have transferred to the buyer.

The regulated utilities' (Tampa Electric and PGS) retail businesses and the prices charged to customers are regulated by the FPSC. Tampa Electric's wholesale business is regulated by FERC. See **Note 3** for a discussion of significant regulatory matters and the applicability of Financial Accounting Standard No. (FAS) 71, *Accounting for the Effects of Certain Types of Regulation*, to the company.

Revenues and Fuel Costs

Revenues include amounts resulting from cost recovery clauses which provide for monthly billing charges to reflect increases or decreases in fuel, purchased power, conservation and environmental costs for Tampa Electric and purchased gas, interstate pipeline capacity and conservation costs for PGS. These adjustment factors are based on costs incurred and projected for a specific recovery period. Any over-recovery or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as deferred credits, and under-recoveries of costs are recorded as deferred charges.

Certain other costs incurred by Tampa Electric and PGS are allowed to be recovered from customers through prices approved in the regulatory process. These costs are recognized as the associated revenues are billed. Tampa Electric and PGS accrue base revenues for services rendered but unbilled to provide a closer matching of revenues and expenses. See **Note 3**.

As of Dec. 31, 2006 and 2005, unbilled revenues of $47.8 million and $52.3 million, respectively, are included in the "Receivables" line item on the balance sheet.

Purchased Power

Tampa Electric purchases power on a regular basis primarily to meet the needs of its retail customers. As a result of the sale of Hardee Power Partners, Ltd. (HPP) in October 2003, power purchases from HPP, subsequent to the sale, are reflected as non-affiliate purchases by Tampa Electric. Tampa Electric's long-term power purchase agreement from HPP was not affected by the sale of HPP. Under the existing agreement, which has been approved by the FERC and FPSC, Tampa Electric has full entitlement to the output of the CT2B unit at all times and full entitlement to the output of the remaining units at the Hardee power station at all times except when Seminole Electric Cooperative has entitlement due to outages and/or durations on a specified portion of its generating units. Tampa Electric purchased power from non-TECO Energy affiliates, including HPP, at a cost of $221.3 million, $269.7 million and $172.3 million, respectively, for the years ended Dec. 31, 2006, 2005 and 2004. The prudently incurred purchased power costs are recoverable through an FPSC-approved cost recovery clause.

Accounting for Excise Taxes, Franchise Fees and Gross Receipts

Tampa Electric Company is allowed to recover certain costs incurred from customers through prices approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. These amounts totaled $104.2 million, $87.2 million and $83.8 million, for the years ended Dec. 31, 2006, 2005 and 2004, respectively. Franchise fees and gross receipt taxes payable by the regulated utilities are included as an expense on the Consolidated Statements of Income in "Taxes, other than income". For the years ended Dec. 31, 2006, 2005 and 2004, these totaled $104.0 million, $87.0 million and $83.6 million, respectively.

Excise taxes paid by the regulated utilities are not material and are expensed as incurred.

Asset Impairments

Tampa Electric Company has adopted FAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which supersedes FAS 121, *Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of.* FAS 144 addresses accounting and reporting for the impairment or disposal of long-lived assets, including the disposal of a component of a business.

In accordance with FAS 144, the company assesses whether there has been impairment of its long-lived assets and certain intangibles held and used by the company when such impairment indicators exist. As of Dec. 31, 2006, the carrying value of all long lived assets was determined to be recoverable. No adjustments for asset impairments were necessary. There were no asset impairments recorded in the years ended Dec. 31, 2005 or 2004.

Restrictions on Dividend Payments and Transfer of Assets

Certain long-term debt at PGS contains restrictions that limit the payment of dividends and distributions on the common stock of Tampa Electric. See **Note 9** for additional information on significant financial covenants.

Receivables and Allowance for Uncollectible Accounts

Receivables consist of services billed to residential, commercial, industrial and other customers. An allowance for doubtful accounts is established based on Tampa Electric's and PGS's collection experience. Circumstances that could affect Tampa Electric's and PGS's estimates of uncollectible receivables include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible.

Reclassifications

Certain prior year amounts, primarily related to income taxes, were reclassified to conform to the current year presentation.

2. New Accounting Pronouncements

Asset Retirement Obligations

FASB Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligation, an Interpretation of FASB Statement No. 143*, was issued in March 2005 and became effective as of Dec. 31, 2005. FIN 47 clarifies the term "conditional asset retirement obligation" as a legal obligation to perform an asset retirement activity in which the timing and method of settlement are conditional on a future event that may or may not be within the control of the entity, and clarifies when an entity has sufficient information to reasonably estimate the fair value of an asset retirement obligation. The company implemented FIN 47 during the fourth quarter of 2005. See **Note 11** for discussion of the effects of this implementation.

Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the Financial Accounting Standards Board (FASB) issued FAS No.158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R).* This statement of financial accounting standards requires the recognition in the statement of financial position the over-funded or under-funded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the projected benefit obligation in the case of a defined benefit plan, or the accumulated postretirement benefit obligation in the case of other postretirement benefit plans. Compared to the current recognition of pension and other postretirement obligations on the balance sheet, this standard requires the recognition of: 1) the impact of future salary increases to the pension obligation and 2) the unamortized post-retirement benefit costs that are currently being expensed over the service lives of the participants. This standard also requires recognition in other comprehensive income certain benefit cost components that are not part of net periodic benefit cost, and that the defined benefit plan assets and obligations be measured as of the balance sheet date. For Tampa Electric Company, amounts required to be recorded in "Other comprehensive income" are reflected as a regulatory asset, as pension obligations will be recovered through rates. FAS 158 is effective for publicly-held companies for fiscal years ending after Dec. 15, 2006. The company has adopted the balance sheet recognition provisions of FAS 158 at Dec. 31, 2006 and will adopt the year-end measurement date in 2008. This standard has increased benefit liabilities on the balance sheet by approximately $91.9 million and regulatory assets by approximately $91.9 million. This standard does not affect the results of operations.

Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements

In September 2006, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements* (SAB 108). SAB 108 addresses the diversity in practice by registrants when quantifying the effect of an error on the financial statements and provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements. The company has adopted the provisions of SAB No. 108 effective Dec. 31, 2006. The adoption of SAB 108 did not have an impact on the company's consolidated financial statements.

Fair Value Measurements

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. FAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. FAS 157 applies under other accounting pronouncements that require or permit fair value measurements. The effective date is for fiscal years beginning after Nov. 15, 2007. The company is currently assessing the implementation of FAS 157, however, it does not believe it will be material to its results of operations, statement of position or cash flows.

Planned Major Maintenance

In September 2006, the FASB issued FASB Staff Position (FSP) *AUG AIR-1 Accounting for Planned Major Maintenance Activities*. This FSP effectively removes the accrual-in-advance method of accounting for future planned major maintenance activities. The FASB believes that the accrual-in-advance method results in the recognition of liabilities prior to the occurrence of a transaction or event that obligates the entity and that does not meet the definition of a liability in accordance with FASB Concept No. 6, *Elements of Financial Statements*. Entities are still permitted to use the built-in overhaul, deferral or direct expensing methods. This FSP is effective for the first fiscal year beginning after Dec. 15, 2006 and the company has adopted this FSP effective Jan. 1, 2007. Because the company has been applying the direct expensing method, the adoption of this FSP did not have a material affect on its results of operations, statement of position or cash flows.

Income Statement Presentation of Taxes Collected on Behalf of Governmental Authorities

In June 2006, the FASB ratified EITF Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* (EITF 06-3). EITF 06-3 provides guidance on disclosing the accounting policy for the income statement presentation of any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer on either a gross (included in revenues and costs) or a net (excluded from

revenues) basis. In addition, EITF 06-3 requires disclosure of any such taxes that are reported on a gross basis as well as the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented. EITF 06-3 will be effective for the company as of Jan. 1, 2007. As EITF 06-3 provides only disclosure requirements, the adoption of this standard will not have an impact on the results of operations, statement of position or cash flows.

Amendment to Derivatives Accounting

In February 2006, the FASB issued FAS No. 155, *Accounting for Certain Hybrid Financial Instruments* (FAS 155), which amends FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and FAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* FAS 155 simplifies the accounting for certain derivatives embedded in other financial instruments by permitting fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after Sep. 15, 2006. The company adopted FAS 155 effective Jan. 1, 2007 and it does not materially impact the company.

Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Application involves a two-step approach where recognition occurs if the position exceeds a "more likely than not" threshold and the measurement is based on the tax benefit being greater than 50 percent likely of being realized upon settlement with the tax agencies involved. FIN 48 is effective for fiscal years beginning after Dec. 15, 2006. Based on the company's assessment to date of the tax positions as of Jan. 1, 2007, the company believes that the implementation of Fin 48 during the first quarter of 2007 will have no impact on retained earnings.

3. Regulatory

As discussed in **Note 1**, Tampa Electric's and PGS's retail business are regulated by the FPSC. Tampa Electric is subject to regulation by the Federal Energy Regulatory Commission ("FERC") under the Public Utility Holding Company Act of 2005 ("PUHCA 2005"), which replaced the Public Utility Holding Company Act of 1935 which was repealed, however, pursuant to a waiver granted in accordance with FERC's regulations, TECO Energy is not subject to certain of the accounting, record-keeping, and reporting requirements prescribed by FERC's regulations under PUHCA 2005.

Base Rate – Tampa Electric

Tampa Electric's rates and allowed return on equity (ROE) range of 10.75% to 12.75% with a midpoint of 11.75% are in effect until such time as changes are occasioned by an agreement approved by the FPSC or other FPSC actions as a result of rate or other proceedings initiated by Tampa Electric, FPSC staff or other interested parties.

Tampa Electric has not sought a base rate increase to recover significant plant investment since 1992, including the Bayside Power Station, which entered service in 2003 and 2004.

Cost Recovery – Tampa Electric

In September 2006, Tampa Electric filed with the FPSC for approval of fuel and purchased power, capacity, environmental and conservation cost recovery rates for the period January 2007 through December 2007. In November, the FPSC approved Tampa Electric's requested changes. The rates include the costs of natural gas and coal prices expected in 2007, the collection of underestimated fuel and purchased power expenses in 2006, the collection of previously unrecovered 2005 fuel and purchased power expenses, the proceeds from the sale of sulfur dioxide (SO_2) emissions allowances and the operating costs for and a return on the capital invested in the first SCR project to enter service on Big Bend Unit 4 as well as the O&M costs associated with the Pre-SCR projects for Big Bend Units 1 - 3 as required by the Environmental Protection Agency (EPA) Consent Decree and Florida Department of Environmental Protection (FDEP) Consent Final Judgment (see **Note 8** for additional details regarding projected environmental expenditures). In addition, the rates reflect the FPSC's September 2004 decision to reduce the annual cost recovery amount for water transportation services for coal and petroleum coke provided under Tampa Electric's contract with TECO Transport described below (see **Note 9**). As part of the regulatory process, it is reasonably likely that third parties may intervene on similar matters in the future. The company is unable to predict the timing, nature or impact of such future actions.

Base Rate – PGS

As a result of a base rate proceeding, effective Jan. 16, 2003, PGS' allowable ROE range is 10.25% to 12.25% with an 11.25% midpoint.

Cost Recovery – PGS

In September 2006, PGS filed its annual request with the FPSC to change its Purchased Gas Adjustment (PGA) cap factor for 2007. The PGA rate can vary monthly due to changes in actual fuel costs but is not expected to exceed the FPSC approved

annual cap. In November 2006, the FPSC approved the cap factor under PGS's PGA for the period January 2007 through December 2007.

SO_2 Emission Allowances

The Clean Air Act Amendments of 1990 established SO_2 allowances to manage the achievement of SO_2 emissions requirements. The legislation also established a market-based SO_2 allowance trading component.

An allowance authorizes a utility to emit one ton of SO_2 during a given year. The EPA allocates allowances to utilities based on mandated emissions reductions. At the end of each year, a utility must hold an amount of allowances at least equal to its annual emissions. Allowances are fully marketable and, once allocated, may be bought, sold, traded or banked for use currently or in future years. In addition, the EPA withholds a small percentage of the annual SO_2 allowances it allocates to utilities for auction sales. Any resulting auction proceeds are then forwarded to the respective utilities. Allowances may not be used for compliance prior to the calendar year for which they are allocated. Tampa Electric accounts for these using an inventory model with a zero basis for those allowances allocated to the company. Tampa Electric recognizes a gain at the time of sale, approximately 95% of which accrues to retail customers through the environmental cost recovery clause.

Over the years, Tampa Electric has acquired allowances through EPA allocations. Also, over time, Tampa Electric has sold unneeded allowances based on compliance and allowances available. The SO_2 allowances unneeded and sold in 2006 resulted from lower emissions at Tampa Electric brought about by environmental actions taken by the company under the Clean Air Act.

For the year ended Dec. 31 2006, Tampa Electric sold approximately 44,500 allowances, resulting in proceeds of $45.0 million, the majority of which is included as a cost recovery clause regulatory liability. In the years ended Dec. 31 2005 and 2004, approximately 100,000 and 13,000 allowances were sold for $79.7 million and $7.4 million in proceeds, respectively.

Other Items

Storm Damage Cost Recovery

Following Hurricane Andrew in 1992, Florida's investor owned utilities (IOUs) were unable to obtain transmission and distribution insurance coverage in the event of hurricanes, tornados or other damage due to destructive acts of nature. Tampa Electric and other IOUs were permitted to implement a self-insurance program effective Jan. 1, 1994 for such costs of restoration, and the FPSC authorized Tampa Electric to accrue $4 million annually to grow its unfunded storm damage reserve.

The costs for restoration associated with hurricanes Charley, Frances and Jeanne in 2004 were approximately $75 million, which exceeded the storm damage reserve by $30 million. These excess costs over the reserve amounts were charged against the reserve and were reflected as a regulatory asset. The storm costs did not reduce earnings but did reduce cash flow from operations. Tampa Electric filed for and received approval from the FPSC to defer prudently incurred storm damage restoration costs to the reserve until alternative accounting treatment is sought.

In June 2005, the FPSC approved a stipulation entered into by Tampa Electric, the OPC and the Florida Industrial Power Users group regarding the treatment of Tampa Electric's 2004 hurricane costs. Under the stipulation, Tampa Electric agreed to reclassify approximately $39 million of the hurricane restoration costs as plant in service (rate base). With this adjustment and the normal $4 million annual storm accrual, Tampa Electric's storm reserve is $16 million as of Dec. 31, 2006.

Coal Transportation Contract

In September 2004, the FPSC voted to disallow approximately $14 to $16 million (pretax) of the costs that Tampa Electric can recover from its customers for water transportation services. The decision allows, but does not require, Tampa Electric to rebid the water transportation and terminal service contract. In October 2004, Tampa Electric filed with the FPSC a motion for clarification and reconsideration of the disallowance of recovery of costs under its waterborne transportation contract with TECO Transport. On Mar. 1, 2005, the FPSC heard oral arguments on the motion and denied Tampa Electric's request for reconsideration and clarification. The impact of the FPSC vote was fully recognized by Tampa Electric in 2004.

Regulatory Assets and Liabilities

Tampa Electric and PGS maintain their accounts in accordance with recognized policies of the FPSC. In addition, Tampa Electric maintains its accounts in accordance with recognized policies prescribed or permitted by the FERC. These policies conform with GAAP in all material respects.

Tampa Electric and PGS apply the accounting treatment permitted by FAS 71, *Accounting for the Effects of Certain Types of Regulation.* Areas of applicability include deferral of revenues under approved regulatory agreements; revenue recognition resulting from cost recovery clauses that provide for monthly billing charges to reflect increases or decreases in fuel; purchased power, conservation and environmental costs; and deferral of costs as regulatory assets, when cost recovery is ordered over a period longer than a fiscal year, to the period that the regulatory agency recognizes them. Details of the regulatory assets and liabilities as of Dec. 31, 2006 and 2005 are presented in the following table:

Regulatory Assets and Liabilities

(millions) Dec. 31,	*2006*	*2005*
Regulatory assets:		
Regulatory tax asset[1]	$ 49.5	$ 55.3
Other:		
Cost recovery clauses	239.2	264.1
Post-retirement benefit asset [4]	148.9	—
Deferred bond refinancing costs[2]	26.7	28.8
Environmental remediation	12.3	14.2
Competitive rate adjustment	5.5	5.6
Other	4.9	5.2
	437.5	317.9
Total regulatory assets	487.0	373.2
Less current portion	255.7	273.3
Long-term regulatory assets	$ 231.3	$ 99.9
Regulatory liabilities:		
Regulatory tax liability[1]	$ 20.6	$ 23.4
Other:		
Deferred allowance auction credits	0.8	1.3
Recovery clause related	28.9	136.9
Environmental remediation	12.3	14.2
Transmission and distribution storm reserve	16.3	12.5
Deferred gain on property sales[3]	6.8	7.7
Accumulated reserve – cost of removal	516.1	493.8
Other	0.2	0.1
	581.4	666.5
Total regulatory liabilities	602.0	689.9
Less current portion	46.7	146.8
Long-term regulatory liabilities	$ 555.3	$ 543.1

(1) Related to plant life and derivative positions.
(2) Amortized over the term of the related debt instrument.
(3) Amortized over a 5-year period with various ending dates.
(4) Related to the adoption of FAS 158. See **Note 5**

All regulatory assets are being recovered through the regulatory process. The following table further details our regulatory assets and the related recovery periods:

Regulatory assets

(millions) Dec. 31,	*2006*	*2005*
Clause recoverable (1)	$ 244.7	$ 269.7
Earning a rate of return (2)	152.6	3.0
Regulatory tax assets (3)	49.5	55.3
Capital structure and other (3)	40.2	45.2
Total	$ 487.0	$ 373.2

(1) To be recovered through cost recovery clauses approved by the FPSC on a dollar for dollar basis within approximately one year.
(2) Primarily reflects allowed working capital, which is included in rate base and earns an 8.2 % rate of return as permitted by the FPSC.
(3) "Regulatory tax assets" and "Capital structure and other" regulatory assets have a recoverable period longer than a fiscal year and are recognized over the period authorized by the regulatory agency. Also included are unamortized loan costs which are amortized over the life of the related debt instruments. See footnotes 1 and 2 in the prior table for additional information.

4. Income Tax Expense

Tampa Electric Company is included in the filing of a consolidated federal income tax return with TECO Energy and its affiliates. Tampa Electric Company's income tax expense is based upon a separate return computation. Income tax expense consists of the following components:

Income Tax Expense

(millions)	*Federal*	*State*	*Total*
2006			
Currently payable	$ 107.4	$ 17.4	$ 124.8
Deferred	(20.3)	(2.9)	(23.2)
Amortization of investment tax credits	(2.5)	—	(2.5)
Total income tax expense	$ 84.6	$ 14.5	$ 99.1
Included in other income, net			2.3
Included in operating expenses			$ 96.8
2005			
Currently payable	$ 33.9	$ 5.6	$ 39.5
Deferred	61.7	10.5	72.2
Amortization of investment tax credits	(2.6)	—	(2.6)
Total income tax expense	$ 93.0	$ 16.1	$ 109.1
Included in other income, net			1.3
Included in operating expenses			$ 107.8
2004			
Currently payable	$ 41.7	$ 7.3	$ 49.0
Deferred	46.8	8.1	54.9
Amortization of investment tax credits	(2.7)	—	(2.7)
Total income tax expense	$ 85.8	$ 15.4	$ 101.2
Included in other income, net			0.9
Included in operating expenses			$ 100.3

Deferred taxes result from temporary differences in the recognition of certain liabilities or assets for tax and financial reporting purposes. The principal components of the company's deferred tax assets and liabilities recognized in the balance sheet are as follows:

Deferred Income Tax Assets and Liabilities

(millions) Dec. 31,	*2006*	*2005*
Deferred income tax assets [1]		
Property related	$ 102.3	$ 97.8
Emissions allowances	3.9	26.5
Medical benefits	42.8	38.5
Insurance reserves	17.2	15.1
Investment tax credits	8.9	10.3
Hedging activities	28.6	24.2
Pension and post-retirement benefits	57.5	—
Other	29.1	18.6
Total deferred income tax assets	$ 290.3	$ 231.0
Deferred income tax liabilities [1]		
Property related	$ (579.6)	$ (568.7)
Deferred fuel	(65.5)	(103.6)
Hedging activities	(28.6)	(24.2)
Pension and post-retirement benefits	(57.5)	—
Total deferred income tax liabilities	$ (731.2)	$ (696.5)
Accumulated deferred income taxes	$ (440.9)	$ (465.5)

Deferred income tax assets and liabilities above are included in the balance sheet as follows:

(millions) Dec. 31,	*2006*	*2005*
Current deferred tax liabilities	$ (50.4)	$ (92.6)
Non-current deferred tax liabilities	(390.5)	(372.9)
Total	$ (440.9)	$ (465.5)

(1) Certain property related assets and liabilities have been netted.

The total income tax provisions differ from amounts computed by applying the federal statutory tax rate to income before income taxes for the following reasons:

Effective Income Tax Rate

(millions)	*2006*	*2005*	*2004*
Net income	$ 165.6	$ 176.7	$ 173.7
Total income tax provision	99.0	109.1	101.2
Income before income taxes	$ 264.6	$ 285.8	$ 274.9
Income taxes on above at federal statutory rate of 35%	$ 92.6	$ 100.0	$ 96.2
Increase (decrease) due to			
State income tax, net of federal income tax	9.4	10.5	10.0
Amortization of investment tax credits	(2.5)	(2.6)	(2.7)
Equity portion of AFUDC	(1.0)	—	(0.3)
Domestic production deduction	(1.5)	—	—
Other	2.0	1.2	(2.0)
Total income tax provision	$ 99.0	$ 109.1	$ 101.2
Provision for income taxes as a percent of income from continuing operations, before income taxes	37.4%	38.2%	36.8%
Consolidated Statements of Cash Flows			
Cash paid during the year for income taxes	$ 100.1	$ 30.3	$ 103.9

5. Employee Postretirement Benefits

Pension Benefits

Tampa Electric Company is a participant in the comprehensive retirement plans of TECO Energy (multi-employer plans), including a non-contributory defined benefit retirement plan which covers substantially all employees. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to Tampa Electric Company are presented. Otherwise, such amounts presented reflect the amount allocable to all participants of the TECO Energy retirement plans. Benefits are based on employees' age, years of service and final average earnings. In 2006, Tampa Electric Company made contributions totaling $24.8 million to this non-contributory defined benefit plan.

Amounts disclosed for pension benefits also include the unfunded obligations for the supplemental executive retirement plans. These are non-qualified, non-contributory defined benefit retirement plans available to certain members of senior management. In 2006, Tampa Electric Company made a contribution of $1.3 million to these plans.

Tampa Electric Company recorded regulated assets totaling $57.0 million related to the additional minimum pension liability adjustment at Dec. 31, 2006 and $42.1 million for the unfunded pension liability related to the adoption of FAS 158. There were no additional minimum pension liability adjustments recorded at Tampa Electric Company in 2005 or 2004.

Components of net pension expense, reconciliation of the funded status and the accrued pension liability for TECO Energy, Inc. are presented below.

TECO Energy Consolidated Obligations and Funded Status (millions)	Pension Benefits 2006	 2005
Change in benefit obligation		
Net benefit obligation at prior measurement date	$ 562.1	$ 545.4
Service cost	15.8	16.2
Interest cost	30.7	32.6
Plan participants' contributions	-	-
Actuarial (gain) loss	(4.5)	7.1
Settlement	-	(3.1)
Gross benefits paid	(34.2)	(36.1)
Federal subsidy on benefits paid	n/a	n/a
Net benefit obligation at measurement date (1)	$ 569.9	$ 562.1
Change in plan assets		
Fair value of plan assets at prior measurement date	$ 434.7	$ 407.6
Actual return on plan assets	27.0	44.4
Employer contributions	7.7	21.9
Plan participants' contributions	-	-
Settlement	-	(3.1)
Gross benefits paid	(34.2)	(36.1)
Fair value of plan assets at measurement date (1)	$ 435.2	$ 434.7
Funded status		
Fair value of plan assets	$ 435.2	$ 434.7
Benefit obligation	569.9	562.1
Funded status at measurement date	(134.7)	(127.4)
Net contributions after measurement date	30.8	0.3
Unrecognized net actuarial loss	138.8	143.3
Unrecognized prior service (benefit) cost	(4.5)	(4.9)
Unrecognized net transition (asset) obligation	n/a	-
Accrued liability at end of year	$ 30.4	$ 11.3
Amounts Recognized in Balance Sheet		
Long-term regulatory assets	$ 99.1	n/a
Prepaid benefit cost	n/a	28.6
Intangible assets	n/a	1.9
Accrued benefit costs and other current liabilities	(1.3)	(17.3)
Deferred credits and other liabilities	(103.3)	(85.9)
Accumulated other comprehensive (income) loss pretax	35.9	84.0
Net amount recognized at end of year	$ 30.4	$ 11.3

Tampa Electric Company	Pension Benefits 2006	 2005
Amounts Recognized in Balance Sheet		
Long-term regulatory assets	$ 99.1	n/a
Prepaid benefit cost	-	22.3
Intangible assets	-	-
Accrued benefit costs and other current liabilities	(1.0)	-
Deferred credits and other liabilities	(72.9)	(9.8)
Net amount recognized at end of year	$ 25.2	$ 12.5

(1) The measurement date was Sept. 30, 2006 and 2005.

The accumulated benefit obligation for all defined benefit pension plans was $508.3 million and $509.7 million at Sep. 30, 2006 and 2005 (the measurement dates), respectively.

Information for the TECO Energy consolidated pension plans with an accumulated benefit obligation in excess of plan assets

Accumulated benefit in excess of plan assets (millions)	2006	2005
Project benefit obligation, measurement date	$ 569.9	$ 562.1
Accumulated benefit obligation, measurement date	508.3	509.7
Fair value of plan assets, measurement date	435.2	434.7

Components of TECO Energy consolidated Net Periodic Benefit Cost

(millions)	Pension Benefits		
Net periodic benefit cost:	2006	2005	2004
Service cost	$ 15.8	$ 16.2	$ 17.0
Interest cost	30.7	32.7	33.0
Expected return on plan assets	(35.7)	(37.2)	(39.1)
Amortization of:			
Actuarial loss	8.8	4.3	2.7
Prior service (benefit) cost	(0.5)	(0.5)	(0.6)
Transition (asset) obligation	-	(0.2)	(1.1)
Curtailment (gain) loss	-	-	0.5
Settlement (gain) loss	-	1.4	6.6
Net periodic benefit cost	$ 19.1	$ 16.7	$ 19.0

Tampa Electric Company's portion of the net periodic benefit costs was $13.6 million, $9.7 million and $5.2 million for 2006, 2005 and 2004, respectively.

The estimated net loss and prior service net (benefits) for the defined benefit pension plans that will be amortized by Tampa Electric Company from regulatory assets into net periodic benefit cost over the next fiscal year total $6.1 million.

Other Postretirement Benefits

TECO Energy and its subsidiaries currently provide certain postretirement health care and life insurance benefits for substantially all employees retiring after age 50 meeting certain service requirements. Tampa Electric Company's contribution toward health care coverage for most employees who retired after the age of 55 between Jan. 1, 1990 and Jun. 30, 2001 is limited to a defined dollar benefit based on service. The company contribution toward pre-65 and post-65 health care coverage for most employees retiring on or after Jul. 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2007, the company expects to make a contribution of about $10.1 million to this program. Postretirement benefit levels are substantially unrelated to salary. The company reserves the right to terminate or modify the plans in whole or in part at any time.

On Dec. 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the MMA) was signed into law. Beginning in 2006, the new law added prescription drug coverage to Medicare, with a 28% tax-free subsidy to encourage employers to retain their prescription drug programs for retirees, along with other key provisions. TECO Energy's current retiree medical program for those eligible for Medicare (generally over age 65) includes coverage for prescription drugs. The company has determined that prescription drug benefits available to certain Medicare-eligible participants under its defined-dollar-benefit postretirement health care plan are at least "actuarially equivalent" to the standard drug benefits to be offered under Medicare Part D.

On May 19, 2004, the FASB issued FSP 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (FSP 106-2). The guidance in FSP 106-2 requires (a) that the effects of the federal subsidy be considered an actuarial gain and recognized in the same manner as other actuarial gains and losses and (b) certain disclosures for employers that sponsor postretirement health care plans that provide prescription drug benefits. TECO Energy and its subsidiaries adopted FSP 106-2 retroactive for the second quarter of 2004.

In 2006, the company received its first subsidy payment under Part D and has filed and is awaiting approval for its 2007 Part D subsidy application with the Centers for Medicare and Medicaid Services (CMS).

The following charts summarize the income statement and balance sheet impact for Tampa Electric Company, as well as the benefit obligations, assets, funded status.

Obligations and Funded Status-Other Postretirement Benefits

(millions)	2006	2005
Change in benefit obligation		
Net benefit obligation at prior measurement date	$ 141.5	$ 123.1
Service cost	2.3	2.5
Interest cost	7.7	7.3
Plan participants' contributions	2.3	1.8
Actuarial loss	2.3	17.0
Settlement		-
Gross benefits paid	(10.0)	(10.1)
Federal subsidy on benefits paid	(0.5)	n/a
Net benefit obligation at measurement date (Sept. 30)	$ 145.6	$ 141.6
Change in plan assets		
Employer contributions	7.7	8.3
Plan participants' contributions	2.3	1.8
Gross benefits paid	(10.0)	(10.1)
Fair value of plan assets at measurement date (Sept. 30)	$ -	$ -
Funded status		
Fair value of plan assets	$ -	$ -
Benefit obligation	145.7	141.6
Funded status at measurement date	(145.7)	(141.6)
Net contributions after measurement date	1.7	2.0
Unrecognized net actuarial loss	21.6	20.2
Unrecognized prior service (benefit) cost	13.7	15.4
Unrecognized net transition (asset) obligation	12.9	15.0
Accrued liability at end of year	$ (95.8)	$ (89.0)
Amounts Recognized in Balance Sheet		
Long-term regulatory assets	$ 49.8	n/a
Current liabilities	(10.2)	$ (89.0)
Non-current liabilities	(135.4)	n/a
Prepaid benefit cost	n/a	n/a
Accrued benefit cost	n/a	n/a
Additional minimum liability	n/a	n/a
Intangible assets	n/a	n/a
Accumulated other comprehensive income	n/a	n/a
Net amount recognized at end of year	$ (95.8)	$ (89.0)

Components of Net Periodic Other Postretirement Benefit Cost

Net periodic benefit cost (millions):	2006	2005	2004
Service cost	$ 2.3	$ 2.4	$ 2.6
Interest cost	7.7	7.3	7.9
Amortization of:			
Actuarial loss	0.4	-	0.3
Prior service (benefit) cost	1.7	1.7	1.7
Transition (asset) obligation	2.1	2.1	2.1
Net periodic benefit cost	$ 14.2	$ 13.5	$ 14.6

Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets

(millions)	2006	2005	2004
Net actuarial loss (gain)	$ 21.6	n/a	n/a
Prior service cost (credit	13.8	n/a	n/a
Transition obligation (asset)	12.8	n/a	n/a
Total recognized in regulatory assets	$ 48.2	n/a	n/a

The estimated prior service cost and transition obligation for the other postretirement benefit plans that will be amortized at Tampa Electric Company from regulatory assets into net periodic benefit cost over the next fiscal year is $3.8 million.

Other Postretirement Benefit Plan Assets

There are no assets associated with Tampa Electric's other postretirement benefit plan.

Additional Information for Pensions and Other Postretirement Benefits

	Pension Benefits		Other Benefits	
(millions)	2006	2005	2006	2005
Increase in minimum liability included in regulatory assets	$ 57.0	$ -	$ -	$ -

The following table presents the incremental effect of adopting SFAS 158 on individual line items on Tampa Electric Company's consolidated balance sheets as of Dec. 31, 2006:

(millions) Increase (decrease)	Before application of FAS 158	SFAS 158 Adjustments	After application of FAS 158
Long-term regulatory asset	$139.4	$91.9	$231.3
Total assets	5,273.2	91.9	5,365.1
Accounts payable	211.6	11.2	222.8
Other deferred credits	384.5	80.7	305.1
Total liabilities	3,559.7	91.9	3,651.6
Total capital	1,713.5	-	1,713.5
Total liabilities and capital	5,273.2	91.9	5,365.1

Weighted-average assumptions used to determine benefit obligations at Sep. 30, (the measurement date)

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Discount Rate	5.85%	5.50%	5.85%	5.50%
Rate of compensation increase	4.00%	3.75%	4.00%	3.75%

Weighted-average assumptions used to determine net periodic benefit cost for years ended Dec. 31,

	Pension Benefits			Other Benefits		
	2006	2005	2004	2006	2005	2004
Discount Rate	5.50%	6.00%	6.00%	5.50%	6.00%	6.00%
Expected long-term return on plan assets	8.50%	8.75%	8.75%	n/a	n/a	n/a
Rate of compensation increase	3.75%	4.25%	4.25%	3.75%	4.25%	4.25%

The expected return on assets assumption was based on expectations of long-term inflation, real growth in the economy, fixed income spreads and equity premiums consistent with our portfolio, with provision for active management and expenses paid. The salary increase assumption was based on the same underlying expectation of long-term inflation together with assumptions regarding real growth in wages and company-specific merit and promotion increases. The discount rate assumption was based on a cash flow matching technique developed by our outside actuaries and a review of current economic conditions. This technique matches the yields from high-quality (Aa-graded, non-callable) corporate bonds to the company's projected cash flows for the pension plan to develop a present value that is converted to a discount rate.

Healthcare cost trend rate	**2006**	**2005**	**2004**
Initial rate	9.50%	9.50%	10.50%
Ultimate rate	5.00%	5.00%	5.00%
Year rate reaches ultimate	2014	2013	2013

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(millions)	1% Increase	1% Decrease
Effect on total service and interest cost	$ 0.2	$ (0.2)
Effect on postretirement benefit obligation	$ 3.0	$ (2.6)

Contributions

On Aug. 17, 2006, the President signed the Pension Protection Act of 2006 (the Act). While TECO Energy expects the Internal Revenue Service to issue regulations clarifying various terms of the Act, it generally introduces new minimum funding requirements beginning Jan. 1, 2008. TECO Energy's policy is to fund the plan at or above amounts determined by its actuaries to meet ERISA guidelines for minimum annual contributions and minimize PBGC premiums paid by the plan. TECO Energy contributed $36.3 million to the plan in 2006, which included a $30 million contribution in addition to the $6.3 million minimum contribution required. TECO Energy expects to make a $30 million contribution in 2007 and average annual contributions of $22 million in 2008 – 2011. Tampa Electric Company's portion of the pension contribution in 2007 is estimated at $20.5 million.

Information about TECO Energy's expected benefit payments for the pension and postretirement benefit plans follows:

Expected Benefit Payments - TECO Energy (including projected service and net of employee contributions)	**Pension Benefits**	**Other Postretirement Benefits**	
		Gross	Expected Federal Subsidy
Expected benefit payments (millions):			
2007	$ 44.8	$ 13.7	$ (0.9)
2008	44.9	14.9	(1.0)
2009	45.7	15.9	(1.1)
2010	47.1	16.7	(1.2)
2011	49.0	17.4	(1.3)
2012-2016	257.4	90.4	(8.5)

Defined Contribution Plan

The company has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries (the Employers) that enables participants to save a portion of their compensation up to the limits allowed by IRS guidelines. The company and its subsidiaries match up to 6% of the participant's payroll savings deductions. From Jan. 1, 2004 to Jun. 30, 2004, the company's matching contribution was 55% of eligible participant payroll savings deductions made in the form of the company's common stock. Effective Jul. 1, 2004, employer matching contributions were 30% of eligible participant contributions with additional incentive match of up to 70% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended Dec. 31, 2006, 2005 and 2004, Tampa Electric Company recognized expense totaling $4.5 million, $6.3 million and $4.6 million, respectively, related to the matching contributions made to this plan.

6. Short-Term Debt

At Dec. 31, 2006 and 2005, the following credit facilities and related borrowings existed:

Credit Facilities	Dec. 31, 2006			Dec. 31, 2005		
(millions)	*Credit Facilities*	*Borrowings Outstanding[1]*	*Letters of Credit Outstanding*	*Credit Facilities*	*Borrowings Outstanding*	*Letters of Credit Outstanding*
Recourse:						
Tampa Electric Company:						
5-year facility[2]	$ 325.0	$ 13.0	$ —	$ 325.0	$ 120.0	$ —
1-year accounts receivable facility	150.0	35.0	—	150.0	95.0	—
Total	$ 475.0	$ 48.0	$ —	$ 475.0	$ 215.0	$ —

(1) Borrowings outstanding are reported as notes payable.
(2) A 3-year facility as of Dec. 31, 2004 (as discussed below).

These credit facilities require commitment fees ranging from 12.5 – 17.5 basis points. The weighted average interest rate on outstanding notes payable at Dec. 31, 2006 and 2005 was 5.45% and 4.45%, respectively.

Tampa Electric Credit Facility

On Oct. 11, 2005, Tampa Electric amended its $150 million bank credit facility, increasing the facility size to $325 million and extending the maturity to Oct. 11, 2010 with optional extensions of up to two additional years with lenders' consent. Tampa Electric terminated its $125 million 3-year bank credit facility. The amended facility also allows Tampa Electric to increase the facility size by up to $50 million with lenders' consent; and includes a $50 million sub-limit for letters of credit. The financial covenants were also amended to eliminate the requirement that Tampa Electric maintain a specified ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) to interest, as defined in the agreement, and increase the permissible quarter-end debt to capital, as defined in the agreement, to 65%. As of Dec. 31, 2006, Tampa Electric was in compliance with this requirement.

Tampa Electric Company Accounts Receivable Facility

On Jan. 6, 2005, Tampa Electric Company and TEC Receivables Corp (TRC), a wholly-owned subsidiary of Tampa Electric Company, entered into a $150 million accounts receivable collateralized borrowing facility. The assets of TRC are not intended to be generally available to the creditors of Tampa Electric Company. Under the Purchase and Contribution Agreement entered into in connection with that facility, Tampa Electric Company sells and/or contributes to TRC all of its receivables for the sale of electricity or gas to its retail customers and related rights (the Receivables), with the exception of certain excluded receivables and related rights defined in the agreement, and assigns to TRC the deposit accounts into which the proceeds of such Receivables are paid. The Receivables are sold by Tampa Electric Company to TRC at a discount. Under the Loan and Servicing Agreement among Tampa Electric Company as Servicer, TRC as Borrower, certain lenders named therein and Citicorp North America, Inc. as Program Agent, TRC may borrow up to $150 million to fund its acquisition of the Receivables under the Purchase Agreement. TRC has secured such borrowings with a pledge of all of its assets including the Receivables and deposit accounts assigned to it. Tampa Electric Company acts as Servicer to service the collection of the Receivables. TRC pays program and liquidity fees based on Tampa Electric Company's credit ratings. The receivables and the debt of TRC are included in the consolidated financial statements of TECO Energy and Tampa Electric Company.

On Dec. 22, 2006, Tampa Electric and TRC extended the maturity of Tampa Electric's $150 million accounts receivable collateralized borrowing facility from Jan. 5, 2006 to Dec. 21, 2007. As part of this extension, the EBITDA to interest covenant for Tampa Electric was eliminated. Tampa Electric's debt to capital covenant was increased from 60% to 65%.

7. Common Stock

Tampa Electric Company is a wholly owned subsidiary of TECO Energy, Inc.

	Common Stock		Issue	
(millions, except per share amounts)	*Shares*	*Amount*	*Expense*	*Total*
Balance Dec. 31, 2006 [1]	10	$ 1,428.6	$ —	$ 1,428.6
Balance Dec. 31, 2005	10	$ 1,377.5	$ (0.7)	$ 1,376.8

(1) TECO Energy, Inc. made an equity contribution to Tampa Electric for $51.8 million in 2006 to support capital generation expansion and environmental projects.

8. Commitments and Contingencies

Capital Investments

For 2007, Tampa Electric expects to spend $400 million, consisting of about $200 million to support system growth and generation reliability, approximately $14 million for distribution system reliability improvements, $13 million for transmission and distribution system storm hardening, $4 million for transmission system improvements to meet reliability requirements, $20 million for an additional natural gas pipeline to improve reliability of supply to the Bayside Power Station, $20 million for coal-fired generation capacity factor and availability improvements, $6 million to complete the addition of two combustion turbines at the Polk Power Station to meet its peaking generation capacity needs, $87 million for the addition of selective catalytic reduction (SCR) equipment at the Big Bend Station for NO_x control, and $34 million for other environmental compliance programs. At the end of 2006, Tampa Electric had outstanding commitments of about $198 million, for long-term capitalized maintenance agreements for its combustion turbines, materials and contractors for the SCR projects and for major maintenance outages at Big Bend Station.

Capital expenditures for PGS are expected to be approximately $50 million in 2007. Included in these amounts is an average of approximately $30 million annually for projects associated with customer growth and system expansion. The remainder represents capital expenditures for ongoing renewal, replacement and system safety.

Legal Contingencies

At Dec. 31, 2006, the ultimate resolution of the following specific proceedings is uncertain and no liability has been reserved or can be estimated. At this time, the ultimate outcome of these proceedings is not expected to have a material adverse effect on the company's results of operations or financial condition.

Tampa Electric Transmission Litigation

In 2003, Tampa Electric completed a transmission project which required the placement of 45 foot and 125 foot transmission structures on public right of way in parts of residential neighborhoods, near the Egypt Lake subdivision in Tampa, Florida, in order to move electricity to the growth areas in the north-west part of its service area. The lawsuits for private nuisance, the Shaw, Acosta, and Alvarez cases were filed shortly thereafter.

The Shaw plaintiffs' (39 parcels and approximately 55 individuals) appeal of the trial court's summary judgment denying plaintiffs' right to a mandatory injunction to remove the poles was decided in favor of the Company on Friday, Jan. 5, 2007. The Shaw case was set for trial on Jan. 8, 2007, but we were able to resolve the case and avoid the effect of a long and expensive trial. The legal principles in the Shaw case should apply to the remaining Acosta and Alvarez cases.

The Acosta plaintiffs are owners of 93 parcels and comprised of about 131 individuals. Many of these plaintiffs do not own property on the streets where the structures were placed. The case has been set for trial in May 2007.

There has been no activity in the Alvarez (substation) case, which involves only one parcel.

Other Issues

From time to time, Tampa Electric Company is involved in various other legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of its business. Where appropriate, accruals are made in accordance with FAS No. 5, *Accounting for Contingencies*, to provide for matters that are probable of resulting in an estimable, material loss. While the outcome of such proceedings is uncertain, management does not believe that their ultimate resolution will have a material adverse effect on the company's results of operations or financial condition.

Superfund and Former Manufactured Gas Plant Sites

Tampa Electric Company, through its Tampa Electric and Peoples Gas divisions, is a potentially responsible party (PRP) for certain superfund sites and, through its Peoples Gas division, for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of Dec. 31, 2006, Tampa Electric Company has estimated its ultimate financial liability to be approximately $12.3 million, and this amount has been accrued in the company's financial statements. The environmental remediation costs associated with these sites, which are expected to be paid over many years, are not expected to have a significant impact on customer prices.

The estimated amounts represent only the estimated portion of the cleanup costs attributable to Tampa Electric Company. The estimates to perform the work are based on actual estimates obtained from contractors, or Tampa Electric Company's experience with similar work adjusted for site specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

Allocation of the responsibility for remediation costs among Tampa Electric Company and other PRPs is based on each party's relative ownership interest in or usage of a site. Accordingly, Tampa Electric Company's share of remediation costs varies with each site. In virtually all instances where other PRPs are involved, those PRPs are considered creditworthy.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. These costs are recoverable through customer rates established in subsequent base rate proceedings.

Long Term Commitments

Tampa Electric Company has commitments under long-term operating leases, primarily for building space, office equipment and heavy equipment. Total rental expense included in the Consolidated Statements of Income for the years ended Dec. 31, 2006, 2005 and 2004 was $4.2 million, $2.1 million and $6.7 million, respectively.

The following table is a schedule of future minimum lease payments at Dec. 31, 2006 for all operating leases with noncancelable lease terms in excess of one year:

Future Minimum Lease Payments for Operating Leases

Year ended Dec. 31:	*Amount (millions)*
2007	$ 2.1
2008	2.0
2009	2.0
2010	1.9
2011	2.0
Later Years	26.5
Total minimum lease payments	$ 36.5

In 1994, Tampa Electric bought out a long-term coal supply contract which would have expired in 2004 for a lump sum payment of $25.5 million. In February 1995, the FPSC authorized the recovery of this buy-out amount plus carrying costs through the Fuel and Purchase Power Cost Recovery Clause over the 10-year period beginning Apr. 1, 1995. In 2004, $2.7 million of buy-out costs were amortized to expense. It was fully amortized by the end of 2004.

Guarantees and Letters of Credit

On Jan. 1, 2003, Tampa Electric Company adopted the prospective initial measurement provisions for certain types of guarantees, in accordance with FASB Interpretation No. (FIN) 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34).* Upon issuance or modification of a guarantee after Jan. 1, 2003, the company must determine if the obligation is subject to either or both of the following:

- Initial recognition and initial measurement of a liability; and/or
- Disclosure of specific details of the guarantee.

Generally, guarantees of the performance of a third party or guarantees that are based on an underlying (where such a guarantee is not a derivative subject to FAS 133) are likely to be subject to the recognition and measurement, as well as the disclosure provisions, of FIN 45. Such guarantees must initially be recorded at fair value, as determined in accordance with the interpretation.

Alternatively, guarantees between and on behalf of entities under common control or that are similar to product warranties are subject only to the disclosure provisions of the interpretation. The company must disclose information as to the term of the guarantee and the maximum potential amount of future gross payments (undiscounted) under the guarantee, even if the likelihood of a claim is remote.

At Dec. 31, 2006, Tampa Electric was not obligated under guarantees or letters of credit for the benefit of third parties, including entities under common control. At Dec. 31, 2006, TECO Energy had provided a fuel purchase guarantee on behalf of Tampa Electric and had outstanding letters of credit on behalf of Tampa Electric in the face amounts of $20.0 million and $0.3 million, respectively.

Financial Covenants

In order to utilize its bank credit facilities, Tampa Electric Company must meet certain financial tests as defined in the applicable agreements. In addition, Tampa Electric Company has certain restrictive covenants in specific agreements and debt

instruments. At Dec. 31, 2006, Tampa Electric Company was in compliance with required financial covenants. See **Liquidity, Capital Resources-Covenants in Financing Agreements** in **MD&A.**

9. Related Party Transactions

In January 2006, Tampa Electric purchased two 150-megawatt combustion turbines and other ancillary equipment from TPS McAdams for $20.6 million. This has been included in capital expenditures on the Tampa Electric Company **Consolidated Statements of Cash Flows** for the period ended Dec. 31, 2006.

In October 2003, Tampa Electric signed a five-year contract renewal with an affiliate company, TECO Transport, for integrated waterborne fuel transportation services effective Jan. 1, 2004. The contract calls for inland river and ocean transportation along with river terminal storage and blending services for up to 5.5 million tons of coal annually through 2008.

A summary of activities between Tampa Electric Company and its affiliates follows:

Net transactions with affiliates:

(millions)	*2006*	*2005*	*2004*
Fuel and interchange related, net	$ 103.1	$ 82.5	$ 70.2
Administrative and general, net	$ 14.5	$ 13.3	$ 9.1

Amounts due from or to affiliates of the company at Dec. 31,

(millions)	*2006*	*2005*
Accounts receivable [1]	$ 2.6	$ 4.9
Accounts payable [1]	$ 11.7	$ 12.2

(1) Accounts receivable and accounts payable were incurred in the ordinary course of business and do not bear interest.

10. Segment Information

Tampa Electric Company is a public utility operating within the state of Florida. Through its Tampa Electric division, it is engaged in the generation, purchase, transmission, distribution and sale of electric energy to more than 661,000 customers in West Central Florida. Its Peoples Gas System division is engaged in the purchase, distribution and marketing of natural gas for more than 332,000 residential, commercial, industrial and electric power generation customers in the state of Florida.

Segment Information

(millions)	*Tampa Electric*	*Peoples Gas*	*Other & eliminations*	*Tampa Electric Company*
2006				
Revenues – outsiders	$2,082.7	$ 577.6	$ —	$2,660.3
Sales to affiliates	2.2	—	(0.6)	1.6
Total revenues	$2,084.9	$ 577.6	$ (0.6)	$2,661.9
Depreciation and amortization	186.3	36.5	—	222.8
Total interest charges	107.4	15.2	—	122.6
Provision for taxes	80.3	18.8	—	99.1
Net income	$ 135.9	$ 29.7	$ —	$ 165.6
Total assets	4,620.7	748.9	(4.5)	5,365.1
Capital expenditures	$ 366.4	$ 54.0	$ —	$ 420.4
2005				
Revenues – outsiders	$1,744.3	$ 549.5	$ —	$2,293.8
Sales to affiliates	2.5	—	(0.6)	1.9
Total revenues	$1,746.8	$ 549.5	$ (0.6)	$2,295.7
Depreciation and amortization	187.1	35.0	—	222.1
Total interest charges	98.3	15.1	—	113.4
Provision for taxes	90.6	18.5	—	109.1
Net income	$ 147.1	$ 29.6	$ —	$ 176.7
Total assets	4,438.2	721.5	(3.5)	5,156.2
Capital expenditures	$ 203.5	$ 42.5	$ —	$ 246.0

Tampa (millions)	*Peoples Electric*	*Other & Gas*	*Tampa Electric eliminations*	*Company*
2004				
Revenues – outsiders	$1,683.8	$ 417.2	$ —	$2,101.0
Sales to affiliates	3.6	—	(0.7)	2.9
Total revenues	$1,687.4	$ 417.2	$ (0.7)	$2,103.9
Depreciation and amortization	180.9	34.1	(0.1)	214.9
Restructuring costs	—	0.7	—	0.7
Total interest charges	95.8	15.2	—	111.0
Provision for taxes	83.9	17.3	—	101.2
Net income	$ 146.0	$ 27.7	$ —	$ 173.7
Total assets	4,055.9	671.1	(1.1)	4,725.9
Capital expenditures	$ 181.2	$ 38.7	$ —	$ 219.9

11. Asset Retirement Obligations

Tampa Electric Company accounts for asset retirement obligations under FAS 143, *Accounting for Asset Retirement Obligations*. An asset retirement obligation (ARO) for a long-lived asset is recognized at fair value at inception of the obligation if there is a legal obligation under an existing or enacted law or statute, a written or oral contract, or by legal construction under the doctrine of promissory estoppel. Retirement obligations are recognized only if the legal obligation exists in connection with or as a result of the permanent retirement, abandonment or sale of a long-lived asset.

When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its estimated future value. The corresponding amount capitalized at inception is depreciated over the remaining useful life of the asset. The liability must be revalued each period based on current market prices.

For year ended Dec. 31, 2006, significant revisions to estimated cash flows used in determining the recognized asset retirement obligations were adjusted by $7.3 million at Tampa Electric Company. The amount is related to the increased cost of removal of materials used in the generation and transmission of electricity. For years ended Dec. 31, 2005 and 2004, accretion expense was immaterial and no significant revisions to estimated cash flows were necessary.

In the fourth quarter of 2005, Tampa Electric recorded an increase to net property, plant and equipment of $3.6 million (net of accumulated depreciation of $0.4 million), an increase to regulatory assets of $2.7 million and an increase to asset retirement obligations of $18.3 million (including $12.1 million reclassified from a regulatory liability) as a result of the adoption of FIN 47.

Reconciliation of beginning and ending carrying amount of asset retirement obligations:

	Dec. 31,	
(in millions)	*2006*	*2005*
Beginning Balance	$ 18.6	$ 0.3
Revisions to estimated cash flows	7.3	-
Implementation of FIN 47	-	18.3
Other[1]	0.6	-
Ending Balance	$ 26.5	$ 18.6

(1) Accretion expense recorded as a deferred regulatory asset.

As regulated utilities, Tampa Electric and PGS must file depreciation and dismantlement studies periodically and receive approval from the FPSC before implementing new depreciation rates. Included in approved depreciation rates is either an implicit net salvage factor or a cost of removal factor, expressed as a percentage. The net salvage factor is principally comprised of two components – a salvage factor and a cost of removal or dismantlement factor. The company uses current cost of removal or dismantlement factors as part of the estimation method to approximate the amount of cost of removal in accumulated depreciation.

12. Derivatives and Hedging

Tampa Electric Company enters into futures, forwards, swaps and option contracts to limit the exposure to interest on variable rate debt and price fluctuations for physical purchases and sales of natural gas in the course of normal operations. The company uses derivatives only to reduce normal operating and market risks, not for speculative purposes. The company's primary objective is to reduce the impact of market price volatility on ratepayers, and uses derivative instruments primarily to optimize the value of physical assets, including generation capacity and natural gas delivery.

The risk management policies adopted by the company provide a framework through which management monitors various

risk exposures. Daily and periodic reporting of positions and other relevant metrics are performed by a centralized risk management group which is independent of all operating companies.

The company applies the provisions of FAS 133, *Accounting for Derivative Instruments and Hedging Activities, as amended by FAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activity* and FAS 149, *Amendment on Statement 133 on Derivative Instruments and Hedging Activities*. These standards require companies to recognize derivatives as either assets or liabilities in the financial statements, to measure those instruments at fair value, and to reflect the changes in the fair value of those instruments as either components of other comprehensive income (OCI) or in net income, depending on the designation of those instruments. The changes in fair value that are recorded in OCI are not immediately recognized in current net income. As the underlying hedged transaction matures or the physical commodity is delivered, the deferred gain or the loss on the related hedging instrument must be reclassified from OCI to earnings based on its value at the time of its reclassification. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the amount paid or received on the underlying physical transaction. Additionally, amounts deferred in OCI related to an effective designated cash flow hedge must be reclassified to current earnings if the anticipated hedged transaction is no longer probable of occurring.

As a result of applying the provisions of FAS 71, the change in value of these derivatives is recorded as regulatory assets or liabilities to reflect the impact in the fuel recovery clause and not OCI as is the case with non-regulated entities (see **Note 3**). At Dec. 31, 2006 and 2005, respectively, the company had net derivative (liabilities) assets of $(73.8) million and $62.8 million. For the years ended Dec. 31, 2006, 2005 and 2004, after-tax gains of $42.6 million, $40.1 million and $5.4 million, respectively, were reclassed from regulatory liabilities.

Based on the fair values of derivatives at Dec. 31, 2006, pretax losses of $70.2 million are expected to be reversed from regulatory assets or liabilities to the Consolidated Statements of Income within the next twelve months. However, these gains and other future reclassifications from regulatory assets or liabilities will fluctuate with movements in the underlying market price of the derivative instruments. The company does not currently have any cash flow hedges for transactions forecasted to take place in periods subsequent to 2008.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Item 9A. CONTROLS AND PROCEDURES.

TECO Energy, Inc.

Conclusions Regarding Effectiveness of Disclosure Controls and Procedures.

TECO Energy's management, with the participation of its principal executive officer and principal financial officer, has evaluated the effectiveness of TECO Energy's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report (the "Evaluation Date"). Based on such evaluation, TECO Energy's principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, TECO Energy's disclosure controls and procedures are effective.

Management's Report on Internal Control over Financial Reporting.

Management's Report on Internal Control Over Financial Reporting is on page 76 of this report.

Management's assessment of the effectiveness of TECO Energy, Inc.'s internal control over financial reporting as of Dec. 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, as stated in their report which is on pages 76 and 77 of this report.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting.

There was no change in TECO Energy's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of TECO Energy's internal controls that occurred during TECO Energy's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, such controls.

Tampa Electric Company

Conclusions Regarding Effectiveness of Disclosure Controls and Procedures.

Tampa Electric Company's management, with the participation of its principal executive officer and principal financial officer, has evaluated the effectiveness of Tampa Electric Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report (the "Evaluation Date"). Based on such evaluation, Tampa Electric Company's principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, Tampa Electric Company's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting.

There was no change in Tampa Electric Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of Tampa Electric Company's internal controls that occurred during Tampa Electric Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, such controls.

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

(a) The information required by Item 10 with respect to the directors of the registrant is included under the caption "Election of Directors" in TECO Energy's definitive proxy statement for its Annual Meeting of Shareholders to be held on May 2, 2007 (Proxy Statement) and is incorporated herein by reference.

(b) The information required by Item 10 concerning executive officers of the registrant is included under the caption "Executive Officers of the Registrant" on page 30 of this report.

(c) The information required by Item 10 concerning Section 16(a) Beneficial Ownership Reporting Compliance is included under that caption in the Proxy Statement and is incorporated herein by reference.

(d) Information regarding TECO Energy's Audit Committee, including the committee's financial experts, is included under the caption "Committees of the Board" in the Proxy Statement, and is incorporated herein by reference.

(e) TECO Energy has adopted a code of ethics applicable to all of its employees, officers and directors. The text of the *Standards of Integrity* is available in the Investors section of the company's website at www.tecoenergy.com. Any amendments to or waivers of the *Standards of Integrity* for the benefit of any executive officer or director will also be posted on the website.

Item 11. EXECUTIVE COMPENSATION.

The information required by Item 11 is included in the Proxy Statement beginning with the caption "Compensation Discussion and Analysis" and ending with "Post-Termination Benefits" just above the caption "Ratification of Appointment of Auditor", and under the caption "Compensation of Directors" and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by Item 12 is included under the caption "Share Ownership" in the Proxy Statement, and is incorporated herein by reference.

Equity Compensation Plan Information

(thousands, except per share price)	*(a)*	*(b)*	*(c)*
Plan Category	*Number of securities to be issued upon exercise of outstanding options, warrants and rights*[1]	*Weighted-average exercise price of outstanding options, warrants and rights*	*Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)*[2]
Equity compensation plans/arrangements approved by the stockholders			
2004 Equity Incentive Plan	9,806	$ 20.30	7,543
1997 Director Equity Plan	221	$ 20.99	186
	10,027	$ 20.32	7,729
Equity compensation plans/arrangements not approved by the stockholders			
None	—	—	—
Total	10,027	$ 20.32	7,729

(1) The reported amount for the 2004 Equity Incentive Plan excludes performance shares which have been issued or may potentially be issued due to performance, subject to a performance-based vesting schedule. Because of the nature of these awards, these shares have also not been taken into account in calculating the weighted-average exercise price under column (b) of this table.

(2) The reported amount for the 2004 Equity Incentive Plan includes shares which may be issued as restricted stock, performance shares, performance-accelerated restricted stock, bonus stock, phantom stock, performance units, dividend equivalents and other forms of award available for grant under the plan.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by Item 13 is included under the captions "Certain Relationships and Related Person Transactions" and "Director Independence" in the Proxy Statement, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by Item 14 for TECO Energy is included under the caption "Item 2 – Ratification of Appointment of Auditor" in the Proxy Statement and is incorporated herein by reference.

Tampa Electric Company incurred $0.8 million and $1.0 million in audit related fees rendered by PricewaterhouseCoopers in 2006 and 2005, respectively, including $0.3 million and $0.4 million in 2006 and 2005, respectively, related to Sarbanes-Oxley. No other fees were incurred at Tampa Electric Company in those years, for services rendered by PricewaterhouseCoopers.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) **Certain Documents Filed as Part of this Form 10-K**

1. Financial Statements
   - TECO Energy, Inc. Financial Statements – See index on page 75
   - Tampa Electric Company Financial Statements – See index on page 127
2. Financial Statement Schedules
   - Condensed Parent Company Financial Statements Schedule I – pages 159-162
   - TECO Energy, Inc. Schedule II – page 163
   - Tampa Electric Company Schedule II – page 164
3. Exhibits – See index beginning on page 168

(b) The exhibits filed as part of this Form 10-K are listed on the Exhibit Index immediately preceding such Exhibits. The Exhibit Index is incorporated herein by reference.

(c) The financial statement schedules filed as part of this Form 10-K are listed in paragraph (a)(2) above, and follow immediately.

SCHEDULE I – CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

TECO ENERGY, INC.
PARENT COMPANY ONLY
Condensed Balance Sheets

Assets (millions)	*Dec. 31, 2006*	*Dec. 31, 2005*
Current assets		
Cash and cash equivalents	$ 402.3	$ 330.0
Restricted cash	7.1	7.3
Advances to affiliates	377.7	400.4
Accounts receivable from affiliates	5.2	2.8
Other current assets	8.0	6.8
Total current assets	800.3	747.3
Other assets		
Investment in subsidiaries	2,403.1	2,533.9
Deferred income taxes	2,058.5	1,801.7
Other assets	17.2	24.5
Total other assets	4,478.8	4,360.1
Total assets	$ 5,279.1	$ 5,107.4
Liabilities and capital		
Current liabilities		
Long-term debt, current	$ 371.4	$ —
Accounts payable to affiliates	1.3	0.8
Accounts payable	6.7	24.2
Interest payable	20.5	21.7
Taxes accrued	578.3	578.8
Other current liabilities	0.5	(0.5)
Total current liabilities	978.7	625.0
Other liabilities		
Advances from affiliates	358.8	316.1
Deferred income taxes	568.2	399.1
Long-term debt		
Junior subordinated	—	177.7
Others	1,600.8	1,900.6
Other liabilities	21.2	97.2
Total other liabilities	2,549.0	2,890.7
Capital		
Common equity	209.5	208.2
Additional paid in capital	1,466.3	1,527.0
Retained earnings (deficit)	83.7	(83.1)
Accumulated other comprehensive income	(8.1)	(51.1)
Common equity	1,751.4	1,601.0
Unearned compensation	—	(9.3)
Total capital	1,751.4	1,591.7
Total liabilities and capital	$ 5,279.1	$ 5,107.4

The accompanying notes are an integral part of the condensed financial statements.

SCHEDULE I – CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

TECO ENERGY, INC.
PARENT COMPANY ONLY
Condensed Statements of Income

For the years ended Dec. 31, (millions)	*2006*	*2005*	*2004*
Revenues	$ —	$ —	$ 1.7
Expenses			
Administrative and general expenses	6.8	10.1	19.4
Restructuring charges	—	0.1	—
Total expenses	6.8	10.2	19.4
Income from operations	(6.8)	(10.2)	(17.7)
Loss on debt extinguishment	(2.5)	(74.2)	(4.4)
Earnings (losses) from investments in subsidiaries	319.4	433.6	(470.3)
Interest income (expense)			
Interest income			
Affiliates	23.1	36.8	78.2
Others	20.3	9.6	—
Interest expense			
Affiliates	—	—	(29.6)
Others	(148.7)	(166.7)	(178.9)
Total interest expense	(105.3)	(120.3)	(130.3)
Income (loss) before income taxes	204.8	228.9	(622.7)
(Benefit) for income taxes	(41.5)	(45.6)	(70.7)
Net income (loss)	$ 246.3	$ 274.5	$ (552.0)

The accompanying notes are an integral part of the condensed financial statements.

SCHEDULE I – CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

TECO ENERGY, INC.
PARENT COMPANY ONLY
Condensed Statements of Cash Flows

For the years ended Dec. 31, (millions)	*2006*	*2005*	*2005*
Cash flows from operating activities	$ 10.2	$ (59.9)	$ 91.7
Cash flows from investing activities			
Restricted cash	0.1	(0.3)	—
Investment in subsidiaries	(43.3)	—	28.7
Dividends from subsidiaries	282.3	275.6	219.4
Net change in affiliate advances	75.4	189.7	32.9
Cash flows from investing activities	314.5	465.0	281.0
Cash flows from financing activities			
Dividends to shareholders	(158.7)	(157.7)	(145.2)
Common stock	12.5	196.4	10.2
Proceeds from long-term debt – others	—	297.8	—
Repayment of long-term debt – others	(106.2)	(480.0)	(122.7)
Early exchange of equity units	—	—	(17.7)
Net decrease in short-term debt	—	—	(37.5)
Equity contract adjustment payments	—	(2.0)	(17.4)
Cash flows from financing activities	(252.4)	(145.5)	(330.3)
Net increase in cash and cash equivalents	72.3	259.6	42.4
Cash and cash equivalents at beginning of period	330.0	70.4	28.0
Cash and cash equivalents at end of period	$ 402.3	$ 330.0	$ 70.4

The accompanying notes are an integral part of the condensed financial statements.

SCHEDULE I – CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

TECO ENERGY, INC.
PARENT COMPANY ONLY
NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

TECO Energy, Inc., on a stand alone basis, (the parent company) has accounted for majority-owned subsidiaries using the equity basis of accounting. These financial statements are presented on a condensed basis. Additional disclosures relating to the parent company financial statements are included under the TECO Energy **Notes to Consolidated Financial Statements**, which information is hereby incorporated by reference.

The use of estimates is inherent in the preparation of financial statements in accordance with generally accepted accounting principles. Actual results could differ from those estimates.

2. Long-term Obligations

See **Note 7** to the TECO Energy **Consolidated Financial Statements** for a description and details of long-term debt obligations of the parent company.

3. Commitments and Contingencies

See **Note 12** to the TECO Energy **Consolidated Financial Statements** for a description of all material contingencies and guarantees outstanding of the parent company.

4. Subsequent Events

Settlement of the Securities Class Action and Derivative Suits

During the scheduled mediation on Feb. 16, 2007, the company reached an agreement in principle to settle the shareholder securities class action lawsuit ("class action suit") and, at the same time, the company's officers and directors settled the shareholder derivative lawsuit ("derivative suit") pending in the Federal District Court in Tampa, Florida and the Florida State Circuit Court for the 13th Circuit in Tampa, respectively, both relating to merchant power activities during 2001 and 2002. See **Note 22** to the TECO Energy Consolidated Financial Statements for further discussion of this subsequent event.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

TECO ENERGY, INC.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
For the Years Ended Dec. 31, 2006, 2005 and 2004
(millions)

	Balance at Beginning of Period	Additions		Payments & Deductions [1]	Balance at End of Period
		Charged to Income	Other Charges		
Allowance for Uncollectible Accounts:					
2006	$ 6.9	$ 6.9	$ —	$ 9.2	$ 4.6
2005	$ 8.0	$ 7.0	$ —	$ 8.1	$ 6.9
2004	$ 4.5	$ 8.4 [2]	$ 0.4	$ 5.3	$ 8.0

(1) Write-off of individual bad debt accounts
(2) Includes $3.1 million charged to discontinued operations for asset impairments for BCH

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

TAMPA ELECTRIC COMPANY
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
For the Years Ended Dec. 31, 2006, 2005 and 2004
(millions)

	Balance at Beginning of Period	Additions		Payments & Deductions [1]	Balance at End of Period
		Charged to Income	Other Charges		
Allowance for Uncollectible Accounts:					
2006	$ 1.3	$ 6.3	$ —	$ 6.4	$ 1.2
2005	$ 1.0	$ 6.8	$ —	$ 6.5	$ 1.3
2004	$ 1.1	$ 4.7	$ —	$ 4.8	$ 1.0

(1) Write-off of individual bad debt accounts

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TECO ENERGY, INC.

Dated: February 28, 2007

By: /s/ S. W. HUDSON

S. W. HUDSON, Chairman of the Board,
Director and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on February 28, 2007:

Signature	Title
/s/ S. W. HUDSON S. W. HUDSON	Chairman of the Board, Director and Chief Executive Officer (Principal Executive Officer)
/s/ G. L. GILLETTE G. L. GILLETTE	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ S. W. CALLAHAN S. W. CALLAHAN	Vice President-Treasury and Risk Management (Principal Accounting Officer)

Signature	Title	Signature	Title
/s/ C. D. AUSLEY C. D. AUSLEY	Director	/s/ W. D. ROCKFORD W. D. ROCKFORD	Director
/s/ S. L. BALDWIN S. L. BALDWIN	Director	/s/ W. P. SOVEY W. P. SOVEY	Director
/s/ J. L. FERMAN, JR. J. L. FERMAN, JR.	Director	/s/ J. T. TOUCHTON J. T. TOUCHTON	Director
/s/ L. GUINOT, JR. L. GUINOT, JR.	Director	/s/ J. P. LACHER J. P. LACHER	Director
/s/ L.A. PENN L.A. PENN	Director	/s/ P. L. WHITING P. L. WHITING	Director
/s/ T. L. RANKIN T. L. RANKIN	Director		

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAMPA ELECTRIC COMPANY

Dated: February 28, 2007

By: /s/ S. W. HUDSON

S. W. HUDSON, Chairman of the Board,
Director and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on February 28, 2007:

Signature	Title
/s/ S. W. HUDSON S. W. HUDSON	Chairman of the Board, Director and Chief Executive Officer (Principal Executive Officer)
/s/ G. L. GILLETTE G. L. GILLETTE	Senior Vice President-Finance and Chief Financial Officer (Principal Financial Officer)
/s/ P. L. BARRINGER P. L. BARRINGER	Chief Accounting Officer (Principal Accounting Officer)

Signature	Title	Signature	Title
/s/ C. D. AUSLEY C. D. AUSLEY	Director	/s/ W. D. ROCKFORD W. D. ROCKFORD	Director
/s/ S. L. BALDWIN S. L. BALDWIN	Director	/s/ W. P. SOVEY W. P. SOVEY	Director
/s/ J. L. FERMAN, JR. J. L. FERMAN, JR.	Director	/s/ J. T. TOUCHTON J. T. TOUCHTON	Director
/s/ L. GUINOT, JR. L. GUINOT, JR.	Director	/s/ J. P. LACHER J. P. LACHER	Director
/s/ L.A. PENN L.A. PENN	Director	/s/ P. L. WHITING P. L. WHITING	Director
/s/ T. L. RANKIN T. L. RANKIN	Director		

Supplemental Information to Be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act

No annual report or proxy material has been sent to Tampa Electric Company's security holders because all of its equity securities are held by TECO Energy, Inc.

INDEX TO EXHIBITS

Exhibit No.	Description	
2.1.1	Purchase and Sales Agreement, dated as of Dec. 1, 2004, by and among TPS Tejas GP, LLC and TPS Tejas LP, LLC as the Sellers, and Frontera Generation GP, Inc. and Centrica US Holdings Inc. as the Purchasers. (Exhibit 2.1, Form 8-K dated Dec. 22, 2004 of TECO Energy, Inc.) (Portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended, and the omitted material has been separately filed with the Securities and Exchange Commission.).	*
2.1.2	Amendment No. 1, dated Dec. 22, 2004, to Purchase and Sales Agreement, by and among TPS Tejas GP, LLC and TPS Tejas LP, LLC as the Sellers, and Frontera Generation GP, Inc. and Centrica US Holdings Inc. as the Purchasers (Exhibit 2.2, Form 8-K dated Dec. 22, 2004 of TECO Energy, Inc.).	*
2.2	Stock Purchase Agreement dated as of Dec. 31, 2004, by and between TECO Solutions, Inc. as Seller, and BCH Holdings, Inc. as Purchaser (Exhibit 2.1, Form 8-K dated Jan. 7, 2005 of TECO Energy, Inc.).	*
3.1	Articles of Incorporation of TECO Energy, Inc., as amended on Apr. 20, 1993 (Exhibit 3, Form 10-Q for the quarter ended Mar. 31, 1993 of TECO Energy, Inc.).	*
3.2	Bylaws of TECO Energy, Inc., as amended effective Jul. 6, 2004 (Exhibit 3.2 to Registration Statement No. 333-117701 of TECO Energy, Inc.).	*
3.3	Articles of Incorporation of Tampa Electric Company (Exhibit 3 to Registration Statement No. 2-70653 of Tampa Electric Company).	*
3.4	Bylaws of Tampa Electric Company, as amended effective Apr. 16, 1997 (Exhibit 3 Form 10-Q for the quarter ended Jun. 30, 1997 of Tampa Electric Company).	*
4.1.1	Installment Purchase Contract between the Hillsborough County Industrial Development Authority and Tampa Electric Company, dated as of Jan. 31, 1984 (Exhibit 4.13, Form 10-K for 1993 of TECO Energy, Inc.).	*
4.1.2	First Supplemental Installment Purchase Contract between Hillsborough County Industrial Development Authority and Tampa Electric Company, dated as of Aug. 2, 1984 (Exhibit 4.14, Form 10-K for 1994 of TECO Energy, Inc.).	*
4.1.3	Second Supplemental Installment Purchase Contract between Hillsborough County Industrial Development Authority and Tampa Electric Company, dated as of Jul. 1, 1993 (Exhibit 4.3, Form 10-Q for the quarter ended Jun. 30, 1993 of TECO Energy, Inc.).	*
4.2	Loan and Trust Agreement among the Hillsborough County Industrial Development Authority, Tampa Electric Company and NCNB National Bank of Florida, as trustee, dated as of Sep. 24, 1990 (Exhibit 4.1, Form 10-Q for the quarter ended Sep. 30, 1990 of TECO Energy, Inc.).	*
4.3	Loan and Trust Agreement among the Hillsborough County Industrial Development Authority, Tampa Electric Company and NationsBank of Florida, N.A., as trustee, dated as of Oct. 26, 1992 (Exhibit 4.2, Form 10-Q for the quarter ended Sep. 30, 1992 of TECO Energy, Inc.).	*
4.4	Loan and Trust Agreement among the Hillsborough County Industrial Development Authority, Tampa Electric Company and NationsBank of Florida, N.A., as trustee, dated as of Jun. 23, 1993 (Exhibit 4.2, Form 10-Q for the quarter ended Jun. 30, 1993 of TECO Energy, Inc.).	*
4.5	Loan and Trust Agreement among the Polk County Industrial Development Authority, Tampa Electric Company and The Bank of New York, as trustee, dated as of Dec. 1, 1996 (Exhibit 4.22, Form 10-K for 1996 of TECO Energy, Inc.).	*
4.6	Loan and Trust Agreement among Hillsborough County Industrial Development Authority, Tampa Electric Company and The Bank of New York Trust Company of Florida, N.A., as trustee, dated as of Jun. 1, 2002. (Exhibit 4.5, Amendment No. 1 to Form 10-K for 2004 of TECO Energy, Inc.).	*
4.7	Loan and Trust Agreement among Hillsborough County Industrial Development Authority, Tampa Electric Company and The Bank of New York Trust Company, N.A., as trustee, dated as of Jan. 5, 2006 (including the form of bond) (Exhibit 4.1, Form 8-K dated Jan. 19, 2006 of Tampa Electric Company).	*
4.8	Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of Jul. 1, 1998 (Exhibit 4.1, Registration Statement No. 333-55873 of Tampa Electric Company).	*
4.9	Third Supplemental Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of Jun. 15, 2001 (Exhibit 4.2, Form 8-K dated Jun. 25, 2001 of Tampa Electric Company).	*
4.10	Fourth Supplemental Indenture between Tampa Electric Company and The Bank of New York,	*

	as trustee, dated as of Aug. 15, 2002 (Exhibit 4.2, Form 8-K dated Aug. 26, 2002 of Tampa Electric Company).	
4.11.1	Fifth Supplemental Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of May 1, 2006 (Exhibit 4.16, Form 8-K dated May 12, 2006 of Tampa Electric Company).	*
4.11.2	6.55% Notes due 2036 (Exhibit 4.17, Form 8-K dated May 12, 2006 of Tampa Electric Company).	*
4.12	Amended and Restated Note Agreement dated as of May 30, 1997 between Tampa Electric Company (successor by merger to Peoples Gas System, Inc.) and The Prudential Insurance Company of America (Exhibit 4.2, Form 8-K dated Dec. 15, 2004 of TECO Energy, Inc.).	*
4.13	Letter Amendment No. 1 dated as of Dec. 9, 2004 to the Amended and Restated Note Agreement dated as of May 30, 1997 between Tampa Electric Company (successor by merger to Peoples Gas System, Inc.) and The Prudential Insurance Company of America (Exhibit 4.1, Form 8-K dated Dec. 15, 2004 of TECO Energy, Inc., and Tampa Electric Company).	*
4.14	Note Purchase Agreement among Tampa Electric Company and the Purchasers party thereto, dated as of Apr. 11, 2003 (Exhibit 10.1, Form 8-K dated Apr. 14, 2003 of Tampa Electric Company).	*
4.15	Indenture between TECO Energy, Inc. and The Bank of New York, as trustee, dated as of Aug. 17, 1998 (Exhibit 4.1, Form 8-K dated Sep. 20, 2000 of TECO Energy, Inc.).	*
4.16.1	Third Supplemental Indenture dated as of Dec. 1, 2000 between TECO Energy, Inc. and The Bank of New York, as trustee (Exhibit 4.21, Form 8-K dated Dec. 21, 2000 of TECO Energy, Inc.).	*
4.16.2	Amended and Restated Limited Liability Company Agreement of TECO Funding Company I, LLC dated as of Dec. 1, 2000 (Exhibit 4.24, Form 8-K dated Dec. 21, 2000 of TECO Energy, Inc.).	*
4.16.3	Amended and Restated Trust Agreement of TECO Capital Trust I among TECO Funding Company I, LLC, The Bank of New York and The Bank of New York (Delaware) dated as of Dec. 1, 2000 (Exhibit 4.22, Form 8-K dated Dec. 21, 2000 of TECO Energy, Inc.).	*
4.16.4	Guaranty Agreement between TECO Energy, Inc. and The Bank of New York, as trustee, dated of Dec. 1, 2000 (Exhibit 4.25, Form 8-K dated Dec. 21, 2000 of TECO Energy, Inc.).	*
4.17	Fourth Supplemental Indenture dated as of Apr. 30, 2001 between TECO Energy, Inc. and The Bank of New York, as trustee (Exhibit 4.28, Form 8-K dated May 1, 2001 of TECO Energy, Inc.).	*
4.18	Fifth Supplemental Indenture dated as of Sep. 10, 2001 between TECO Energy, Inc. and The Bank of New York, as trustee (Exhibit 4.16, Form 8-K dated Sep. 26, 2001 of TECO Energy, Inc.).	*
4.19.1	Sixth Supplemental Indenture dated as of Jan. 15, 2002 between TECO Energy, Inc. and The Bank of New York, as trustee (Exhibit 4.28, Form 8-K dated Jan. 15, 2002 of TECO Energy, Inc.).	*
4.19.2	Amended and Restated Trust Agreement of TECO Capital Trust II among TECO Funding Company II, LLC, The Bank of New York and The Bank of New York (Delaware), dated as of Jan. 15, 2002 (Exhibit 4.31, Form 8-K dated Jan. 15, 2002 of TECO Energy, Inc.).	*
4.19.3	Amended and Restated Limited Liability Agreement of TECO Funding Company II, LLC, dated as of Jan. 15, 2002 (Exhibit 4.33, Form 8-K dated Jan. 15, 2002 of TECO Energy, Inc.).	*
4.19.4	Guarantee Agreement by and between TECO Energy, Inc., as Guarantor and The Bank of New York, dated as of Jan. 15, 2002 (Exhibit 4.35, Form 8-K dated Jan. 15, 2002 of TECO Energy, Inc.	*
4.20	Seventh Supplemental Indenture dated as of May 1, 2002 between TECO Energy, Inc. and The Bank of New York, as trustee (Exhibit 4.15, Form 8-K dated May 13, 2002 of TECO Energy, Inc.).	*
4.21	Ninth Supplemental Indenture dated as of Jun. 10, 2003 between TECO Energy, Inc. and The Bank of New York, as trustee (Exhibit 4.15, Form 8-K dated Jun. 13, 2003 of TECO Energy, Inc.).	*
4.22	Tenth Supplemental Indenture dated as of May 26, 2005 between TECO Energy, Inc. and The Bank of New York, as trustee (including the form of 6.75% Note) (Exhibit 4.1, Form 8-K dated May 26, 2005 of TECO Energy, Inc.).	*
4.23	Eleventh Supplemental Indenture dated as of Jun. 7, 2005 between TECO Energy, Inc. and The Bank of New York, as trustee (including the form of Floating Rate Note) (Exhibit 4.1, Form 8-K dated Jun. 7, 2005 of TECO Energy, Inc.).	*
4.24	Installment Sales Agreement between the Plaquemines Port, Harbor and Terminal District (Louisiana) and Electro-Coal Transfer Corporation, dated as of Sep. 1, 1985 (Exhibit 4.19, Form 10-K for 1986 of TECO Energy, Inc.).	*
4.25	First Supplemental Installment Sales Agreement, between Plaquemines Port, Harbor, and Terminal District (Louisiana) and Electro-Coal Transfer Corporation, dated Dec. 20, 2000 (Exhibit 4.20, Form 10-K for 2000 of TECO Energy, Inc.).	*
4.26	Amended and Restated Reimbursement Agreement between TECO Energy, Inc. and Electro-Coal Transfer LLC, dated as of Apr. 5, 2001 (Exhibit 4.1, Form 8-K date Apr. 5, 2001 of TECO Energy, Inc.).	*
4.27	Renewed Rights Agreement between TECO Energy, Inc. and The Bank of New York., as Rights Agent, as amended and restated as of Feb. 2, 2004 (Exhibit 1, Form 8-A/A, of TECO Energy, Inc. filed on Feb. 23, 2004).	*

10.1.1	TECO Energy Group Supplemental Executive Retirement Plan, as amended and restated as of Jul. 1, 1998, as further amended as of Jul. 15, 1998. (Exhibit 10.1, Form 10-K for 2001 of TECO Energy, Inc.).	*
10.1.2	First Amendment to TECO Energy Group Supplemental Executive Retirement Plan, dated as of May 26, 2005. (Exhibit 10.1.2, Form 10-K for 2005 of TECO Energy, Inc.)	*
10.2	TECO Energy Group Supplemental Disability Income Plan, dated as of Mar. 20, 1998 (Exhibit 10.22, Form 10-K for 1998 of TECO Energy, Inc.).	*
10.3	TECO Energy Group Supplemental Retirement Benefits Trust Agreement, as amended and restated as of Jan. 1, 1998, as further amended as of Jul. 15, 1998. (Exhibit 10.2, Form 10-K for 2001 of TECO Energy, Inc.).	*
10.4	Annual Incentive Compensation Plan for TECO Energy and subsidiaries, revised as of Jan. 31, 2007.	
10.5	Form of Change-in-Control Severance Agreement between TECO Energy, Inc. and Executive Officers. (Exhibit 10.5, Form 10-K for 2005 of TECO Energy, Inc.)	*
10.6	TECO Energy Directors' Deferred Compensation Plan, as amended and restated effective as of Apr. 1, 1994 (Exhibit 10.1, Form 10-Q for the quarter ended Mar. 31, 1994 of TECO Energy, Inc.)	*
10.7	Form of Nonstatutory Stock Option under the TECO Energy, Inc. 1996 Equity Incentive Plan (and its successor plan) (Exhibit 10.5, Form 10-Q for the quarter ended Jun. 30, 1999 of TECO Energy, Inc.).	*
10.8	TECO Energy, Inc. 1997 Director Equity Plan (Exhibit 10.1, Form 8-K dated Apr. 16, 1997 of TECO Energy, Inc.).	*
10.9	Form of Nonstatutory Stock Option under the TECO Energy, Inc. 1997 Director Equity Plan, dated as of Jan. 29, 2003 (Exhibit 10.28, Form 10-K for 2002 of TECO Energy, Inc.).	*
10.10	Form of Restricted Stock Agreement under the TECO Energy, Inc. 1997 Director Equity Plan (Exhibit 10.3, Form 10-Q for the quarter ended Jun. 30, 2006 of TECO Energy, Inc.).	*
10.11	TECO Energy, Inc. 2004 Equity Incentive Plan (Exhibit 10.2, Form 10-Q for the quarter ended Mar. 31, 2004 of TECO Energy, Inc.).	*
10.12	Form of Restricted Stock Agreement between TECO Energy, Inc. and certain officers under the TECO Energy, Inc. 2004 Equity Incentive Plan.	
10.13	Form of Performance Shares Agreement between TECO Energy, Inc. and certain officers under the TECO Energy, Inc. 2004 Equity Incentive Plan (Exhibit 10.19, Form 10-K for 2004 of TECO Energy, Inc.).	*
10.14	Form of Performance Shares Agreement between TECO Energy, Inc. and certain officers under the TECO Energy, Inc. 2004 Equity Incentive Plan (Exhibit 10.2, Form 10-Q for the quarter ended Jun. 30, 2006 of TECO Energy, Inc.).	*
10.15	Nonstatutory Stock Option granted to S. W. Hudson, dated as of Jul. 6, 2004, under the TECO Energy, Inc. 2004 Equity Incentive Plan (Exhibit 10.1, Form 10-Q for the quarter ended Jun. 30, 2004 of TECO Energy, Inc.).	*
10.16	Form of Restricted Stock Agreement between TECO Energy, Inc. and S. W. Hudson under the TECO Energy, Inc. 2004 Equity Incentive Plan. (Exhibit 10.16, Form 10-K for 2005 of TECO Energy, Inc.)	*
10.17.1	Compensatory Arrangements with Executive Officers of TECO Energy, Inc.	
10.17.2	Compensatory Arrangements with Directors of TECO Energy, Inc. (Exhibit 10.10.2, Form 10-K for 2005 of TECO Energy, Inc.)	*
10.18	Insurance Agreement dated as of Jan. 5, 2006 between Tampa Electric Company and Ambac Assurance Corporation (Exhibit 10.1, Form 8-K dated Jan. 19, 2006 of Tampa Electric Company).	*
10.19	Amended and Restated Construction Contract Undertaking by TECO Energy, Inc. in favor of Union Power Partners, L.P., as Borrower, and Citibank, N.A., as Administrative Agent under the Union Power Project Credit Agreement, dated as of May 14, 2002 (Exhibit 99.5 to Registration Statement No. 333-102019 of TECO Energy, Inc.).	*
10.20	Amended and Restated Construction Contract Undertaking by TECO Energy, Inc. in favor of Panda Gila River, L.P., as Borrower, and Citibank. N.A., as Administrative Agent under the Gila River Project Credit Agreement, dated as of May 14, 2002 (Exhibit 99.4 to Registration Statement No. 333-102019 of TECO Energy, Inc.).	*
10.21	Consent and Acceleration Agreement dated as of Feb. 7, 2002 by and among TECO Power Services Corporation, TECO Energy, Inc., TPS GP, Inc., TPS LP, Inc., Panda GS V, LLC, Panda GS VI, LLC, Panda Energy International, Inc. and Bayerische Hypo-Und Vereinsbank AG, New York Branch (Exhibit 10.38, Form 10-K for 2002 of TECO Energy, Inc.).	*
10.22	Suspension of Rights and Amendment Agreement dated Oct. 22, 2003, by and among Union Power Partners, L.P., and Panda Gila River, L.P., as Borrowers, TECO Energy, Inc., Societe Generale, as	*

	LC Bank, and Citibank, NA, as Administrative Agent (Exhibit 10.1, Form 10-Q for the quarter ended Sep. 30, 2003 of TECO Energy, Inc.).	
10.23	Excerpt of Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code of Union Power Partners, L.P., Panda Gila River, L.P., Trans-Union Interstate Pipeline, L.P., and UPP Finance Co., LLC, dated Feb. 2, 2005 (Exhibit 10.1, Form 8-K dated Jun. 1, 2005 of TECO Energy, Inc.).	*
10.24	Master Release Agreement and Amendment to Undertakings dated Jan. 24, 2005, by and among TECO-Panda Generating Company, L.P., TECO Energy Source, Inc., TECO Energy, Inc., Union Power I, LLC, Union Power II, LLC, Panda Gila River I, LLC, Panda Gila River II, LLC, Trans-Union Interstate I, LLC, Trans-Union Interstate II, LLC, Union Power Partners, L.P., Panda Gila River, L.P., Trans-Union Interstate Pipeline, L.P., UPP Finance Co., LLC, Citibank, N.A., as Administrative Agent; and the financial institutions named therein (Exhibit 10.2, Form 8-K dated Jun. 1, 2005 of TECO Energy, Inc.).	*
10.25	Representation and Indemnification Agreement dated as of Jun. 1, 2005 by and among Entegra Power Group LLC, Union Power LLC, Gila River Power LLC and Trans-Union Pipeline LLC, as Transferees, and TECO Energy, Inc. (Exhibit 10.3, Form 8-K dated Jun. 1, 2005 of TECO Energy, Inc.).	*
10.26.1	Agreement to Acquire and Charter dated as of Dec. 21, 2001, among GTC Connecticut Statutory Trust, as Shipowner, Fleet Capital Corporation, as Owner Participant, Gulfcoast Transit Company, as Seller and Charterer and TECO Energy, Inc., as Guarantor (Exhibit 10.34, Form 10-K for 2003 of TECO Energy, Inc.).	*
10.26.2	Demise charter dated as of Dec. 21, 2001, between State Street Bank And Trust Company of Connecticut, National Association, as trustee of the GTC Connecticut Statutory Trust, as Shipowner, and Gulfcoast Transit Company, as Charterer (Exhibit 10.35, Form 10-K for 2003 of TECO Energy, Inc.).	*
10.27.3	First Amendment to Demise Charter dated as of Jan. 18, 2002, between State Street Bank And Trust Company of Connecticut, National Association, as trustee of the GTC Connecticut Statutory Trust, as Shipowner, and Gulfcoast Transit Company, as Charterer (Exhibit 10.36, Form 10-K for 2003 of TECO Energy, Inc.).	*
10.27.4	First Modification Agreement, dated as of Mar. 12, 2004, among State Street Bank And Trust Company of Connecticut, National Association, solely as Trustee of GTC Connecticut Statutory Trust, as Shipowner, Fleet Capital Corporation, as Owner Participant, TECO Ocean Shipping, Inc., as Charterers, and TECO Energy, Inc., and TECO Transport Corporation, as Guarantors (Exhibit 10.43, Form 10-K for 2003 of TECO Energy, Inc.)	*
10.27.5	Amended and Restated Guarantee, dated as of Mar. 12, 2004, by TECO Energy, Inc., and TECO Transport Corporation, jointly and severally in favor of the Guaranteed Parties as defined therein (Exhibit 10.1, Form 10-Q for the quarter ended Mar. 31, 2004 of TECO Energy, Inc.).	*
10.28.1	Agreement to Acquire and Charter dated as of Dec. 30, 2002, among State Street Bank and Trust Company of Connecticut, National Association, as Trustee of TTC Trust, Ltd., as Shipowner, General Electric Capital Corporation, as Initial Owner Participant, TECO Barge Line, Inc., as Seller and Charterer, and TECO Energy, Inc. and TECO Transport Corporation, as Guarantors (Exhibit 10.38, Form 10-K for 2003 of TECO Energy, Inc.).	*
10.28.2	Demise charter dated as of Dec. 30, 2002, between State Street Bank And Trust Company of Connecticut, National Association, as trustee of TTC Trust, Ltd., as Shipowner, and TECO Barge Line, Inc., as Charterer (Exhibit 10.39, Form 10-K for 2003 of TECO Energy, Inc.).	*
10.28.3	Demise charter dated as of Dec. 30, 2002, between State Street Bank And Trust Company of Connecticut, National Association, as trustee of TTC Trust, Ltd., as Shipowner, and TECO Ocean Shipping, Inc., as Charterer (Exhibit 10.40, Form 10-K for 2003 of TECO Energy, Inc.).	*
10.28.4	First Modification Agreement dated as of Mar. 28, 2003, among State Street Bank and Trust Company of Connecticut, National Association, as trustee of TTC Trust, Ltd., as Shipowner, General Electric Capital Corporation, as Initial Owner Participant, TECO Shipping, Inc., and TECO Barge Line, Inc., as Charterers, and TECO Energy, Inc. and TECO Transport Corporation, as Guarantors (Exhibit 10.41, Form 10-K for 2003 of TECO Energy, Inc.).	*
10.28.5	Second Modification Agreement, dated as of Mar. 9, 2004, among State Street Bank And Trust Company of Connecticut, National Association, solely as Trustee of TTC Trust, Ltd., as Shipowner, General Electric Capital Corporation and OFS Marine One, Inc., as Owner Participants, TECO Ocean Shipping, Inc., and TECO Barge Line, Inc., as Charterers, and TECO Energy, Inc., and TECO Transport	*

	Corporation as Guarantors (Exhibit 10.44, Form 10-K for 2003 of TECO Energy, Inc.).	
10.29	Purchase and Sale Agreement dated as of Jan. 13, 2005, by and between TM Delmarva Power, L.L.C. as Seller, and TPF Chesapeake, LLC as Purchaser (Exhibit 10.1, Form 8-K dated Jan. 7, 2005 of TECO Energy, Inc.).	*
10.30	Registration Rights Agreement dated as of May 26, 2005 between TECO Energy, Inc. and UBS Securities LLC (as representative of the Purchasers named therein) (Exhibit 10.1, Form 8-K dated May 26, 2005 of TECO Energy, Inc.).	*
10.31	Registration Rights Agreement dated as of Jun. 7, 2005 between TECO Energy, Inc. and UBS Securities LLC (as representative of the Purchasers named therein) (Exhibit 10.1, Form 8-K dated Jun. 7, 2005 of TECO Energy, Inc.).	*
10.32	Asset Purchase and Sale Agreement dated as of Jun. 10, 2005 between TPS Dell, LLC and Associated Electric Cooperative, Inc. (Exhibit 10.1, Form 8-K dated Jun. 10, 2005 of TECO Energy, Inc.).	*
10.33	Amended and Restated Credit Agreement dated as of Oct. 11, 2005, among TECO Energy, Inc., as Borrower, TECO Finance, Inc., as LC Obligor, the Lenders and LC Issuing Banks named therein and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 4.1, Form 8-K dated Oct. 11, 2005 of TECO Energy, Inc. and Tampa Electric Company).	*
10.34	Amended and Restated Credit Agreement dated as of Oct. 11, 2005, among Tampa Electric Company, as Borrower, Citibank, N.A., as Administrative Agent, and the Lenders and LC Issuing Banks party thereto (Exhibit 4.2, Form 8-K dated Oct. 11, 2005 of TECO Energy, Inc. and Tampa Electric Company).	*
10.35.1	Purchase and Contribution Agreement dated as of Jan. 6, 2005, between Tampa Electric Company as the Originator and TEC Receivables Corporation as the Purchaser (Exhibit 4.1, Form 8-K dated Jan. 6, 2005 of TECO Energy, Inc. and Tampa Electric Company).	*
10.35.2	Loan and Servicing Agreement dated as of Jan. 6, 2005, among TEC Receivables Corp. as Borrower, Tampa Electric Company as Servicer, certain lenders named therein and Citicorp North America, Inc. as Program Agent (Exhibit 4.2, Form 8-K dated Jan. 6, 2005 of TECO Energy, Inc. and Tampa Electric Company).	*
12.1	Ratio of Earnings to Fixed Charges – TECO Energy, Inc.	
12.2	Ratio of Earnings to Fixed Charges – Tampa Electric Company.	
21	Subsidiaries of the Registrant.	
23.1	Consent of Independent Certified Public Accountants – TECO Energy, Inc.	
23.2	Consent of Independent Certified Public Accountants – Tampa Electric Company.	
23.3	Consent of Marshall Miller & Associates.	
31.1	Certification of the Chief Executive Officer of TECO Energy, Inc. pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.2	Certification of the Chief Financial Officer of TECO Energy, Inc. pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.3	Certification of the Chief Executive Officer of Tampa Electric Company pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.4	Certification of the Chief Financial Officer of Tampa Electric Company to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32.1	Certification of the Chief Executive Officer and Chief Financial Officer of TECO Energy, Inc. pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)	
32.2	Certification of the Chief Executive Officer and Chief Financial Officer of Tampa Electric Sarbanes-Oxley Act of 2002. (1)	

(1) This certification accompanies the Annual Report on Form 10-K and is not filed as part of it.

* Indicates exhibit previously filed with the Securities and Exchange Commission and incorporated herein by reference. Exhibits filed with periodic reports of TECO Energy, Inc. and Tampa Electric Company were filed under Commission File Nos. 1-8180 and 1-5007, respectively.

Certain instruments defining the rights of holders of long-term debt of TECO Energy, Inc. and its consolidated subsidiaries

authorizing in each case a total amount of securities not exceeding 10% of total assets on a consolidated basis are not filed herewith. TECO Energy, Inc. will furnish copies of such instruments to the Securities and Exchange Commission upon request.

Certain instruments defining the rights of holders of long-term debt of Tampa Electric Company authorizing in each case a total amount of securities not exceeding 10% of total assets on a consolidated basis are not filed herewith. Tampa Electric Company will furnish copies of such instruments to the Securities and Exchange Commission upon request.

Executive Compensation Plans and Arrangements

Exhibits 10.1 through 10.17 above are management contracts or compensatory plans or arrangements in which executive officers or directors of TECO Energy, Inc. participate.

TECO ENERGY, INC.

ANNUAL INCENTIVE COMPENSATION PLAN

REVISED AS OF JANUARY 31, 2007

ANNUAL INCENTIVE COMPENSATION PLAN

BASIC PLAN CONCEPT

The Annual Incentive Compensation Plan provides a consistent framework for applying annual incentive pay to officers of TECO Energy and each of its operating units. Each participant is assigned a target award amount, expressed as a percentage of annual salary, which will represent an appropriate incentive payment when performance is at the targeted level. Smaller awards may be earned when performance is below target, and larger awards may be earned when performance exceeds target.

Performance for each participant will be measured, in part, against a combination of one or more quantifiable profit and operational goals. These goals will be set at the corporate and operating levels, and most participants will have a portion of their awards related to each. The remaining portion of each participant's performance that is not measured by the quantified goals mentioned above will be evaluated on a subjective basis considering overall contribution level and achievement of other individual goals. Each participant will have a "Business Plan" goal, which will reflect the participant's contribution to (i) achieving initiatives in support of the business plan and (ii) overcoming any "business challenges" by: (a) mitigating the impact of unexpected adverse business or regulatory developments on the business unit or (b) enhancing profitability or capacity for profit, through effective management initiatives beyond those in the business plan.

ELIGIBILITY

All officers that are approved by the Chief Executive Officer of TECO Energy and the Compensation Committee of the TECO Energy Board (the "Compensation Committee") will be eligible to participate.

TARGET AWARD LEVELS

Target award levels are established at a level that, when combined with each participant's base salary, will provide a fully competitive total cash compensation opportunity. The incentive portion of the total compensation opportunity reflects compensation "at risk" which is directly related to performance and results achieved. Generally, the portion of compensation "at risk" (i.e., the target award level) is influenced by the level of the participant's accountability for contributing to bottom-line results, the degree of influence the participant has over results and competitive practice.

ESTABLISHING PERFORMANCE GOALS AND WEIGHTINGS

For each plan year, profit, growth and/or operational effectiveness goals will be established for TECO Energy and each of its operating units. Financial goals may measure performance relative to other companies over periods of one-year or longer.

For each financial goal the target level of performance, as well as threshold and maximum levels, will be approved by the Compensation Committee. Threshold performance represents the minimum

performance that still warrants incentive recognition for that particular goal (paid at 50 percent of the target award level), and maximum performance represents the highest level likely to be attained (paid at 150 percent of the target award level for all goals, except the Business Plan goal which can be paid up to 200 percent). Regardless of the degree of achievement of each established goal, the payout to all participants will be zero if TECO Energy's income threshold set for that year by the Compensation Committee is not achieved.

A determination will be made for each participant regarding their portion of the award that will be based on corporate, operating unit or individual performance. Generally, the weightings among these three measurement groups will vary by organizational level.

APPLICATION OF DISCRETION

While not anticipated to be a common occurrence, the Compensation Committee may occasionally decide that the plan formula would unduly penalize or reward management. In such cases, award funds may be increased or decreased to better meet the plan's intent of relating rewards to management performance.

AWARD DETERMINATION

At the end of each plan year, a four-step process will be followed in determining actual incentive awards.

Step 1: The actual degree of achievement for each goal at the corporate, operating unit and individual level is determined. Levels of achievement can range up to 200 percent for the Business Plan goal and up to 150 percent for all other goals.

Step 2: Corporate, operating unit and individual performance factors are determined by multiplying levels of goal achievement by the weightings assigned to each goal.

Step 3: The total of all performance factors is multiplied by the target award, producing the calculated award.

Step 4: The calculated award may be adjusted up or down by the Compensation Committee with respect to the senior officers and by the Chief Executive Officer of TECO Energy with respect to other officers, based on the participant's total performance during the plan year. The actual award, as so adjusted, may not exceed 150 percent of the target award level and will be approved by the Compensation Committee.

PLAN ADMINISTRATION

The Compensation Committee and the Chief Executive Officer of TECO Energy shall perform the respective functions set forth in this plan. The Compensation Committee may elect to discharge its responsibility in the form of recommendations to the TECO Energy Board. The Chief Human Resources Officer of TECO Energy is responsible for administering the plan.

OTHER CONSIDERATIONS

For any year in which a participant's employment is terminated or an officer first becomes eligible for participation in the plan, whether any incentive award shall be granted for that year and the amount of any such award shall be determined by the Compensation Committee with respect to senior officers and by the Chief Executive Officer of TECO Energy with respect to other officers. Any such determination by the Chief Executive Officer will be reported to the Compensation Committee at its next meeting.

Notwithstanding the foregoing, for any year in which a participant's employment terminates for any reason following a change in control of TECO Energy, as defined in the TECO Energy 2004 Equity Incentive Plan (or its successor), such participant shall be entitled to receive an incentive award equal to (a) the number of days employed during that year divided by 365 multiplied by (b) the greater of (i) the participant's target award for the year in which the change in control occurred or (ii) the incentive award actually paid to the participant with respect to the year immediately preceding the year in which the termination of employment occurred.

Exhibit 10.12

TECO ENERGY, INC.
2004 EQUITY INCENTIVE PLAN

Restricted Stock Agreement

TECO Energy, Inc. (the "Company") and _____ (the "Grantee") have entered into this Restricted Stock Agreement (the "Agreement") dated _____ under the Company's 2004 Equity Incentive Plan (the "Plan"). Capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

1. Grant of Restricted Stock. Pursuant to the Plan and subject to the terms and conditions set forth in this Agreement, the Company hereby grants, issues and delivers to the Grantee _____ shares of its Common Stock (the "Restricted Stock").

2. Restrictions on Stock. Until the restrictions terminate under Section 3, unless otherwise determined by the Committee:

(a) the Restricted Stock may not be sold, assigned, pledged or transferred by the Grantee; and

(b) all shares of Restricted Stock will be forfeited and returned to the Company if the Grantee ceases to be an employee of the Company or any business entity in which the Company owns directly or indirectly 50% or more of the total voting power or has a significant financial interest as determined by the Committee (an "Affiliate").

3. Termination of Restrictions. The restrictions on all shares of Restricted Stock will terminate on the earliest to occur of the following events:

(a) the Grantee's death;

(b) the termination of Grantee's employment with the Company or any Affiliate because of a disability that would entitle the Grantee to benefits under the long-term disability benefits program of the Company for which the Grantee is eligible, as determined by the Committee;

(c) the termination by the Company or any Affiliate of Grantee's employment other than for Cause as determined by the Committee. "Cause" means (i) willful and continued failure of the Grantee to substantially perform his duties with the Company or such Affiliate (other than by reason of physical or mental illness) after written demand specifically identifying such failure is given to the Grantee by the Company, or (ii) willful conduct by the Grantee that is demonstrably and materially injurious to the Company. For purposes of this subsection, "willful" conduct requires an act, or failure to act, that is not in good faith and that is without reasonable belief that the action or omission was in the best interest of the Company or the Affiliate;

(d) upon a resignation of employment in which the Committee determines in its sole discretion that the removal of restrictions is appropriate;

(e) upon a Change in Control. For purposes of this Agreement, a "Change in Control" means a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is in fact required to comply therewith; provided, that, without limitation, such a Change in Control shall be deemed to have occurred if:

(1) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities;

(2) during any period of twenty-four (24) consecutive months (not including any period prior to the date of this Agreement), individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in subsections (1), (3) or (4) of this Section 3(e)) whose election by the Board of Directors of the Company or nomination for election by the shareholders of the Company was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof;

(3) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation resulting in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 65% of the combined voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires 30% or more of the combined voting power of the Company's then outstanding securities; or

(4) the shareholders of the Company approve a plan of complete liquidation of the Company or there is consummated the sale or disposition by the Company of all or substantially all of the Company's assets; or

(f) the third anniversary of the date of this Agreement.

4. Rights as Shareholder. Subject to the restrictions and other limitations and conditions provided in this Agreement, the Grantee as owner of the Restricted Stock will have all the rights of a shareholder, including but not limited to the right to receive all dividends paid on, and the right to vote, such Restricted Stock.

5. Stock Certificates. Each certificate issued for shares of Restricted Stock will be registered in the name of the Grantee and deposited by the Grantee with the Company and will bear a legend in substantially the following form:

> THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS, CONDITIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON TRANSFER AND FORFEITURE PROVISIONS) CONTAINED IN AN AGREEMENT BETWEEN THE REGISTERED OWNER AND TECO ENERGY, INC. A COPY OF SUCH AGREEMENT WILL BE FURNISHED TO THE HOLDER OF THIS CERTIFICATE UPON WRITTEN REQUEST AND WITHOUT CHARGE.

Upon the termination of the restrictions imposed under this Agreement as to any shares of Restricted Stock deposited with the Company hereunder, the Company will return to the Grantee (or to such Grantee's legal representative, beneficiary or heir) certificates, without such legend, for such shares.

6. Adjustment of Terms. In the event of corporate transactions affecting the Company's outstanding Common Stock, the Committee will equitably adjust the number and kind of shares subject to this Agreement to the extent provided by the Plan.

7. Notice of Election Under Section 83(b). If the Grantee makes an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, he or she will provide a copy thereof to the Company within thirty days of the filing of such election with the Internal Revenue Service.

8. Withholding Taxes. The Grantee will pay to the Company, or make provision satisfactory to the Committee for payment of, any taxes required by law to be withheld in respect of the Restricted Stock no later than the date of the event creating the tax liability. In the Committee's discretion, such tax obligations may be paid in whole or in part in shares of Common Stock, including the Restricted Stock, valued at Fair Market Value on the date of delivery (which is defined as the average of the high and low trading price on the New York Stock Exchange on the previous trading day). The Company and its Affiliates may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Grantee.

9. The Committee. Any determination by the Committee under, or interpretation of the terms of, this Agreement or the Plan will be final and binding on the Grantee.

10. Limitation of Rights. The Grantee will have no right to continued employment by virtue of this grant of Restricted Stock.

11. Amendment. The Company may amend, modify or terminate this Agreement, including substituting another Award of the same or a different type and changing the date of realization, provided that the Grantee's consent to such action will be required unless the action, taking into account any related action, would not adversely affect the Grantee.

12. Governing Law. This Agreement will be governed by and interpreted in accordance with the laws of Florida.

TECO ENERGY, INC.

By: _____
C.E. Childress
Chief Human Resources Officer

_____

_____

Compensatory Arrangements with Executive Officers

Compensation for executives at TECO Energy, Inc. (the "Corporation") consists of several components. Included among these are base salary and an annual incentive award program.

Base salary information for named executive officers for 2007 is set forth in the table below.

The Corporation's annual incentive plan, last amended in January 2007, is included as Exhibit 10.4 to the Corporation's Annual Report on Form 10-K to which this document is an exhibit (the "Report"). The 2007 target award percentages for awards under the annual incentive plan for the named executive officers are set forth in the table below.

Compensatory arrangements relating to other aspects of the Corporation's executive compensation program are included as exhibits to the Report.

Named Executive Officer Salary and Target Award Percentage Information for 2007

Name	Title	Salary	Target Award %
Sherrill W. Hudson	Chairman and CEO	$798,250	80%
John B. Ramil	President and Chief Operating Officer	$515,000	70%
Gordon L. Gillette	Executive Vice President and Chief Financial Officer	$439,810	60%
Charles R. Black	President of Tampa Electric	$356,000	55%
William N. Cantrell	President of Peoples Gas System	$345,000	40%

* Mr. Hudson's 2006 salary consists of $273,250 in cash and TECO Energy restricted shares valued at $525,000, with the restrictions lapsing in four quarterly installments. Mr. Hudson also receives a monthly housing and travel allowance of $5,000, in recognition of his retaining his primary residence in Miami.

Exhibit 12.1

TECO ENERGY, INC.
RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth TECO Energy's ratio of earnings to fixed charges for the periods indicated.

	Year Ended December 31,				
(millions)	2006	2005	2004	2003	2002
Income (loss) from continuing operations, before income taxes	$ 363.1	$ 312.9	$ (600.6)	$ 32.8	$ 206.6
Add:					
Interest expense	291.3	299.1	337.1	354.4	252.2
Amortization of capitalized interest	0.0	0.1	0.3	1.3	0.3
Deduct:					
Capitalized interest	0.0	0.1	0.7	17.3	63.2
(Loss) income from equity Investments, net	3.4	60.4	36.1	(0.4)	5.5
Earnings before taxes and fixed charges	$ 651.0	$ 551.6	$ (300.0)	$ 371.6	$ 390.4
Interest expense	$ 291.3	$ 299.1	$ 337.1	$ 354.4	$ 252.2
Total fixed charges	$ 291.3	$ 299.1	$ 337.1	$ 354.4	$ 252.2
Ratio of earnings to fixed charges	2.23x	1.84x	—(1)	1.05x	1.55x

For the purposes of calculating these ratios, earnings consist of income from continuing operations before income taxes, income or loss from equity investments (net of distributions) and fixed charges, less capitalized interest. Fixed charges consist of interest expense on indebtedness and interest capitalized, amortization of debt premium, and an estimate of the interest component of rentals. TECO Energy, Inc. does not have any preferred stock outstanding, and there were no preferred stock dividends paid or accrued during the periods presented. Certain prior year amounts have been adjusted to conform to the current year presentation. Further, the company had significant charges (most of which were non-cash) and gains in the periods presented. Reference is made to the financial statements and related notes and the sections titled **"Management's Discussion & Analysis of Financial Condition & Results of Operations"** herein as well as in TECO Energy, Inc.'s Annual Reports on Form 10-K for the years presented (other than 2004, for which reference is made to TECO Energy Inc.'s Current Report on Form 8-K dated May 23, 2005).

All prior periods presented reflect the classification of Commonwealth Chesapeake Company, LLC (CCC), Frontera Generation Limited Partnership (Frontera), BCH Mechanical (BCH), TECO Thermal, TECO AGC, Ltd., TECO BGA, Prior Energy, TECO-Panda Generating Company (TPGC), and TECO Coalbed Methane as discontinued operations. Frontera was sold in December 2004, the sale of BCH was completed in January 2005, and the transfer of TPGC was completed in May 2005. The sales of Prior Energy and TECO BGA were completed in February 2004. In December 2002, TECO Coalbed Methane sold substantially all of its assets to the Municipal Gas Authority of Georgia.

Interest expense includes total interest expensed and capitalized excluding AFUDC, and an estimate of the interest component of rentals.

(1) Earnings were insufficient to cover fixed charges by $637.1 million. The ratio was -0.89x

Exhibit 12.2

TAMPA ELECTRIC COMPANY
RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth Tampa Electric Company's ratio of earnings to fixed charges for the periods indicated.

	Year Ended December 31,				
(millions)	2006	2005	2004	2003	2002
Income from continuing operations, before income tax	$ 264.7	$ 285.7	$ 274.9	$ 187.4	$ 296.8
Interest expense	127.1	114.9	116.0	112.6	80.4
Earnings before taxes and fixed charges	$ 391.8	$ 400.6	$ 390.9	$ 300.0	$ 377.2
Interest expense	$ 127.1	$ 114.9	$ 116.0	$ 112.6	$ 80.4
Total fixed charges	$ 127.1	$ 114.9	$ 116.0	$ 112.6	$ 80.4
Ratio of earnings to fixed charges	3.08x	3.49x	3.37x	2.66x	4.69x

For the purposes of calculating these ratios, earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges consist of interest expense on indebtedness, amortization of debt premium and an estimate of the interest component of rentals. Tampa Electric Company had a significant non-cash charge in the 2003 period presented. Reference is made to the financial statements and related notes and the sections titled **"Management's Discussion & Analysis of Financial Condition & Results of Operations"** herein as well as in Tampa Electric Company's Annual Report on Form 10-K for the years presented and any amendments filed thereto.

Interest expense includes total interest expense, excluding AFUDC, and an estimate of the interest component of rentals.

SUBSIDIARIES OF THE REGISTRANT

All of the following subsidiaries of TECO Energy, Inc., are organized under the laws of Florida except as indicated. The following list omits certain subsidiaries pursuant to paragraph (b)(21)(ii) of Regulation S-K Item 601.

- Tampa Electric Company
- TECO Diversified, Inc.
  - TECO Transport Corporation
    - TECO Bulk Terminal, L.L.C. (a Louisiana limited liability company)
    - TECO Ocean Shipping, Inc.
    - TECO Barge Line, Inc.
      - TECO Marine Services, L.L.C. (a Louisiana limited liability company)
    - TECO Towing Company
    - TECO Global Logistics, LLC (formerly TT-II, LLC) (a Delaware limited liability company)
  - TECO Coal Corporation (a Kentucky corporation)
    - Gatliff Coal Company (a Kentucky corporation)
    - Bear Branch Coal Company (a Kentucky Corporation)
    - Rich Mountain Coal Company (a Tennessee corporation)
    - Clintwood Elkhorn Mining Company (a Kentucky corporation)
    - Pike-Letcher Land Company (a Kentucky corporation)
    - Premier Elkhorn Coal Company (a Kentucky corporation)
    - Perry County Coal Corporation (a Kentucky corporation)
    - TECO Synfuel Operations, LLC (a Delaware limited liability company)
    - TECO Synfuel Holdings, LLC (a Delaware limited liability company)
- TECO Wholesale Generation, Inc.
  - TWG Merchant, Inc.
    - TECO EnergySource, Inc.
  - TECO Guatemala, Inc.
    - TPS Guatemala One, Inc.
    - TECO Guatemala Holdings, LLC (a Delaware limited liability company)
      - TECO Guatemala Services, LTD (a Cayman Islands company)
      - TPS San Jose International, Inc. (a Cayman Islands company)
        - TPS San Jose, LDC (a Cayman Islands company)
          - San Jose Power Holding Company, LTD (a Cayman Islands company)
      - TPS International Power, Inc. (a Cayman Islands company)
        - TPS de Ultramar, LTD (a Cayman Islands company)
          - TPS de Ultramar Guatemala, S.A. (a Guatemalan company)

Consent of Independent Registered Certified Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-02563, 333-25563, 333-60776 and 333-115954), and on Form S-3 (Nos. 333-83958, 333-102018 and 333-132243) of TECO Energy, Inc. of our report dated February 27, 2007 relating to the financial statements, financial statement schedules, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Tampa, Florida
February 27, 2007

Consent of Independent Registered Certified Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-55090, 333-91602 and 333-132243-01) of Tampa Electric Company of our report dated February 27, 2007 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Tampa, Florida
February 27, 2007

Exhibit 23.3

CONSENT OF INDEPENDENT EXPERTS

Marshall Miller & Associates, Inc. hereby consents to the incorporation by reference into this Registration Statement on Form S-3 of TECO Energy, Inc. (the "Company") of the information contained in our audit report, dated as of January 22, 2007, regarding the coal reserves of the Company's subsidiaries, the results of which audit are reflected in the Company's Annual Report on Form 10-K.

Marshall Miller & Associates, Inc.

/s/ K. Scott Keim
K. Scott Keim
President

February 21, 2007

CERTIFICATIONS

I, Sherrill W. Hudson, certify that:

1. I have reviewed this annual report on Form 10-K of TECO Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ S. W. HUDSON
S. W. HUDSON
Chairman of the Board, and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Gordon L. Gillette, certify that:

1. I have reviewed this annual report on Form 10-K of TECO Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ G. L. GILLETTE
G. L. GILLETTE
Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS

I, Sherrill W. Hudson, certify that:

1. I have reviewed this annual report on Form 10-K of Tampa Electric Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ S. W. HUDSON
S. W. HUDSON
Chairman of the Board, and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Gordon L. Gillette, certify that:

1. I have reviewed this annual report on Form 10-K of Tampa Electric Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ G. L. GILLETTE
G. L. GILLETTE
Senior Vice President – Finance
and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

TECO ENERGY, INC

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Each of the undersigned officers of TECO Energy, Inc. (the "Company") certifies, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 28, 2007

/s/ S. W. HUDSON
S. W. HUDSON
Chief Executive Officer

Dated: February 28, 2007

/s/ G. L. GILLETTE
G. L. GILLETTE
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

Exhibit 32.2

TAMPA ELECTRIC COMPANY

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Each of the undersigned officers of Tampa Electric Company (the "Company") certifies, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 28, 2007

/s/ S. W. HUDSON
S. W. HUDSON
Chief Executive Officer

Dated: February 28, 2007

/s/ G. L. GILLETTE
G. L. GILLETTE
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

2006 HCIDA Documents

Execution Copy

LOAN AND TRUST AGREEMENT

among

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY,

TAMPA ELECTRIC COMPANY

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
As Trustee

Dated as of January 5, 2006

And Providing for the Issue of

Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

277817.8

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LOAN AND TRUST AGREEMENT

THIS LOAN AND TRUST AGREEMENT dated as of January 5, 2006, among HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, a public body corporate and politic and a public instrumentality created pursuant to the laws of the State of Florida (the "**Authority**"), TAMPA ELECTRIC COMPANY, a Florida corporation (the "**Company**") and THE BANK OF NEW YORK TRUST COMPANY, N.A., as trustee, a national banking association duly organized and existing under the laws of the United States of America and having its designated corporate trust office in the City of Jacksonville, Florida, which is authorized under such laws to exercise corporate trust powers and is subject to examination by federal authorities, the "**Trustee**").

RECITALS

This Agreement provides for the following transactions:

(a) the Authority's issue of Bonds for the purpose of refunding bonds previously issued to finance the Project;

(b) the Company's repayment of the loan of Bond proceeds from the Authority through payment to the Trustee of all amounts necessary to pay principal, premium, if any, and interest on the Bonds issued by the Authority; and

(c) the Authority's assignment to the Trustee in trust for the benefit and security of the Bondholders of the Revenues to be received hereunder and the rights to receive the same and the security therefor.

In consideration of the mutual agreements contained in this Agreement and other good and valuable consideration, the receipt of which is hereby acknowledged, the Authority, the Company and the Trustee agree as set forth herein for their own benefit and for the benefit of the Bondholders.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein; *provided, however,* that any terms used herein relating to Bonds in the Auction Mode Rate Determination Method or Auction Procedures that are not expressly defined below shall be deemed to have the meanings provided in **Exhibit C**, Auction Procedures, attached hereto:

"**Act**" means the Constitution of the State of Florida, the Florida Industrial Development Financing Act, Parts II and III of Chapter 159, Florida Statutes, a resolution of the Board of County Commissioners of Hillsborough County, Florida adopted October 27, 1971 organizing the Hillsborough County Industrial Development Authority, and other applicable provisions of law.

"**Additional Redemption Notice**" is defined in Section 4.04(b).

"**Additional Tender Notice**" is defined in Section 4.06(c).

"**Administrative Expenses**" means the direct, out-of-pocket expenses incurred by the Authority pursuant to this Agreement and reasonable in amount and the compensation of the Trustee, any paying agent or registrar and the direct, out-of-pocket expenses of the Trustee, including fees and disbursements of its counsel, incurred by the Trustee and reasonable in amount.

"**Agreement**" means this Loan and Trust Agreement, among the Authority, the Company and the Trustee.

"**Alternate Rate**" means a rate per annum equal to (a) the BMA Municipal Swap Index of Municipal Market Data, formerly the PSA Municipal Swap Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) (the "**BMA Rate**") most recently available as of the date of determination, or (b) if such index is no longer available, or if the BMA Rate is no longer published, the Kenny Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions), or if neither the BMA Rate nor the Kenny Index is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the BMA Rate just prior to when the Bond Market Association stopped publishing the BMA Rate.

"**Auction Rate Period**" means each period of time when the Bonds bear interest at an Auction Mode Rate.

"**Authority**" means the Hillsborough County Industrial Development Authority.

"**Authority Representative**" means the Chairman, Vice Chairman, the Secretary or Assistant Secretary, and when used with reference to an act or document of the Authority for purposes of this Agreement also means any other person authorized to perform the act or execute the document by a written instrument furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Authority by any of its officers.

"**Beneficial Owner**" means the purchaser of a beneficial interest in the Bonds when the Bonds are held by the Securities Depository in the Book-Entry System, and otherwise means a Bondholder.

"**Bondholder**" or "**holder**" means the registered owner of any Bond.

"**Bond Fund**" means the Bond Fund created in Section 5.02.

"**Bond Insurer**" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation, or any successor thereto.

"**Bonds**" means the $85,950,000 aggregate principal amount of the Bonds issued pursuant hereto that are authenticated and delivered by the Trustee under and pursuant to ARTICLE III hereof.

"**Bond Service Charges**" means, for any period or time, the principal of, premium, if any, and interest due on the Bonds for that period or payable at that time whether due at maturity or upon acceleration or redemption or pursuant to any mandatory sinking fund requirements or otherwise.

"**Book-Entry System**" means the system maintained by the Securities Depository described in Section 6.01.

"**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York or the city in which the designated corporate trust office of the Trustee or the Remarketing Agent is located, are required or authorized by law or regulation to close, or (iii) a day on which the New York Stock Exchange is closed; *provided, however*, that during an Auction Rate Period the definition of "Business Day" shall be supplemented as provided in **Exhibit C** hereto.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the Code, and any successor provisions to those sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"**Commercial Paper Mode**" means each period of time, comprised of Commercial Paper Periods, during which Commercial Paper Rates are in effect.

"**Commercial Paper Period**" means, with respect to any Bond, each period set under Section 3.02(a)(3).

"**Commercial Paper Rate**" means an interest rate on each Bond set under Section 3.02(a)(3).

"**Company**" means Tampa Electric Company, a Florida corporation, and its successors and assigns as permitted under this Agreement.

"**Company-Held Bonds**" has the meaning set forth in Section 4.08(b).

"**Company Representative**" means a person at the time designated to act on behalf of the Company for purposes of this Agreement by a written instrument furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Company by any of

the President, any Vice President, Treasurer or Assistant Treasurer of the Company and any other person designated by one of the foregoing officers.

"**Conversion Notice**" is defined in Section 3.03(b)(1).

"**Corporation**" means and includes corporations, partnerships, including limited partnerships and limited liability partnerships, joint ventures, associations, companies, limited liability companies, joint-stock companies and business trusts.

"**Daily Rate**" means an interest rate on the Bonds set under Section 3.02(a)(1).

"**Determination Method**" is defined in Section 3.02(a).

"**Event of Default**" means any occurrence or event specified in and defined by Section 10.01.

"**Favorable Opinion of Tax Counsel**" means an Opinion of Tax Counsel addressed to the Authority and to the Trustee to the effect that the action proposed to be taken is permitted under the Act and by this Agreement and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

"**Financial Guaranty Insurance Policy**" or "**Policy**" shall mean the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

"**First Mortgage**" means the Indenture of Mortgage, dated as of August 1, 1946, as heretofore and hereafter supplemented and amended, currently by and between the Company and State Street Bank and Trust Company, as trustee.

"**First Mortgage Bond Fund**" means the fund established with the Trustee pursuant to Section 5.03.

"**First Mortgage Bonds**" means the first mortgage bonds to be created by a supplemental indenture to the First Mortgage and, at the option of the Company, delivered to the Trustee pursuant to Section 2.02 as security for the Company's obligation to pay the principal of, premium, if any, and interest on the Bonds.

"**Fitch**" means Fitch, Inc. and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with written notice to the Trustee and the Authority.

"**Funds**" means, collectively, the Bond Fund, the Refunding Fund and the First Mortgage Fund created pursuant hereto.

"**Government Obligations**" means any of the securities described in paragraph (a) of the definition of the term "Permitted Investments."

"**Indemnified Persons**" is defined in Section 8.04(a).

"**Insurance Agreement**" means the Insurance Agreement, dated as of January 5, 2006, between the Company and the Bond Insurer.

"**Insurance Trustee**" is defined in Section 10.12(a).

"**Interest Account**" means the account created pursuant to Section 5.02(a).

"**Interest Payment Date**" is defined in the form of the Bonds appearing in **Exhibit B** hereto.

"**Interest Period**" is defined in the form of the Bonds appearing in **Exhibit B** hereto.

"**Long-Term Interest Rate**" means an interest rate on the Bonds set under Section 3.02(a)(4).

"**Long-Term Interest Rate Period**" means any period as defined in Section 3.02(a)(4) which ends either on the day before the Maturity Date or a day which next precedes a Business Day and is at least 270 days long, and which period must be the same for all Bonds.

"**Maturity Date**" means the stated maturity of the Bonds as set forth in Section 3.01

"**Maximum Interest Rate**" means, on any day, the lesser of (i) the maximum interest rate permitted by law, and (ii) 14% per annum.

"**Moody's**" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with written notice to the Trustee and the Authority.

"**Opinion of Counsel**" means a written opinion of counsel selected by the Company who is acceptable to the Authority and the Trustee. Such counsel may be an employee of or counsel to the Authority, the Trustee or the Company.

"**Opinion of Tax Counsel**" means an Opinion of Counsel by counsel of nationally recognized standing in matters relating to the exclusion of interest from gross income on obligations issued by or on behalf of states and their political subdivisions.

"**Outstanding**" or "**Bonds Outstanding**" when used with reference to Bonds means all Bonds which have been authenticated and delivered by the Trustee under this Agreement, except the following:

(a) Bonds canceled or purchased by or delivered to the Trustee for cancellation.

(b) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment, including interest accrued to the due date, of which sufficient moneys are held by the Trustee.

(c) Bonds paid or deemed to have been paid within the meaning of Section 13.02 (other than Bonds paid under the Financial Guaranty Insurance Policy pursuant to Section 13.04).

(d) Bonds in lieu of which others have been authenticated under Section 3.07, Section 3.09 or Section 3.10.

Bonds purchased pursuant to tenders and not delivered to the Trustee for payment are not outstanding, but there will be outstanding Bonds authenticated and delivered in lieu of such undelivered Bonds as provided in Section 3.04.

"**Participant**" means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

"**Permitted Investments**" means the following investments for the following purposes:

(a) The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation), and

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, Guaranteed Title XI financing, Government National Mortgage Association (GNMA), and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(b) The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), Federal Housing Administration, and Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation (REFCORP), senior debt obligations of the Federal Home Loan Bank System, senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including money market funds of the Trustee which satisfy such requirements;

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(A) which are rated, based on an irrevocable escrow account or fund (the "**escrow**"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a)(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment Agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and

(9) other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

(c) The value of the above investments shall be determined as follows:

(1) For the purpose of determining the amount in any Fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

(2) As to certificates of deposit and bankers' acceptances, the value shall equal the face amount thereof, plus. accrued interest thereon.

(3) As to any investment not specified above, the value thereof shall be established by agreement among the Company, the Trustee, and the Bond Insurer.

"**Person**" means any individual, Corporation, trust or government or any agency or political subdivision thereof.

"**Principal Account**" means the account created pursuant to Section 5.02(b).

"**Principal Payment Date**" means any date upon which the principal amount of any Bond is due hereunder, including the Maturity Date, any redemption date, or the date to which the maturity of the Bonds is accelerated pursuant to the terms hereof or otherwise.

"**Project**" means, collectively, certain air and water pollution and waste control facilities located at the Units including any structures, machinery, fixtures, improvements and equipment, all as described in **Exhibit C** attached hereto, as the same may be amended from time to time, together with all additions thereto and substitutions therefor, less any deletions therefrom, as they may at any time exist.

"**Purchase Fund**" means the account created pursuant to Section 4.11.

"**Purchase Price**" means 100% of the principal amount of the Bonds being purchased plus interest accrued, if any, to (but excluding) the purchase date.

"**Record Date**" is defined in the form of the Bond appearing as **Exhibit B** hereto.

"**Redemption Account**" means the account created pursuant to Section 5.02(c).

"**Redemption Date**" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

"**Redemption Price**" means an amount equal to the principal of, and premium, if any, and accrued interest to the Redemption Date, if any, on the Bonds to be redeemed.

"**Refunded Bonds**" means $85,950,000 in principal amount of Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 1994.

"**Refunded Bonds Agreement**" means the Trust Indenture dated as of January 31, 1984, as supplemented and amended by a First Supplemental Trust Indenture dated as of August 2, 1984, and a Second Supplemental Indenture dated as of July 1, 1993, between the Authority and The Bank of New York, as successor to NationsBank of Florida, N.A., pursuant to which the Refunded Bonds were issued.

"**Refunded Bonds Trustee**" means the Trustee under the Refunded Bonds Agreement.

"**Refunding Fund**" means the fund by that name created in Section 5.07.

"**Remarketing Agent**" means the Person appointed as Remarketing Agent pursuant to Section 11.17, and its successors under this Agreement.

"**Remarketing Proceeds Account**" means the account created pursuant to Section 4.11(a).

"**Responsible Officer**" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Agreement.

"**Revenues**" means and includes all payments by or on behalf of the Company to or for the account of the Authority under this Agreement and all other revenues derived by the Authority from or in connection with this Agreement, including the income thereon and the investment thereof, if any, and any moneys received on the First Mortgage Bonds but not including payments with respect to the indemnification or reimbursement of certain expenses of the Authority under Section 5.05(b)(1), Section 8.04 and Section 10.13 of this Agreement or under any other guaranty or indemnification agreement. The term "**Revenues**" does not include any moneys or investments in the Purchase Fund.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies and its successors and assigns, and, if such division or corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with written notice to the Trustee and the Authority.

"**Securities Depository**" means The Depository Trust Company, New York, New York or its nominee, and its successors and assigns, or any successor appointed under Section 6.01.

"**State**" means the State of Florida.

"**Telerate Page 3750**" means the display designated on page 3750 on Moneyline Telerate, Inc. (or such other page as may replace the 3750 page on that service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

"**Trustee**" means The Bank of New York Trust Company, N.A., a national banking association, or any other bank or trust company duly incorporated and existing under and by virtue of the laws of any state or of the United States of America, which may be substituted in its place as provided in Section 11.05 or Section 11.08.

"**Underwriter**" means, collectively, J.P. Morgan Securities Inc., Merrill Lynch & Co. and Morgan Keegan & Company, Inc. and their respective successors and assigns.

"**Units**" means Unit Nos. 1, 2, 3 and 4 of the Big Bend Station and Unit Nos. 1, 2, 3, 4, 5 and 6 of the F.J. Gannon Station (now known as the H.L. Culbreath Bayside Station) electric generating facilities of the Company, and related support facilities, as they may at any time exist.

"**Weekly Rate**" means an interest rate on the Bonds set under Section 3.02(a).

Section 1.02. Interpretation.

(a) In this Agreement, unless the context otherwise requires:

(1) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Agreement, refer to this Agreement, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Agreement;

(2) An accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;

(3) References to Articles and Sections are to the Articles and Sections of this Agreement, except as expressly stated otherwise;

(4) The singular form of any word, including the terms defined in Section 1.01, includes the plural, and vice versa, and a word of any gender includes all genders;

(5) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons; and

(6) Any headings preceding the text of the several Articles and Sections of this Agreement, and any index or table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

(b) Whenever in this Agreement, the Authority, the Company, the Bond Insurer, the Trustee, the Auction Agent, any Broker-Dealer or the Remarketing Agent is named or referred to, it shall include, and shall be deemed to include, its respective successors and assigns whether

so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Authority, the Company, the Bond Insurer, the Trustee, the Auction Agent, any Broker-Dealer or the Remarketing Agent contained in this Agreement shall bind and inure to the benefit of such respective successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Authority or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Agreement.

ARTICLE II

THE ASSIGNMENT AND PLEDGE

Section 2.01. **The Assignment and Pledge of Revenues and Funds.** The Authority assigns and pledges to the Trustee in trust upon the terms hereof (a) all Revenues to be received from the Company or derived from any security provided hereunder, and (b) all rights to receive such Revenues and the proceeds of such rights, and all other rights and interests of the Authority provided hereunder, *provided, however,* that this assignment and pledge does not include the rights of the Authority pursuant to Section 5.05(b)(1), Section 8.04 and Section 10.13.

Section 2.02. **Pledge of First Mortgage Bonds.**

(a) In order to provide collateral security for the Company's obligations to make payments of principal, premium, if any, and interest on the Bonds, as required under this Agreement, the Company may elect to issue and deliver to the Trustee a series of First Mortgage Bonds (i) registered in the name of the Trustee, (ii) which shall have the same stated rate or rates of interest prior to maturity, payable at the same times, and (iii) which shall become due in the same principal amount or amounts, either by redemption, through operation of a sinking fund or by maturity, on the same date or dates, as the Bonds. The First Mortgage Bonds shall be held subject to the terms and provisions of this Agreement and the First Mortgage.

(b) To exercise the election described in Section 2.02(a), the Company shall, not less than 14 days prior to the proposed date of delivery of the First Mortgage Bonds (i) give to the Authority, the Trustee and each nationally recognized securities rating agency which then rates the Bonds written notice that shall designate the date on which such series of First Mortgage Bonds shall be delivered and (ii) deliver to the Trustee and the Authority an Opinion of Tax Counsel to the effect that such election and the delivery of such series of First Mortgage Bonds will not cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

Section 2.03. **Release of First Mortgage Bonds.**

(a) To the extent that (i) Bonds have been paid or become due and sufficient moneys are held by the Trustee in trust for the payment thereof, (ii) Bonds are deemed to have been paid in accordance with Section 13.01 and (iii) Bonds (other than Bonds which have been redeemed or called for redemption) have been delivered to, or have been acquired by, the Trustee and

canceled and other Bonds of the same series shall not be issuable in lieu thereof, in substitution therefor, in exchange therefor or upon registration of transfer thereof, the obligation of the Company to make payments with respect to the principal, premium, if any, and interest on the First Mortgage Bonds shall be satisfied and discharged and the Trustee shall release and surrender to the Company First Mortgage Bonds in an aggregate principal amount equal to the aggregate principal amount of such Bonds, bearing the same rate or rates of interest as such Bonds and becoming due, either by redemption through operation of a sinking fund or by maturity, on the same date or dates as such Bonds.

(b) If First Mortgage Bonds have been delivered to the Trustee as required by the terms of the Insurance Agreement, and under the conditions of the Insurance Agreement the Company is entitled to the release of the First Mortgage Bonds, upon delivery to the Trustee of a written consent of the Bond Insurer confirming that the First Mortgage Bonds may be released, the obligation of the Company to make payments with respect to the principal, premium, if any, and interest on the First Mortgage Bonds shall be satisfied and discharged, and the Trustee shall release and surrender the First Mortgage Bonds to the Company.

Section 2.04. **Further Assurances.** The Company, the Authority and the Trustee shall from time to time execute, deliver and register, record and file such instruments as the Authority or the Trustee may reasonably require to confirm, perfect or maintain the security created or intended to be created hereby.

ARTICLE III

CONDITIONS AND TERMS OF BONDS

Section 3.01. Authorization and Issuance of Bonds; Dating. There is hereby authorized the issuance of the Bonds in the aggregate principal amount of Eighty-Five Million, Nine Hundred Fifty Thousand Dollars ($85,950,000) to be designated as "Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006". The Bonds shall mature on December 1, 2034 (the "**Maturity Date**"). All Bonds will be dated the date of original issuance and delivery, will bear interest from that date and shall mature, subject to prior redemption or mandatory tender, on the Maturity Date. The Bonds are special obligations of the Authority and shall be payable solely from the Revenues.

The Trustee is hereby authorized to authenticate and to deliver the Bonds only upon (i) written direction of the Authority, (ii) receipt of a copy of the Financial Guaranty Insurance Policy and evidence satisfactory to it of delivery of that Policy and (iii) receipt of the proceeds of sale thereof in the amounts set forth in the written direction of the Authority.

Section 3.02. Interest on the Bonds. Interest on the Bonds will be payable as provided in the Bonds and in this Section. The Determination Method may be changed by the Company as described in paragraph (b) below. The methods of determining the various interest rates are as provided in paragraph (a) below, *provided* that no interest rate set or determined by the Remarketing Agent under (a)(1), (2), (3), (4) or (5), or an Alternate Rate determined under (a)(6), shall exceed the Maximum Rate.

(a) ***Interest Rate Determination Methods.*** In accordance with the notification requirements described herein, the Company shall determine the applicable interest rate determination method (each a "**Determination Method**") on the Bonds. The interest rate on the Bonds shall be determined by one of the following Determination Methods.

(1) ***Daily Rate.*** When interest on the Bonds is payable at a Daily Rate, the Remarketing Agent will set a Daily Rate on or before 10:00 a.m., New York City time, on each Business Day for that Business Day. Each Daily Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the day the rate is set at their principal amount (without regard to accrued interest). The Daily Rate for any non-Business Day will be the rate for the last day for which a rate was set.

(2) ***Weekly Rate.*** When interest on the Bonds is payable at a Weekly Rate, the Remarketing Agent will set a Weekly Rate on or before 5:00 p.m., New York City time, on the last Business Day before the commencement of a period during which the Bonds bear interest at a Weekly Rate and on each Wednesday thereafter so long as interest on the Bonds is to be payable at a Weekly Rate or, if any Wednesday is not a Business Day, on the next preceding Business Day. Each Weekly Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) for the Remarketing Agent to sell the Bonds on the date the rate is set at their principal amount (without regard to accrued interest). Thereafter, each Weekly Rate shall apply to (i) the period beginning on the Thursday after the Weekly Rate is set and ending on the following Wednesday or, if earlier, ending on the day before the effective date of a new method of determining the interest rate on the Bonds or (ii) the period beginning on the effective date of the change to a Weekly Rate and ending on the next Wednesday.

(3) ***Commercial Paper Rate.*** During a Commercial Paper Mode, each Bond will bear interest during the Commercial Paper Period for such Bond at the Commercial Paper Rate for such Bond. Different Commercial Paper Periods may apply to different Bonds at any time and from time to time. Except as otherwise described in this subparagraph (3), the Commercial Paper Period and Commercial Paper Rate for each Bond will be determined by the Remarketing Agent no later than 1:00 p.m., New York City time, on the first day of each Commercial Paper Period.

(i) ***Determination of Commercial Paper Periods.*** Subject to Section 3.02(b)(2)(vii), each Commercial Paper Period will be a period of at least 1 day and not more than 270 days, determined by the Remarketing Agent to be the period which, together with all other Commercial Paper Periods for all Bonds then outstanding, will, in the judgment of the Remarketing Agent, result in the lowest overall interest expense on the Bonds over the next 270 days. Each Commercial Paper Period will end on either the day before a Business Day or on the day before the Maturity Date for such Bond. However, any Bond purchased on behalf of the Company and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Commercial Paper Period for that Bond will have a Commercial Paper Period of 1 day or, if that Commercial Paper Period would not end on a day before a Business Day, a

Commercial Paper Period of the shortest possible duration greater than 1 day ending on a day before a Business Day.

In determining the number of days in each Commercial Paper Period, the Remarketing Agent shall take into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long term tax-exempt securities for obligations of credit quality comparable to the Bonds, (IV) general economic conditions, (V) industry economic and financial conditions that may affect or be relevant to the Bonds, (VI) the number of days in other Commercial Paper Periods applicable to the Bonds and (VII) such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

(ii) ***Determination of Commercial Paper Rates.*** The Commercial Paper Rate for each Commercial Paper Period for each Bond shall be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell such Bond on the date and at the time of such determination at its principal amount (without regard to accrued interest).

(4) ***Long-Term Interest Rate.*** The Remarketing Agent will set a Long Term Interest Rate on a date not less than the Business Day before the beginning of any period determined by the Company prior to the effective date of the Long Term Interest Rate (a "**Long-Term Interest Rate Period**") in which interest on any of the Bonds will be payable at a Long-Term Interest Rate. The last day of each such Long-Term Interest Rate Period shall be determined by the Company in accordance with Section 3.02(b)(1). Each Long-Term Interest Rate will be the minimum rate necessary (as determined by the Remarketing Agent with respect to any Long-Term Interest Rate Period based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds for delivery on the effective date of the Long-Term Interest Rate at their principal amount (without regard to accrued interest).

When all Bonds in a Long-Term Interest Rate are not purchased on the date set for mandatory tender for such bonds pursuant to *"Mandatory Tender at Beginning of a New Long-Term Interest Rate Period"* or *"Mandatory Tender Upon a Change in the Determination Method"* under paragraph 7 in the form of the Bond, such Bonds (i) shall be returned to their holders and remain outstanding, (ii) shall continue in the Long-Term Interest Rate until purchased, as described in the immediately succeeding clause (iii), and shall bear interest at a Long-Term Interest Rate of the lower of the Maximum Rate or such rate as determined by the Remarketing Agent based upon prevailing market conditions at the time the Bonds were converted to the Long-Term Interest Rate previously in effect until so purchased, (iii) shall be purchased upon the availability of remarketing proceeds to purchase such Bonds (or funds as provided for in Section 4.07(b) hereof), and (iv) in such event such Purchase Price shall not be considered due and payable so that no Event of Default shall be deemed to have occurred.

The Remarketing Agent shall use its best efforts to cause the Bonds in a Long-Term Interest Rate required to be purchased on the date set for mandatory tender for such Bonds pursuant to *"Mandatory Tender at Beginning of a New Long-Term Interest Rate Period"* or *"Mandatory Tender Upon a Change in the Determination Method"* under paragraph 7 in the form of the Bonds, to be remarketed (in such Determination Method or Methods) on the first date thereafter at which time all such Bonds can be sold at par, at a rate not exceeding the Maximum Rate.

(5) ***Auction Mode Rate.*** During an Auction Rate Period, the Auction Mode Rate will be determined by the Auction Agent in accordance with the provisions set forth in **Exhibit C** hereto, which is part of this Agreement.

(6) ***Failure of Remarketing Agent to Announce Interest Rates on the Bonds.*** Except as set forth in **Exhibit C**, if the appropriate interest rate or Commercial Paper Period is not or cannot be determined for any reason, the method of determining interest on the Bonds shall be as provided in this Section 3.02(a)(6). If the Bonds bear interest at the Daily Rate or the Weekly Rate, interest will be payable at the Alternate Rate, and Bonds bearing interest at the Commercial Paper Rate shall be automatically converted to the Weekly Rate (without the necessity of complying with the requirements of Section 3.02(b)), and if the Weekly Rate cannot be determined, interest thereon will be payable at the Alternate Rate, until such time as the Determination Method can be changed in accordance with Section 3.02(b). If the Bonds bear interest at the Long-Term Interest Rate, the Bonds (i) shall not be purchased on the date set for mandatory tender occurring the day after the last day of the then-current Long-Term Interest Rate Period for such Bonds in accordance with *"Mandatory Tender at Beginning of a New Long-Term Interest Rate Period"* or *"Mandatory Tender Upon a Change in the Determination Method"* under paragraph 7 in the form of Bond but shall instead be returned to their holders and remain outstanding, (ii) shall continue in the Long-Term Interest Rate until purchased, as described in the immediately succeeding clause (iii), and shall bear interest at a Long-Term Interest Rate of the lower of the Maximum Rate or such rate as determined by the Remarketing Agent based upon prevailing market conditions at the time the Bonds were converted to the Long-Term Interest Rate previously in effect until so purchased, and (iii) shall be purchased upon the availability of remarketing proceeds to purchase such Bonds (or funds as provided for in Section 4.07(b) hereof). In such event the Purchase Price shall not be considered due and payable so that no Event of Default shall be deemed to have occurred. The Remarketing Agent shall use its best efforts to cause the Bonds in a Long-Term Interest Rate required to be purchased on the date set for mandatory tender for such Bonds pursuant to *"Mandatory Tender at Beginning of a New Long-Term Interest Rate Period"* or *"Mandatory Tender Upon a Change in the Determination Method"* under paragraph 7 in the form of Bond, to be remarketed (in such Determination Method or Methods) on the first date thereafter at which time all such Bonds can be sold at par, at a rate not exceeding the Maximum Rate. The Trustee shall promptly notify the Bondholders of any such automatic change as set forth in Section 4.06(b).

While Bonds are in a Commercial Paper Mode, during any transition period caused by an automatic conversion of such Bonds to a Weekly Rate in accordance with this Subsection (6), Bonds bearing interest at a Weekly Rate and Bonds bearing interest at a Commercial Paper Rate, as applicable, shall be governed by the provisions of this Agreement applicable to such methods of determining interest on the Bonds.

(b) ***Initial Interest Rate Determination Method; Change in Interest Rate Determination Method.***

(1) The Bonds shall bear interest for the Initial Period at an Auction Mode Rate. The Auction Mode Rate for the Initial Period shall be determined in accordance with this Agreement on or prior to the effective date of this Agreement by the Underwriter as the minimum rate required to sell the Bonds on the date of issuance at a purchase price of par. Following the Initial Period, the Bonds shall bear interest at Auction Mode Rates established for seven-day Auction Periods, until changed in accordance with this Agreement. The Company may change the Determination Method, of all but not part of the Bonds, from time to time by notifying, as applicable, the Authority, the Trustee, the Bond Insurer, the Remarketing Agent, the Auction Agent and the Broker-Dealer. Such notice (a "**Conversion Notice**") shall contain the effective date of such change; *provided, however*, that if the change is to the Auction Mode Rate Determination Method from another Determination Method or from the Auction Mode Rate Determination Method to another Determination Method, the Conversion Notice shall be given in accordance with Section 3.03(a) or Section 3.03(b), as applicable. The Conversion Notice must be accompanied by a Favorable Opinion of Tax Counsel addressed to the Bond Insurer and the Trustee. If the Company's Conversion Notice complies with this paragraph, and if the Company shall deliver to the Trustee, the Bond Insurer and the Authority a confirming Favorable Opinion of Tax Counsel on the effective date as specified in the Conversion Notice, the interest rate on the Bonds will be determined on the basis of the new rate on the effective date specified by the Company until there is another change as provided in this Section.

If the Company wishes to change the Determination Method to or from an Auction Mode Rate, the Company must comply with Section 3.03.

If, 30 days before the end of a Long Term Interest Rate Period, the Company has not provided for the next interest rate period, a new Long-Term Interest Rate Period of the same duration will follow (or if shorter, a Long Term Interest Rate Period ending on the day before the Maturity Date for the Bonds).

When one Long-Term Interest Rate Period follows another, all provisions of this Agreement applying to a change in the Determination Method will apply, except:

(A) the mandatory tender described under *"Mandatory Tender Upon a Change in the Determination Method"* in the Bonds will not apply, but the mandatory tender described under *"Mandatory Tender at Beginning of a New Long Term Interest Rate Period"* in the Bonds will apply;

(B) the Company will not be required to deliver a Favorable Opinion of Tax Counsel if a new Long-Term Interest Rate Period begins as a result of the Company failing to provide for the next interest rate period; and

(C) the Company will not be required to deliver a Favorable Opinion of Tax Counsel if (i) the Company has previously designated a series of successive Long-Term Interest Rate Periods which, together with the current Long-Term Interest Rate Period, are substantially equal in length, (ii) a Favorable Opinion of Tax Counsel addressed to

the Trustee was delivered before the first such Long-Term Interest Rate Period in that series which applies to each such successive Long-Term Interest Rate Period and (iii) no other change in the security for the Bonds or in this Agreement or the terms of the Bonds is made which is effective as of, or agreed to in connection with, the effective date of such subsequent Long-Term Interest Rate Period.

(2) ***Limitations.*** Any change in the Determination Method pursuant to paragraph (1) above must comply with the following:

(i) the effective date of a change (or each effective date in the case of a change from a Commercial Paper Mode) shall be a Business Day which is at least 15 days (30 days if a Long-Term Interest Rate is then in effect and the effective date is before the day after the last day of a Long-Term Interest Rate Period) after receipt by the Trustee of the Company's Conversion Notice; provided that, for a change to an Auction Mode Rate, such Conversion Notice must be delivered not less than 18 days prior to the effective date, as set forth in Section 3.03(a)(2);

(ii) if a Long-Term Interest Rate is then in effect, the effective date of any change must be either the day after the last day of the then current Long-Term Interest Rate Period or, except as described in clause (iii) below, a day on which the Bonds would otherwise be subject to redemption under the paragraph *"Optional Redemption During Long-Term Interest Rate Period"* in paragraph 9 of the Bonds if the change did not occur;

(iii) if the Company has previously designated successive Long-Term Interest Rate Periods, the effective date of each Long-Term Interest Rate Period must be the day after the last day of the previous Long-Term Interest Rate Period;

(iv) if a Commercial Paper Mode is then in effect, the effective date of any change must be either the day after the last day of the Commercial Paper Mode or, as to any Bond, the day after the last day of the Commercial Paper Period then in effect (or to be in effect) with respect to that Bond;

(v) if any Bonds have been called for redemption and the redemption has not yet occurred, the effective date of the change cannot be before such redemption date;

(vi) if a Long-Term Interest Rate is then in effect, the effective date of any change cannot occur during the period after a Record Date and to, but not including, the related Interest Payment Date;

(vii) if a Commercial Paper Mode is then in effect, the Remarketing Agent shall determine Commercial Paper Periods of such duration that will, in the judgment of the Remarketing Agent, best promote an orderly transition on the effective date. After the receipt by the Trustee of the Company's Conversion Notice, the day after the last day of each Commercial Paper Period shall be, with respect to such Bond, not later than the effective date of the change. The Remarketing Agent shall promptly give written notice of each such last date and each such effective date with respect to each Bond to the Authority, the Company and the Trustee;

(viii) if an Auction Mode Rate is then in effect, the effective date of any change must be the day after the last day of the Auction Period then in effect; and

(ix) in the event of a conversion to an Auction Mode Rate Determination Method from Commercial Paper Mode, the effective date of such conversion may not be earlier than the day following the last day of the longest Commercial Paper Period then in effect.

During any transition period in connection with a change in Determination Method from the Commercial Paper Mode to a Daily Rate, Weekly Rate or a Long-Term Interest Rate, as applicable, in which the Remarketing Agent is setting different Commercial Paper Periods in order to effect an orderly transition of such change, Bonds bearing interest at a Commercial Paper Rate shall be governed by the provisions of this Agreement applicable to a Commercial Paper Mode and Bonds bearing interest at a Daily Rate, Weekly Rate or Long-Term Interest Rate, as applicable, shall be governed by the provisions of this Agreement applicable to such Determination Methods.

(c) ***Calculation of Interest.*** The Remarketing Agent, and in the case of subparagraph 5 below, the Auction Agent, shall provide the Trustee and the Company with notice in writing or by other written electronic means or by telephone (any such notice by telephone to be delivered to a Responsible Officer of the Trustee) promptly confirmed by facsimile transmission by 1:00 p.m., New York City time,

(1) on the last Business Day of a month in which interest on the Bonds was payable at a Daily Rate, of the Daily Rate for each day in such month,

(2) on each day on which a Weekly Rate becomes effective, of the Weekly Rate,

(3) on the first day of each Commercial Paper Period, of the length thereof and the Commercial Paper Rate, and, if there is more than one Commercial Paper Rate then in effect, of the related applicable principal amounts,

(4) on the first Business Day of a Long-Term Interest Rate Period, of the Long-Term Interest Rate or Long-Term Interest Rates set for that period,

(5) on the first Business Day of each Auction Period, of the Auction Mode Rate set for that period, and

(6) on any Business Day preceding any redemption or purchase date, any interest rate requested by the Trustee in order to enable it to calculate the accrued interest, if any, due on such redemption or purchase date.

Using the rates supplied by this notice, the Trustee will calculate the interest payable on the Bonds. The Remarketing Agent or the Auction Agent, as the case may be, will inform the Trustee and the Company orally at the oral request of either of them of any interest rate so set. The Trustee will confirm the effective interest rate in writing to any Bondholder who requests it.

The setting of the rates by the Remarketing Agent or the Auction Agent, as applicable, the determination of Commercial Paper Periods by the Remarketing Agent and the calculation of interest payable on the Bonds by the Trustee as provided in this Agreement will be conclusive and binding on the Authority, the Company, the Trustee and the owners of the Bonds.

(d) ***Change in Rate Determination Method-Opinions of Counsel.*** Notwithstanding any provision of this Section 3.02, no change shall be made in the Determination Method at the direction of the Company pursuant to Section 3.02(b)(1), and the Bonds shall continue to bear interest in accordance with the then current Determination Method, if the Trustee shall receive written notice prior to the effective date of such change that (i) the Favorable Opinion of Tax Counsel and confirmation thereof if required under Section 3.02(b)(1) has not been delivered or (ii) that the Company has revoked its election. If the Trustee shall have sent any notice to the Bondholders regarding a change in rate pursuant to Section 4.06(b), then in the event of such failure to deliver such opinion or confirmation, or revocation by the Company, the Trustee shall promptly notify all Bondholders of such failure and, except for Bonds in the Auction Mode Rate, the Bonds shall still be subject to mandatory tender on that proposed date and the Remarketing Agent shall remarket the Bonds pursuant to the terms of this Agreement. If the change was from an Auction Mode Rate, Section 3.03(b)(4) will apply.

Section 3.03. Changes to and from Auction Mode Rate Determination Method.

(a) ***Changes to Auction Mode Rate.*** At the option of the Company, all of the Bonds may be converted from another Determination Method to the Auction Mode Rate Determination Method. Any such conversion shall be made as follows:

(1) In any such conversion from another Determination Method, the effective date for the Auction Rate Period shall be a regularly scheduled Interest Payment Date on which interest is payable for the Interest Period from which the conversion is to be made;

(2) The Company shall give written notice of any such conversion to the Remarketing Agent, the Bond Insurer, the Authority, the Trustee, the Auction Agent, and each Broker-Dealer, as applicable, not less than 18 days prior to the proposed effective date for the change. Such notice shall specify the information required pursuant to Section 3.03(b)(1) and the length of the Auction Period for such Auction Rate Period. Together with such notice, the Company shall file with the Authority, the Bond Insurer and the Trustee a Favorable Opinion of Tax Counsel with respect to such conversion to an Auction Mode Rate Determination Method. No such change to an Auction Mode Rate Determination Method shall become effective unless the Company shall also file, with the Authority, the Bond Insurer and the Trustee, a Favorable Opinion of Tax Counsel addressed to the Trustee and the Bond Insurer to the same effect dated the effective date for the Auction Mode Rate;

(3) At least 15 days prior to the effective date for the Auction Mode Rate, the Trustee shall mail a written notice of the conversion to the owners of all Bonds to be converted;

(4) The initial Auction Mode Rate for the Auction Period commencing on the effective date for the Auction Mode Rate shall be the lowest rate which, in the judgment of the Broker-Dealers or the Remarketing Agent, as the case may be, is necessary to enable the Bonds

to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the effective date for the Auction Mode Rate. Such determination shall be conclusive and binding upon the Authority, the Company, the Trustee, the Auction Agent and the owners of the Bonds to which such rate will be applicable;

(5) Not later than 5:00 p.m., New York City time, on the date of determination of the Auction Mode Rate, the Auction Agent or the Remarketing Agent, as the case may be, shall notify the Trustee and the Company of the Auction Mode Rate by telephone, promptly confirmed in writing;

(6) Interest on the Bonds in an Auction Period of 180 days or less will be computed on the basis of actual days over 360 and in an Auction Period greater than 180 days on the basis of a 360-day year of twelve 30-day months;

(7) The Company may revoke its election to effect a conversion of the interest rate on any Bonds to an Auction Mode Rate by giving written notice of such revocation to the Trustee, the Remarketing Agent, the Auction Agent and each Broker-Dealer, as applicable, at any reasonable time prior to the setting of the Auction Mode Rate by the Broker-Dealers or the Remarketing Agent; and

(8) No Bonds may be converted to the Auction Mode Rate Determination Method when the Bonds are not held by a Securities Depository.

(b) ***Conversions from Auction Mode Rate Determination Method.*** At the option of the Company, all of the Bonds may be converted from an Auction Mode Rate to another Determination Method. Any such conversion shall be made as follows:

(1) The effective date for the new Determination Method shall be the second regularly scheduled Interest Payment Date following the final Auction Date.

(2) The Company shall give written notice of any such conversion to the Authority, the Bond Insurer, the Trustee, the Remarketing Agent, the Auction Agent and the Broker Dealer(s) not less than 18 days prior to the proposed effective date for the change. Such notice shall specify the effective date for the new Determination Method, the Determination Method to which the conversion will be made and any additional information required pursuant to Section 3.02(b)(1). Together with such notice, the Company shall file with the Authority, the Bond Insurer and the Trustee a Favorable Opinion of Tax Counsel addressed to the Trustee and the Bond Insurer with respect to the conversion. No change to the new Determination Method shall become effective unless the Company shall also file, with the Authority, the Bond Insurer and the Trustee, a Favorable Opinion of Tax Counsel addressed to the Trustee and the Bond Insurer to the same effect dated the effective date for the new Determination Method.

(3) At least 15 days prior to the effective date for the new Determination Method, the Trustee shall mail a written notice of the conversion to the owners of all Bonds to be converted, specifying the effective date for the new Determination Method.

(4) If on the effective date for the new Determination Method any condition precedent to such conversion required under this Agreement is not satisfied, the Trustee will give

written notice by first class mail postage prepaid as soon as practicable, and in any event not later than the next succeeding Business Day, to the Bondholders to have been converted, that such conversion has not occurred, that Bonds will not be purchased on the failed effective date for the new Determination Method, that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to such Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed effective date for the new Determination Method: (i) if the preceding Auction Period was a period of one year or less, the new Auction Period shall be seven days (or if such seventh day is not followed by a Business Day, then the new Auction Period shall be extended to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than one year, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (i) or (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended, which new Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

(5) On the conversion date applicable to the Bonds to be converted, the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The purchase price of such Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Bonds on a mandatory tender date, the Bonds to have been converted will not be subject to mandatory tender, will be returned to their owners, will remain in (or automatically convert to) the Auction Periods described in Section 3.03(b)(4) hereof.

(6) A liquidity facility shall be required to support the Bonds in the event the Bonds are changed to a Determination Method other than an Auction Mode Rate or a Long-Term Interest Rate. The liquidity facility and the liquidity facility provider shall satisfy the terms set forth in the Insurance Agreement, or in the alternative, the Bond Insurer's prior written approval of the liquidity facility and the liquidity facility provider shall be obtained prior to the liquidity facility being entered into. The Authority (at the direction of the Company) and the Trustee shall amend this Agreement to incorporate provisions necessary to effect any such change in Determination Method.

Section 3.04. Undelivered Bonds. If a Bond is tendered for purchase as provided in Article III, or if the holder of a Bond gives irrevocable instructions to the Remarketing Agent for purchase, and in each case funds are deposited with the Trustee sufficient for the purchase, the Trustee upon request of the Company or the Remarketing Agent will authenticate a new Bond in

the same maturity and in the same denomination registered as the Company or the Remarketing Agent may direct and deliver it to the Company or upon the Company's order, whether or not the Bond purchased is ever delivered, and the undelivered Bonds shall be canceled on the books of the Trustee, whether or not said undelivered Bonds have been delivered to the Trustee. From and after the purchase date, interest on such Bond shall cease to be payable to the prior holder thereof, such holder shall cease to be entitled to the benefits or security of this Agreement and shall have recourse solely to the funds held by the Trustee for the purchase of such Bond, and the Trustee shall not register any further transfer of such Bond by such prior holder. If Bonds to be purchased are not delivered by the holders by 12:00 noon, New York City time, on any purchase date, the Trustee shall hold any funds received for the purchase of those Bonds in trust in a separate account and shall pay such funds to the former owners of the Bonds upon presentation of the Bonds. All funds held by the Trustee for the purchase of undelivered Bonds shall be held uninvested.

Section 3.05. Form of Bonds. The Bonds shall be substantially in the form of **Exhibit B**, which is part of this Agreement, in the denominations provided for in the Bonds, with appropriate or necessary insertions, omissions and variations as permitted or required hereby, including the appropriate series designation and Maturity Date. The Bonds shall express the purpose for which they are issued and any other statements or legends which may be required by law or the provisions hereof, including the provisions of Section 6.01. Bonds will be numbered as determined by the Trustee. All Bonds, unless a supplemental agreement shall have been executed and delivered pursuant to Section 12.01, shall be in fully registered form, and, subject to Section 12.04, the holder of a Bond shall be regarded as the absolute owner thereof for all purposes of this Agreement.

Section 3.06. Execution and Authentication of Bonds. Each Bond shall be signed by the Chairman of the Authority and attested by the Secretary of the Authority in their official capacities (*provided* that any or all of those signatures may be facsimiles) and shall bear the seal or a facsimile of the seal, if any, of the Authority. In case any officer whose signature or a facsimile of whose signature appears on any Bond shall cease to be that officer before the issuance of the Bond, his signature or the facsimile thereof nevertheless shall be valid and sufficient for all purposes, the same as if he had remained in office until that time. Any Bond may be executed on behalf of the Authority by an officer who, on the date of execution is the proper officer, although on the date of the Bond that person was not the proper officer.

No Bond shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Agreement unless and until a certificate of authentication, substantially in the form set forth in **Exhibit B** to this Agreement, shall have been signed by the Trustee. The authentication by the Trustee upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and is entitled to the security and benefit of this Agreement. The certificate of the Trustee may be executed by any person authorized by the Trustee, but it shall not be necessary that the same authorized person sign the certificates of authentication on all of the Bonds. In authenticating the Bonds, the Trustee shall add the date of its authentication of Bonds. No Bond shall be authenticated except in an authorized denomination.

Section 3.07. Transfer and Exchange of Bonds. Subject to Section 6.01, all Bonds are transferable or exchangeable by the holder thereof, in person or by the Bondholder's attorney duly authorized in writing, at the office of the Trustee in the books required to be kept by the Trustee pursuant to the provisions of Section 3.08, upon surrender of such Bonds accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall execute and deliver a new Bond or Bonds of authorized denominations of the same aggregate principal amount, except that the Trustee may require the payment by any Bondholder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. All Bonds surrendered pursuant to the provisions of this Section shall be canceled by the Trustee, shall not be redelivered and shall be disposed of as provided in Section 3.11. The Trustee shall not be required to transfer or exchange (i) any Bonds of the maturity or maturities being redeemed during the period commencing on the date ten days prior to the date of mailing of a notice of redemption of Bonds of that maturity for redemption and ending on such date of mailing or (ii) any Bond selected for redemption in whole or in part.

Section 3.08. Registration Books. The Trustee will keep at its office sufficient books for the registration of the ownership, transfer or exchange of the Bonds, which books shall be available for inspection by the Authority, the Company and the Trustee at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register the ownership, transfer or exchange of the Bonds in such books as hereinabove provided. The ownership of any Bonds may be proved by the books required to be kept by the Trustee pursuant to the provisions of this Section.

Section 3.09. Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, the Authority will prepare and execute and the Trustee will authenticate definitive Bonds without delay, and in that case upon demand of the holder of any temporary Bonds such definitive Bonds shall be exchanged without cost to such Bondholder for temporary Bonds at the office of the Trustee upon surrender of such temporary Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefit, protection and security hereunder as the definitive Bonds executed and delivered hereunder. All temporary Bonds surrendered pursuant to the provisions of this Section shall be canceled by the Trustee, shall not be redelivered and shall be disposed of as provided in Section 3.11.

Section 3.10. Bond Mutilated, Destroyed, Lost or Stolen. If any Bond shall become mutilated, the Trustee shall authenticate and deliver a new Bond of like tenor and of the same Maturity Date in lieu of the mutilated Bond, but only upon surrender to the Trustee of the mutilated Bond, and every mutilated Bond surrendered to the Trustee shall be canceled by it and shall not be redelivered and shall be disposed of as provided in Section 3.11. If any Bond shall be destroyed, lost or stolen, evidence of such destruction, loss or theft may be submitted to the Trustee and if such evidence is satisfactory to the Trustee, and the Trustee and the Authority

receive indemnity satisfactory to them, the Trustee shall authenticate and deliver a new Bond of like tenor and of the same Maturity Date in substitution for the destroyed, lost or stolen Bond. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any replacement Bond authenticated and delivered under the provisions of this Section in lieu of or in substitution for any mutilated, destroyed, lost or stolen Bond shall be equally and proportionately entitled to the benefit, protection and security hereof with all other Bonds executed and delivered hereunder, to the same extent as the mutilated, destroyed, lost or stolen Bond replaced; and neither the Trustee nor the Authority shall be required to treat both the original Bond and any replacement Bond as being outstanding for the purpose of determining the principal amount of Bonds which may be authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds outstanding hereunder, but both the original and the replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, rather than authenticating and delivering a new Bond for a mutilated, destroyed, lost or stolen Bond which has been called for redemption, the Trustee may make payment of the principal of such mutilated, destroyed, lost or stolen Bond directly to the holder thereof under such regulations as the Trustee may prescribe.

Section 3.11. Safekeeping and Cancellation of Bonds. Any Bond surrendered pursuant to this Article for the purpose of payment or retirement, or for exchange, replacement or transfer, shall be canceled upon presentation and surrender thereof to the Trustee.

The Company on behalf of the Authority, may deliver at any time to the Trustee for cancellation any outstanding Bonds previously authenticated and delivered hereunder, which the Authority or the Company may have acquired in any manner whatsoever. All Bonds so delivered shall be canceled promptly by the Trustee. Certification of the surrender and cancellation shall be made by the Trustee to the Authority and the Company upon the request of either therefor. Such canceled Bonds shall be disposed of by the Trustee in accordance with its customary procedures.

Section 3.12. Special Agreement with Bondholders. Notwithstanding any provision of this Agreement or of any Bond to the contrary, with the approval of the Company, the Trustee may enter into an agreement with any holder of at least $1,000,000 aggregate principal amount of Bonds providing for making all payments to that holder on that Bond or any part thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner other than as provided in this Agreement and in the Bond, without presentation or surrender of the Bond, upon any conditions which shall be satisfactory to the Trustee and the Company; *provided*, that payment in any event shall be made to the person in whose name a Bond shall be registered on the books required to be kept by the Trustee pursuant to the provisions of Section 3.08, with respect to payment of principal and premium, on the date such principal and premium is due, and, with respect to the payment of interest, as of the applicable Record Date.

Section 3.13. CUSIP Numbers. The Authority in issuing the Bonds may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Bondholders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other

identification numbers printed on the Bonds, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee in writing of any change in the "CUSIP" numbers of which the Company has written notice.

ARTICLE IV

REDEMPTION, MANDATORY TENDER AND REMARKETING

Section 4.01. Redemption.

(a) ***Special Mandatory Redemption Upon Taxability.*** If, as a result of the failure of the Company to observe any covenant, agreement or representation in this Agreement, a court of competent jurisdiction or any administrative agency finally determines (such determination not to be considered final unless the Authority has been given written notice and, if, in consultation with the Company, the Authority determines to contest, at the Company's expense, either directly or in the name of any holder of a Bond, any such determination, until the conclusion of any appellate review if sought by the Authority in consultation with the Company) that the interest payable on any Bond is includable for federal income tax purposes in the gross income, as defined in Section 61 of the Code, of any Bondholder (other than a "substantial user" of the Project or a "related person," as defined in the Code), the Bonds shall be subject to special mandatory redemption prior to maturity, as a whole, or in part if such partial redemption will preserve the exclusion from gross income for federal income tax purposes of interest on the remaining Bonds outstanding (and if in part, to be selected by the Trustee or by the Securities Depository, as applicable, by lot or in any other customary manner as determined by the Trustee or by the Securities Depository, as applicable) at a redemption price equal to the principal amount thereof, plus interest accrued to the redemption date, without premium. The Company will give notice to the Authority and the Trustee in writing of the amount of Bonds to be redeemed and of the date selected for such redemption not later than 90 days after the date of such final determination, such redemption date to be not more than 180 days after the date of such final determination.

(b) ***Extraordinary Optional Redemption***. The Bonds are subject to redemption prior to maturity at the option of the Company, by notice to the Trustee and the Authority, in whole, at any time, at a redemption price equal to the principal amount of the outstanding Bonds, plus accrued interest thereon to the date of redemption, without premium, on any date selected by the Company, but not less than 45 days after nor more than 180 days after the Company shall have given notice of its exercise of the right to make such prepayment. The Company may exercise its right to cause the Bonds to be redeemed at its option, if:

(1) In the opinion of the Company, the continued operation by the Company of all or substantially all of the Units is impracticable, uneconomical or undesirable due to (A) the imposition of taxes or other liabilities or burdens not being imposed as of the date of the Bonds, (B) changes in technology or in the economic availability of raw materials or operating supplies or equipment or (C) destruction of or damage to all or a substantial portion of such Units; *provided, however*, that the Company may not exercise its right to redeem the Bonds for reasons described in this clause (1) if any portion of the redemption price is to be paid from the proceeds of tax-exempt bonds;

(2) All or substantially all of the Units shall have been condemned or taken by eminent domain;

(3) The operation by the Company of all or substantially all of the Units shall have been enjoined and the Company shall have been prevented from carrying on normal operations at such Units for a period of six months or more; or

(4) In the event the First Mortgage Bonds have been issued, all or substantially all the mortgaged and pledged property constituting bondable property (as defined in the First Mortgage) which at the time shall be subject to the lien of the First Mortgage as a first lien shall be released from the lien of the First Mortgage pursuant to the provisions thereof, and available moneys in the hands of the trustee or trustees at the time serving as such under the First Mortgage, including any moneys deposited by the Company available for the purpose, are sufficient to redeem all the first mortgage bonds of all series issued pursuant to the First Mortgage at the redemption prices (together with accrued interest to the date of redemption) specified therein applicable to the redemption thereof upon the happening of such event.

For purposes of clause (1) of this Section 4.01(b), the "opinion of the Company" shall be expressed to the Authority and the Trustee by delivery of a certified copy of a resolution of the Board of Directors of the Company or the Executive Committee thereof stating that it is the opinion of said Board of Directors or Executive Committee that the circumstances, situations or conditions described in subclause (A), (B) or (C) of such clause (1) exist to the extent required for the Company to exercise the option provided.

(c) ***Optional Redemption.*** The Bonds shall be subject to redemption at the option of the Company as provided under "*Optional Redemption During Long Term Interest Rate Period*", "*Optional Redemption During Daily or Weekly Rate Period*", or "*Optional Redemption During Auction Rate Period*" in paragraph 9 of the form of the Bonds. The Company will notify the Trustee in writing of such redemption at least 15 days before the date on which the Trustee is required to deliver notice of redemption to the Bondholders.

Section 4.02. Optional Redemption Dates. The redemption date of Bonds to be redeemed pursuant to any optional redemption provision in this Agreement and the Bonds will be a date permitted by the Bonds and specified by the Company in the notice delivered pursuant to Section 4.04.

Section 4.03. Selection of Bonds to Be Redeemed. Except as provided in the Bonds, if fewer than all the Bonds are to be redeemed, the Trustee will select the Bonds to be redeemed by lot, except that the Trustee will first select any Bonds owned by the Company or any of its nominees or held by the Trustee for the account of the Company or any of its nominees. The Trustee will make the selection from Bonds not previously called for redemption. For this purpose, the Trustee will consider each Bond in a denomination larger than the minimum denomination permitted by the Bonds at the time to be separate Bonds each in the minimum denomination. Provisions of this Agreement that apply to Bonds called for redemption also apply to portions of Bonds called for redemption.

Section 4.04. Redemption Notices.

(a) ***Official Notice of Redemption.*** The Trustee will give notice of each redemption as provided in the Bonds and will at the same time give a copy of the notice to the Remarketing Agent, the Auction Agent, the Bond Insurer and each Broker-Dealer, as applicable. The notice shall identify the Bonds to be redeemed (including CUSIP numbers) and shall state (1) the redemption date (and, if the Bonds provide that accrued interest will not be paid on the redemption date, the date it will be paid), (2) the redemption price, (3) that the Bonds called for redemption must be surrendered to collect the redemption price, (4) the address at which the Bonds must be surrendered and (5) that interest on the Bonds called for redemption ceases to accrue on the redemption date.

With respect to an optional redemption of any Bonds under *"Optional Redemption During Long-Term Interest Rate Period," "Extraordinary Optional Redemption," "Optional Redemption During Daily or Weekly Rate Period"* or *"Optional Redemption During Auction Rate Period"* in paragraph 9 of the form of the Bonds, unless moneys sufficient to pay the principal of, premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, such Bonds shall not be redeemed, the redemption price shall not be due and payable and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

Failure to give any required notice of redemption as to any particular Bonds or any defect therein will not affect the validity of the call for redemption of any Bonds in respect of which no such failure or defect has occurred. Any notice mailed as provided in the Bonds shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by any holder.

(b) ***Additional Notice of Redemption.*** In addition to the redemption notice required above, further notice (the "**Additional Redemption Notice**") shall be given by the Trustee as set out below. No defect in the Additional Redemption Notice nor any failure to give all or any portion of the Additional Redemption Notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in paragraph (a) above.

(1) Each Additional Redemption Notice shall contain the information required in paragraph (a) above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of the Bonds as originally issued; (iii) the Determination Method for, or the rate of interest borne by, each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each Additional Redemption Notice shall be sent at least 30 days before the redemption date by registered or certified mail or overnight delivery service (or by such other means as the Trustee may have established with the Securities Depository or any information service) to all registered securities depositories then in the business of holding substantial

amounts of obligations similar to the Bonds (such depository now being The Depository Trust Company of New York, New York) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

The information required in any redemption notice (including an Additional Redemption Notice) pursuant to this Section and the information required in any notice of tender (including an Additional Tender Notice, as hereinafter defined) may be combined in a single notice if it is sent to Bondholders in the manner and at the time specified under *"Notice of Redemption"* in paragraph 9 of the form of the Bonds.

Any redemption notice may state that no representation is made as to the correctness of "CUSIP" numbers either as printed on the Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Bonds, and any such redemption shall not be affected by any defect in or omission of such numbers.

If any Bonds which bear interest at an Auction Mode Rate are to be redeemed in whole or in part, and such Bonds are held by a Securities Depository, the Trustee shall include in the notice of redemption delivered to such Securities Depository: (i) under an item entitled "Publication Date for Securities Depository Purposes," the Interest Payment Date prior to the date fixed for redemption, and (ii) an instruction to the Securities Depository to (x) determine on the Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository participants whose Securities Depository positions will be redeemed (the "**Securities Depository Participants**") and the principal amount of such Bonds to be redeemed from each such position (the "**Securities Depository Redemption Information**"), and (y) notify the Auction Agent immediately after such determination of the positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, the positions of the Securities Depository Participants in such Bonds immediately following such Auction settlement, and the Securities Depository Redemption Information. As used herein the term "**Publication Date**" shall mean three Business Days after the Auction Date next preceding the date fixed for redemption.

Upon surrender to the Trustee, Bonds called for redemption shall be paid as provided in this Article at the redemption price (including premium, if any) stated in the notice, plus interest accrued to the redemption date, or at a purchase price as provided in the form of Bond. Bonds called for redemption and purchased pursuant to a tender before the redemption date will not be redeemed but will be dealt with as provided below in this Article.

Section 4.05. Bonds Redeemed in Part. Subject to ARTICLE VI, upon surrender of a Bond redeemed in part, the Trustee will authenticate for the holder a new Bond or Bonds in authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered.

Section 4.06. Mandatory Tender.

(a) ***Mandatory Tender of Bonds.*** The Bonds are subject to mandatory tender as provided in paragraph 7 of the form of the Bonds.

(b) ***Notice to Bondholders of Change in Interest Rate Determination Method.*** When a change in the Determination Method is to be made or upon commencement of a new Long Term Interest Rate Period, the Trustee will, upon notice from the Company pursuant to Section 3.02(b), notify the Bondholders by first class mail at least 15 days before the effective date of the change or the commencement of a new Long-Term Interest Rate Period, except that (i) such notice shall be given at least 30 days prior to the effective date if a Long-Term Interest Rate Period is in effect and the effective date is before the end of the Long-Term Interest Rate Period and (ii) no notice shall be given with respect to a tender under *"Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode"* in paragraph 7 of the form of the Bonds. The notice shall be effective when sent and shall state:

(1) the purchase date;

(2) the Purchase Price;

(3) that the Bonds to be tendered must be surrendered to collect the Purchase Price;

(4) the address at which or the manner in which the Bonds must be surrendered;

(5) that interest on the Bonds to be tendered ceases to accrue to such holder on the purchase date and such holder will be entitled only to the Purchase Price on the purchase date;

(6) that the interest rate determination method will be changed;

(7) the proposed effective date of the new rate;

(8) that a mandatory tender will result on the effective date of the change as provided in the Bonds; and

(9) any conditions precedent to such change and that, if such conditions are not satisfied, the Bonds will continue to bear interest in accordance with the then current method.

Failure to give any required notice of tender as to any particular Bonds or any defect therein will not affect the validity of the tender of any Bonds in respect of which no such failure or defect has occurred. Any notice mailed as provided in the Bonds shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by any holder.

(c) ***Additional Notice of Tender.*** In addition to the tender notice required above, further notice (the "**Additional Tender Notice**") shall be given by the Trustee as set out below. No defect in the Additional Tender Notice nor any failure to give all or any portion of the Additional Tender Notice shall in any manner defeat the effectiveness of a tender notice if notice is given as prescribed in paragraph (b) above.

(1) Each Additional Tender Notice shall contain the information required in paragraph (c) above for an official notice of tender plus (i) the CUSIP numbers of all Bonds being tendered; (ii) the date of the Bonds as originally issued; (iii) the maturity date of each Bond being purchased; and (iv) any other descriptive information needed to identify accurately the Bonds being purchased.

(2) Each Additional Tender Notice shall be sent at least 15 days before the purchase date by registered or certified mail or overnight delivery service (or by such other means as the Trustee may have established with the Securities Depository or any information service) to all registered securities depositories then in the business of holding substantial amounts of obligations similar to the Bonds (such depository now being The Depository Trust Company of New York, New York) and to one or more national information services that disseminate notices of purchase of obligations such as the Bonds.

The information required in any tender notice (including an Additional Tender Notice) pursuant to this Section and the information required in any redemption notice (including an Additional Redemption Notice) may be combined in a single notice if it is sent to Bondholders in the manner and at the time specified under *"Notice of Tender"* in paragraph 7 of the form of the Bonds.

Section 4.07. Source of Funds for Purchase of Bonds. Funds for the payment of the Purchase Price of tendered Bonds shall be derived solely from the following sources in the order of priority indicated and neither the Trustee nor the Remarketing Agent shall be obligated to provide funds from any other source:

(a) proceeds of the remarketing of Bonds to persons other than the Company, the affiliates of the Company and the Authority and furnished immediately to the Trustee by the Remarketing Agent and deposited directly into and held continuously in, the Remarketing Proceeds Account; and

(b) money provided by the Company or otherwise available for the payment of the purchase price, and proceeds from the investment thereof.

In no event shall the Purchase Price of tendered Bonds be payable under the Financial Guaranty Insurance Policy.

Section 4.08. Delivery of Bonds. On each tender date, the Bonds shall be delivered as follows:

(a) Bonds purchased by the Trustee with moneys described in Section 4.07(a) shall be delivered by the Remarketing Agent to the purchasers of those Bonds by 3:00 p.m., New York City time; and

(b) Bonds purchased by the Trustee with moneys described in Section 4.07(b) (the **"Company-Held Bonds"**) shall be, at the direction of the Company, either (i) delivered to and registered in the name of the Company on or before 3:00 p.m., New York City time, or (ii) delivered to or held by the Trustee for the account of the Company.

Section 4.09. No Purchase or Sale after Event of Default. Anything in this Agreement to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default under this Agreement, the Remarketing Agent shall not remarket any Bonds.

Section 4.10. Purchase Fund. There is hereby established and there shall be maintained with the Trustee a separate fund to be known as the "Purchase Fund". The Trustee shall further establish separate accounts within the Purchase Fund to be known as the "Remarketing Proceeds Account" and the "Company Purchase Account."

(a) *Remarketing Proceeds Account.* Upon receipt from the Remarketing Agent of the proceeds of a remarketing of Bonds on a purchase date, the Trustee shall directly deposit such proceeds, and shall deposit only such proceeds, in the Remarketing Proceeds Account for application to the Purchase Price of the Bonds. Neither the Authority nor the Company shall have any interest in the Remarketing Proceeds Account.

(b) *Company Purchase Account.* Upon receipt of funds provided to the Trustee by the Company pursuant to Section 5.05(c), the Trustee shall directly deposit such money, and shall deposit only such money, in the Company Purchase Account for application to the Purchase Price of the Bonds. Neither the Authority nor the Company shall have any interest in the Company Purchase Account.

(c) *Investment.* Amounts held in the Remarketing Proceeds Account and the Company Purchase Account by the Trustee shall be held uninvested.

Section 4.11. Disposition of Purchased Bonds.

(a) *Bonds to Be Remarketed.* Bonds purchased pursuant to tenders as provided in the form of Bonds or as provided in Section 4.06 will be offered for sale by the Remarketing Agent as provided in this Section except as follows:

(1) Bonds required to be tendered or redeemed, which are tendered between the date notice of mandatory tender or redemption is given and the mandatory tender date or redemption date, may be remarketed before the mandatory tender date or redemption date only if the buyer receives a copy of the mandatory tender notice or the redemption notice, as the case may be, from the Remarketing Agent; and

(2) Bonds will not be offered for sale under this Section during the continuance of an Event of Default under Section 10.01 of this Agreement.

(b) *Remarketing Effort.* Except to the extent the Company directs the Remarketing Agent not to do so, the Remarketing Agent will offer for sale and use reasonable efforts to sell all Bonds to be sold as provided in paragraph (a) above and, when directed by the Company, any Company-Held Bonds. The sale price of each Bond must be equal to the principal amount of each Bond plus accrued interest, if any, to the purchase date. The Company may direct the Remarketing Agent from time to time to cease and to resume sales efforts with respect to some of or all the Bonds. The Remarketing Agent may buy as principal any Bonds to be offered under this Section 4.11.

(c) ***Notices in Respect of Tenders.*** When the Trustee receives a notice from a Bondholder (or a Beneficial Owner through its direct Participant) as specified in paragraph 6 of the form of the Bond for the Bondholder (or a Beneficial Owner through its direct Participant) that Bonds are being tendered, the Trustee will promptly notify the Remarketing Agent and the Company by facsimile transmission or telephone, promptly confirmed in writing, of the receipt of such notice, but in no event later than the following times:

(1) when the Bonds bear interest at a Daily Rate, no later than 11:15 a.m. (New York City time) on the same Business Day; and

(2) when the Bonds bear interest at a Weekly Rate, no later than 11:15 a.m. (New York City time) on the Business Day next succeeding receipt of such notice.

(d) ***Delivery of Remarketed Bonds.***

(1) Except when the Book-Entry System is in effect, the Trustee shall hold all Bonds delivered pursuant to this Section 4.11 in trust for the benefit of the owners thereof until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders, and thereafter, if such Bonds are remarketed, shall deliver replacement Bonds, prepared by the Trustee in accordance with the directions of the Remarketing Agent and authenticated by the Trustee, for any Bonds purchased in accordance with the written directions of the Remarketing Agent, to the Remarketing Agent for delivery to the purchasers thereof.

(2) The Remarketing Agent or, in the case of Bonds bearing interest at an Auction Mode Rate, the Auction Agent, shall advise the Trustee and the Company in writing or by facsimile transmission of (A) the principal amount of Bonds which have been remarketed and that the proceeds of such remarketing have been received by the Remarketing Agent, and, (B) except in the case of Bonds bearing interest at an Auction Mode Rate, the denominations and registration instructions (including taxpayer identification numbers), in each case, in accordance with the following schedule (all times of which are New York City time):

CURRENT METHOD OF INTEREST RATE DETERMINATION OR, IN CONNECTION WITH A CHANGE IN SUCH METHOD, THE NEW METHOD OF INTEREST RATE DETERMINATION	TIME BY WHICH INFORMATION TO BE FURNISHED TO TRUSTEE
Commercial Paper Period	12:15 p.m. on the purchase date
Daily Rate Period	11:45 a.m. on the purchase date
Weekly Rate Period	11:45 a.m. on the purchase date
Long-Term Interest Rate Period	12:15 p.m. on the purchase date
Auction Rate Period	12:15 p.m. on the date of the Auction

(3) The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the purchase price by the Remarketing Agent to the Trustee in exchange for Bonds registered in the name of the new Bondholder which shall be delivered by the Trustee to the Remarketing Agent at or before 2:00 p.m. (12:00 p.m. if the Bonds are not in a Book-Entry System) (New York City time) on the purchase date if the purchase price has been received from the Remarketing Agent by the time set forth in Section 4.11(e) on the purchase date.

(e) ***Delivery of Proceeds of Sale.*** The Remarketing Agent shall deliver directly to the Trustee an amount equal to the principal amount thereof plus accrued interest, if any, of the Bonds which the Remarketing Agent has advised the Trustee have been remarketed pursuant to Section 4.11(d)(2) no later than 1:30 p.m. (New York City time) on the purchase date.

Section 4.12. Purchase of Bonds in Lieu of Redemption. When Bonds are called for redemption pursuant to *"Optional Redemption During Long-Term Interest Rate Period," "Optional Redemption During Daily or Weekly Rate Period"* or *"Optional Redemption During Auction Rate Period"* as provided under paragraph 9 in the form of Bond, the Company may purchase some or all of the Bonds called for redemption if it (or the Remarketing Agent) gives written notice to the Trustee, the Remarketing Agent, the Auction Agent, the Broker-Dealer and the Bond Insurer not later than the day before the redemption date that it wishes to purchase the principal amount of Bonds specified in the notice, at a purchase price equal to the redemption price. On the date specified as the redemption date, the Trustee will be furnished sufficient remarketing proceeds (or other funds provided by the Company as provided in Section 4.07(b) hereof) in sufficient time for the Trustee to make the purchase on the redemption date. Any such purchase of Bonds by the Company shall not be deemed to be a payment or redemption of the Bonds or any portion thereof and such purchase shall not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

ARTICLE V

FUNDS AND ACCOUNTS

Section 5.01. Application of Proceeds. The proceeds received from the sale of the Bonds shall be applied as follows:

(a) any proceeds representing accrued interest on the Bonds will be deposited into the Bond Fund; and

(b) all other proceeds will be deposited into the Refunding Fund.

Section 5.02. Bond Fund. There is hereby established and created a fund to be designated "Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project) Series 2006 Bond Fund."

The Bond Fund and the moneys and Permitted Investments therein shall be used solely and exclusively for the payment of Bond Service Charges as they become due at stated maturity, by redemption, or by acceleration, all as provided herein.

Bond Service Charges shall be payable, as they become due, (i) in the first instance from the payments to be made by the Company to the Trustee pursuant to Section 5.05(a) and to be deposited in the Bond Fund, (ii) if those payments are not made or if moneys then on deposit in the Bond Fund and available for that purpose are not sufficient to pay the Bond Service Charges, from other Revenues to the extent then available, and (iii) from any other source lawfully available to the Trustee.

Except where moneys have been deposited with or paid to the Trustee pursuant to an instrument restricting their application to particular Bonds, all moneys required or permitted to be deposited with or paid to the Trustee under any provision of this Agreement, and any investments thereof, shall be held by the Trustee in trust. Except for (i) moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which shall have been duly given, and (ii) moneys held by the Trustee pursuant to Section 13.03, all moneys described in the preceding sentence held by the Trustee shall be subject to the lien hereof while so held.

The Trustee shall apply money contained in the accounts described below at the following respective times in the manner hereinafter provided, which accounts the Trustee hereby agrees to establish and maintain within the Bond Fund so long as this Agreement is not discharged in accordance with ARTICLE XIII and each such account shall constitute a trust fund for the benefit of the holders of the Bonds and the Bond Insurer, and the money in each such account shall be disbursed only for the purposes and uses hereinafter authorized.

(a) ***Interest Account.*** The Trustee, on each Interest Payment Date, shall withdraw and apply from moneys on deposit in the Interest Account an amount which shall be sufficient to pay interest payable on the outstanding Bonds on such Interest Payment Date.

(b) ***Principal Account.*** The Trustee, on each Principal Payment Date, shall withdraw and apply from moneys on deposit in the Principal Account, an amount equal to the principal becoming due on Bonds on such Principal Payment Date (other than a redemption date). Money in the Principal Account shall be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of outstanding Bonds.

(c) ***Redemption Account.*** The Trustee, on or before each redemption date, shall withdraw and apply from moneys on deposit in the Redemption Account amounts required to pay the principal of and premium, if any, and accrued interest on Bonds to be redeemed prior to their stated maturity. Money in the Redemption Account shall be used and withdrawn by the Trustee on each redemption date solely for the payment of the principal of and premium, if any, and accrued interest on outstanding Bonds upon the redemption thereof prior to their stated maturity.

Section 5.03. First Mortgage Bond Fund. There is hereby established and created a fund to be designated "Hillsborough County Industrial Development Authority Pollution Control

Facility Revenue Refunding Bonds (Tampa Electric Company Project) Series 2006 First Mortgage Bond Fund." There shall be deposited to the credit of the First Mortgage Bond Fund all payments, if any, made on the First Mortgage Bonds, if any. The moneys in the First Mortgage Bond Fund shall be held by the Trustee in trust and applied to the amounts which the Company may be required to pay to the Trustee for deposit in the Bond Fund and, pending such application, shall be subject to a lien and charge in favor of the Bondholders.

Section 5.04. Payment of Bonds. The Trustee will make payments of purchase price of, principal of, premium, if any, and interest on the Bonds from moneys available to the Trustee under Section 4.07, Section 4.10 and Section 5.02; *provided, however*, that during an Auction Rate Period, payment of purchase price shall occur pursuant to Section 3.03(b)(5) hereof.

All moneys received as proceeds of remarketing the Bonds under Section 4.11 shall be held segregated by the Trustee in the Remarketing Proceeds Account, a separate and segregated trust account, as provided in Section 4.10. To the extent that the payment of principal or interest on the Bonds is made from moneys as described in this Section, such payment shall also satisfy and discharge any payment obligation of the Company under this Agreement and the Trustee shall promptly notify the Company in writing if such payment requirement has not been satisfied. If any Bond is redeemed prior to maturity or if the Company surrenders any Bond to the Trustee for cancellation, the Trustee shall cancel such Bond.

Section 5.05. Payments by the Company.

(a) ***Debt Service.***

(1) Not later than the opening of business on the Business Day on which a payment of principal or interest is due, the Company shall pay or cause to be paid to the Trustee for deposit in the Bond Fund an amount available on such payment date equal to such payment less the amount, if any, in the Bond Fund and available therefor.

(2) The payments to be made under the foregoing subsection shall be appropriately adjusted to reflect the date of issue of Bonds, accrued interest deposited in the Bond Fund, if any, and any purchase or redemption of Bonds so that there will be available on each payment date in the Bond Fund the amount necessary to pay the interest and principal due or coming due on the Bonds and so that accrued interest will be applied to the installments of interest to which it is applicable.

(3) At any time when any principal of the Bonds is overdue, the Company shall also have a continuing obligation to pay to the Trustee for deposit in the Bond Fund an amount equal to interest on the overdue principal but the installment payments required under this Section shall not otherwise bear interest. Premiums, if any, shall not bear interest.

(4) Payments by the Company to the Trustee for deposit in the Bond Fund under this Agreement shall discharge the obligation of the Company to the extent of such payments; *provided*, that if any moneys are invested in accordance with this Agreement and a loss results therefrom so that there are insufficient funds to pay principal and interest on the Bonds when due, the Company shall supply the deficiency.

(b) ***Additional Payments.***

(1) Within thirty (30) days after notice from the Authority, the Company shall pay to the Authority all its reasonable costs and expenses (except general administrative expenses or overhead) incurred by the Authority relating to the issuance of the Bonds, and for any continuing duties or obligations of the Authority relating to the Bonds, this Agreement or any other documents executed in connection therewith, including any audit or any modification, amendment or interpretation of this Agreement or the Bonds.

(2) Within thirty (30) days after notice from the Trustee, any paying agent, tender agent or registrar, the Company shall pay to the Trustee, paying agent, tender agent or registrar, as the case may be, its reasonable fees and expenses as set forth in Section 11.02 of this Agreement.

(c) ***Company's Purchase of Bonds.*** If the amount received by the Trustee for the purchase of Bonds tendered pursuant to Section 4.06(a) not sufficient to pay the purchase price of such Bonds on the date when due, the Company shall pay the amount of such deficiency to the Trustee for application in accordance with Section 4.07(b).

Section 5.06. Moneys Held in Trust; Unclaimed Funds. The Trustee shall deposit into the Bond Fund, which shall be a separate and segregated trust account for the benefit of the Bondholders, all moneys received by it for any payment on the Bonds. Money received by the Remarketing Agent or the Trustee from the sale of a Bond under Section 4.11 or for the purchase of a Bond will be held segregated from other funds of the Remarketing Agent or the Trustee in trust for the benefit of the person from whom such Bond was purchased or the person delivering such purchase money, as the case may be, and will not be invested. The Trustee shall promptly, but in no event later than 30 days of their original deposit, apply moneys received from the Company in accordance with this Agreement and as specifically directed in writing by the Company.

Notwithstanding the provisions of the immediately preceding paragraph, any moneys which shall be set aside by the Trustee or deposited with the Trustee and which shall remain unclaimed by the holders of such Bonds for a period of one year after the date on which such Bonds shall have become due and payable shall upon request in writing be paid to the Company, and thereafter the holders of such Bonds shall look only to the Company for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee and the Authority shall have no responsibility with respect to such moneys. In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to this Section shall be held uninvested and without liability for interest thereon. Before making any payment under this Section 5.06, the Trustee shall be entitled to receive at the Company's expense an Opinion of Counsel to the effect that said payment is permitted under applicable law.

Section 5.07. Refunding Fund; Notice to Redeem Refunded Bonds. (a) There is hereby established and created a fund to be designated "Hillsborough County Industrial Development Authority Pollution Control Facility Revenue Refunding Bonds (Tampa Electric Company Project) Series 2006 Refunding Fund". On the date of original issuance of the Bonds, upon receipt of the Bond proceeds the Trustee shall deposit such proceeds into the Refunding Fund in accordance with Section 5.01(b) of this Agreement. Promptly following such deposit, all moneys in the Refunding Fund shall be transferred by the Trustee to the Refunded Bonds Trustee for redemption of the Refunded Bonds in accordance with the Refunded Bonds Agreement.

(b) The Trustee shall cause to be kept and maintained records of receipts and disbursements pertaining to the Refunding Fund.

Section 5.08. Investments. So long as the Bonds are outstanding and there is no default hereunder of which the Trustee is deemed to have knowledge pursuant to Section 11.03, moneys on deposit to the credit of the Funds shall, at the written request of the Company Representative, specifying and directing that such investment of such funds be made, be invested by the Trustee in Permitted Investments having a maturity no later than the date such moneys will be needed. The Trustee is entitled to conclusively rely on said instructions for purposes of this Section.

The Trustee may commingle any of the money held by it hereunder. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested. The Trustee shall not be liable or responsible for any losses, fees, taxes or other charges resulting from any such deposit or investment presented for redemption or sold.

Any interest or profits on deposits and investments in the Bond Fund received by the Trustee shall be retained therein.

The Trustee shall have no responsibility for determining whether any investment is a legally permitted investment of the Authority or the Company, and the Trustee shall be fully protected in relying upon instructions received in accordance with this Section.

ARTICLE VI

BOOK-ENTRY SYSTEM

Section 6.01. Book-Entry System. The Bonds shall be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company as the initial Securities Depository and registered owner of such Bonds, and held in the custody of the Securities Depository. A single certificate will be issued and delivered to the Securities Depository, or a custodian thereof, for the Bonds. The Beneficial Owners will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository shall continue to serve as securities depository for such Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only on the records of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any Bond certificate. The Authority, the Company and the

Trustee will recognize the Securities Depository or its nominee as the Bondholder of such Bonds for all purposes, including payment, notices and voting.

The Authority and the Trustee covenant and agree, so long as The Depository Trust Company shall continue to serve as Securities Depository for the Bonds, to meet the requirements of The Depository Trust Company with respect to required notices and other provisions of any Letter of Representations executed with respect to, or any Blanket Letter of Representations applicable to, the Bonds.

The Authority, the Trustee, the Company and the Remarketing Agent may conclusively rely upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry-System and (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book-entry at the Securities Depository, the requirements in this Agreement of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or registering the transfer of the book-entry to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds shall, while the Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable law.

The Trustee and the Authority, at the direction and expense of the Company and with the consent of the Remarketing Agent, may from time to time appoint a successor Securities Depository and enter into an agreement with such successor Securities Depository to establish procedures with respect to the Bonds consistent with current industry practice. Any successor Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

None of the Authority, the Company, the Trustee, any Broker-Dealer nor the Remarketing Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner if the Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving 30 days' notice to the Authority, the Company, the Auction Agent, the Remarketing Agent and the Trustee and discharging its responsibilities with respect thereto under applicable law.

The Trustee is hereby authorized to make such changes to the form of bond attached hereto as **Exhibit B** which are necessary or appropriate to reflect that the Book-Entry System is not in effect, that a successor Securities Depository has been appointed or that an additional or co-paying agent or tender agent has been designated pursuant to Section 11.14.

If at any time, the Securities Depository ceases to hold the Bonds, all references herein to the Securities Depository shall be of no further force or effect.

ARTICLE VII

THE PROJECT

Section 7.01. Maintenance and Modifications of Project by Company. Subject to the provisions of Section 7.02, the Company agrees that so long as any Bonds are outstanding it will at its own expense maintain, repair and operate the Project. The Company may make modifications to completed components of the Project.

Section 7.02. Removal of Portions of the Project.

(a) The Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary portion of the Project. In any instance where the Company determines that any portion of the Project has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Company may remove such portion from the Project and sell, trade in, exchange or otherwise dispose of such removed portion of the Project without any responsibility or accountability to the Authority, the Trustee or the holders of the Bonds.

(b) The removal of any portion of the Project pursuant to the provisions of this Section shall not entitle the Company to any abatement or diminution of the amounts required to be paid with respect to the Bonds.

Section 7.03. Assignment, Leasing and Sale by the Company. This Agreement may be assigned, and the Project may be leased or sold as a whole or in part, by the Company without the consent of either the Authority or the Trustee, subject, however, except as provided in Section 8.03, to each of the following conditions:

(a) no assignment, lease or sale shall relieve the Company from liability for any of its obligations hereunder, and, in the event of any such assignment, lease or sale, the Company shall continue to remain primarily liable for the payments required to be made pursuant to this Agreement and for the performance and observance of the other agreements on its part herein contained;

(b) the assignee, lessee or buyer shall assume the obligations of the Company hereunder to the extent of the interest assigned, leased or sold, and may assume the Company's obligations under Article V;

(c) the Company shall, not later than 10 days prior to the delivery thereof, furnish or cause to be furnished to the Authority and to the Trustee a true and complete copy of the form of each such proposed assignment, lease or conveyance, as the case may be; and

(d) the Company shall, not later than the effective date of such assignment or lease, furnish or cause to be furnished to the Authority and the Trustee a Favorable Opinion of Tax Counsel that such assignment or lease will not cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

ARTICLE VIII

THE COMPANY

Section 8.01. Representations by the Company. The Company makes the following representations as of the date of delivery of this Agreement:

(a) The Company is a corporation organized and existing under the laws of the State of Florida and has power to enter into this Agreement;

(b) By proper corporate action, the officers of the Company executing and attesting this Agreement have been duly authorized to execute and deliver this Agreement;

(c) Neither the execution or delivery of this Agreement or the consummation of the transactions contemplated herein (including, without limitation, execution and delivery of the First Mortgage Bonds, if any, nor the fulfillment of or compliance with the terms hereof) will conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Company's Restated Articles of Incorporation, its bylaws or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or by which it is bound;

(d) The facilities comprising the Project constitute a "project" within the meaning of Section 159.44(2) of the Act;

(e) The Company has caused and will cause the acquisition, construction and installation of the Project at the Units, pursuant to the terms and conditions expressed herein, all for the purpose of promoting effective and efficient pollution control throughout the State;

(f) Not less than substantially all of the proceeds of the Bonds will be used to refinance costs of "sewage or solid waste disposal facilities" and "air or water pollution control facilities" within the meaning of Sections 103(b)(4)(E) or (F), respectively, of the Internal Revenue Code of 1954, as amended; and

(g) All necessary authorizations, approval, consents and other orders of any governmental authority or agency for the execution and delivery by the Company of this Agreement have been obtained and are in full force and effect.

Section 8.02. Access to the Project. The Authority and its duly authorized agents shall have such rights of access to the Project and the Units as may be reasonably necessary to inspect the Project.

Section 8.03. Company May Consolidate, Etc., Only on Certain Terms.

(a) The Company shall not consolidate with or merge into any other Corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless the Corporation formed by such consolidation into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety (a) shall be, if a Corporation, a Corporation organized and existing under the laws of (i) the United States of America or any State or the District of Columbia or (ii) a foreign jurisdiction which consents to the jurisdiction of the courts of the United States of America or of any State, and (b) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Bonds and the performance of every covenant of this Agreement on the part of the Company to be performed or observed.

(b) Upon any consolidation or merger, or any sale of the property and assets of the Company as, or substantially as, an entirety in accordance with the provisions of this Section 8.03, the Corporation formed by such consolidation or into which the Company shall have been merged or the Person to which such sale shall have been made shall succeed to and be substituted for the Company with the same effect as if it had been named herein as a party hereto, and thereafter from time to time such Corporation may exercise each and every right and power of the Company under this Indenture, in the name of the Company or in its own name; and any act or proceeding by any provision of this Agreement required or permitted to be done by any board of officer of the Company may be done with like force and effect by the like board or officer of any Corporation that shall at the time be the successor of the Company hereunder.

(c) The Trustee shall receive and may conclusively rely on and shall be protected in relying upon an Opinion of Counsel as conclusive evidence that any such consolidation, merger or sale, and any such assumption of payment and performance complies with the provisions of this Section 8.03.

Section 8.04. Indemnification Covenants.

(a) The Company hereby agrees to indemnify the Authority, the Trustee, any paying agent, tender agent and registrar and each of their respective members, directors, officers, employees, agents and attorneys (collectively, the **"Indemnified Persons"**) against claims arising out of the construction or operation of the Project and to pay or bond and discharge and indemnify and hold harmless each Indemnified Person from and against (i) any lien or charge upon payments by the Company to or for the account of the Authority hereunder and (ii) any taxes, assessments, impositions and other charges of any federal, state or municipal government or political body in respect of the Project. If any such claim is asserted, or any such lien or charge upon payments, or charges are sought to be imposed, the applicable Indemnified Person shall give prompt notice to the Company, and the Company shall pay the same or bond and

assume the defense thereof, with full power to contest, litigate, compromise or settle the same in its reasonable discretion.

(b) The Company shall at all times protect and hold each Indemnified Person harmless against any claim or liability arising from this Agreement, the Bond Resolution, the issuance of the Bonds and all transactions pertaining thereto, including but not limited to any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project or to the use thereof, in excess of any insurance proceeds available to the Authority in connection therewith, such indemnification to include reasonable expenses and attorneys' fees and expenses incurred by any Indemnified Person in connection therewith. Nothing contained herein shall require the Company to indemnify an Indemnified Person for any claim or liability resulting from the willfully wrongful acts or gross negligence of any Indemnified Person. The provisions of this Section shall survive the termination of this Agreement.

Section 8.05. Consent to Assignment of Contract Rights by the Authority. The Company hereby consents to the pledge and assignment by the Authority to the Trustee of (i) all of its rights under this Agreement (except its rights under Section 5.05(b)(1) and Section 10.13 to payment of certain costs and expenses and under Section 8.04 to indemnification) to the Trustee for the benefit of the holders from time to time of the Bonds as security for payment of the principal of and premium, if any, and interest on the Bonds, and (ii) any interest it may have in the First Mortgage Bonds, if any, as additional security for the payment of the principal of and premium, if any, and interest on the Bonds. The Company hereby agrees that by virtue of such pledge and assignment the Trustee may enjoy and enforce all such rights of the Authority hereunder.

Section 8.06. Obligations of Company Hereunder Unconditional.

(a) Until such time as the principal of and premium, if any, and interest on the Bonds shall have been fully paid or deemed to have been paid as provided pursuant to Section 13.01 of this Agreement, to the extent permitted by law, the Company's obligations under this Agreement shall be absolute and unconditional, and the Company (i) will not suspend or discontinue payment of any amounts required to be paid by it hereunder, (ii) will perform and observe all of its other agreements contained in this Agreement, (iii) will not knowingly take or authorize or permit, to the extent such action is within the control of the Company, any action with respect to the Project, the proceeds of the Bonds or any insurance, condemnation or other proceeds derived directly or indirectly in connection with the Project, which will result in the loss of the exclusion of interest on the Bonds from federal gross income, and (iv) except as permitted by this Agreement, will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any act or circumstance that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of them, any failure of the Authority or the Trustee to perform or observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, or arising out of any indebtedness or liability at any time owing to the Company by the Authority or the Trustee.

(b) Nothing contained in this Section will be construed to release the Authority from the performance of any of the agreements on its part herein contained; and in the event the Authority should fail to perform any such agreement on its part, the Company may institute such action against the Authority as the Company may deem necessary to compel performance of the Authority hereunder so long as such action shall not violate the agreements on the part of the Company contained in Section 8.04 or diminish the amounts required to be paid by the Company under this Agreement. The Company may also, at its own cost and expense and in its own name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the Company deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Authority hereby agrees to cooperate fully with the Company and, at the Company's expense, to take all action necessary to effect the substitution of the Company for the Authority in any action or proceeding if the Company shall so request.

Section 8.07. Arbitrage Bonds. The Company will comply in all respects with the requirements of Section 148 of the Code as it relates to the Bonds. Without limiting the generality of the foregoing, the Company shall pay to the United States any rebate that may be due with respect to the Bonds under Section 148(f) of the Code and any regulations promulgated thereunder.

ARTICLE IX

THE AUTHORITY

Section 9.01. Representations by the Authority. The Authority makes the following representations as of the date of delivery of this Agreement:

(a) The Authority covenants that it is duly authorized under the laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Agreement, to assign the payments and amounts hereby assigned in the manner and to the extent herein set forth and to undertake the transactions contemplated by this Agreement and to carry out its obligations hereunder, and that all action on its part for the issuance of the Bonds and the execution and delivery of this Agreement has been duly and effectively taken; and

(b) By proper action of the Authority, the officers of the Authority executing and attesting this Agreement have been duly authorized to execute and deliver this Agreement.

Section 9.02. No Warranty of Condition or Suitability by the Authority. THE AUTHORITY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PROJECT OR ITS SUITABILITY FOR THE COMPANY'S PURPOSES OR NEEDS.

Section 9.03. Payment of Principal, Premium and Interest. The Authority covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under this Agreement but only from the Revenues and any accrued interest on the Bonds deposited in the Bond Fund as provided herein at the place, on the dates, from the funds and in the manner provided herein and in said Bonds according to the true intent and meaning thereof. The

Authority makes no representation or warranty as to the financial condition of the Company or any other party or value, validity or enforceability of any security for the Bonds or the Company's obligations under this Agreement.

Section 9.04. Authority To Use Best Efforts To Require Company To Make Payments. The Authority shall use its best efforts, acting through the Trustee, to require the Company to pay all of the payments and other costs and charges payable by the Company under this Agreement.

Section 9.05. Take Further Action. The Authority covenants that it shall from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purposes of this Agreement; *provided, however*, that no such instruments or actions shall pledge the credit of the Authority, and *provided further, however*, that the Authority shall not be required to execute and deliver such instruments or take such further actions unless reasonable indemnity is furnished by the Company for any expense or liability to be incurred therein in accordance with Section 5.05(b)(1) and Section 8.04. The Authority shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. The Authority may rely conclusively on any notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Authority shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by the Authority is called for by this Agreement, the Authority may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person, firm or corporation except by its own members, officers, agents and employees. No recourse shall be had by the Company, the Trustee or any Bondholder for any claim based on this Agreement or the Bonds or any agreement securing the same against any member, officer, agent or employee of the Authority unless such claim is based upon the bad faith, fraud or deceit of such person.

Section 9.06. No Disposition of Revenues. The Authority agrees that, except for its pledge and assignment to the Trustee hereunder, the Authority will not pledge, assign, mortgage, encumber, convey or otherwise transfer any of its interest or rights to the Revenues or otherwise under this Agreement; *provided, however*, that if the laws of the State at the time shall so permit, nothing contained in this Section shall prevent the consolidation of the Authority with, or merger of the Authority into, any public corporation the property and income of which are not subject to taxation; and *provided, further*, that upon any such consolidation, merger or transfer, the due and punctual payment of the principal of, premium, if any, and interest on the Bonds according to their tenor, and the due and punctual performance and observance of all the agreements and conditions of this Agreement to be kept and performed by the Authority, shall be expressly assumed in writing by the entity resulting from such consolidation or surviving such merger.

Section 9.07. No Extensions. In order to prevent any accumulation of claims for interest after maturity, the Authority will not directly or indirectly extend or assent to the

extension of the time of payment of claims of interest on any of the Bonds and will not directly or indirectly be a party to or approve any such arrangement by purchasing or funding such claims for interest or in any other manner. In case any such claim for interest shall be extended or funded in violation hereof, such claim for interest shall not be entitled, in case of any default hereunder, to the benefit or security of this Agreement except subject to the prior payment in full of the principal of and premium, if any, on all Bonds issued and outstanding hereunder, and all claims for interest which shall not have been so extended or funded.

Section 9.08. Covenant To Perform Further Acts. The Authority covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such supplements and amendments to this Agreement and such further acts, instruments and transfers as the Trustee may reasonably require in order to fully preserve, protect and perfect the rights and security of the Bondholders and the rights of the Trustee under this Agreement, *provided, however*, that the Authority shall not be required to execute and deliver such documents or take such further actions unless reasonable indemnity is furnished by the Company for any expense or liability to be incurred therein in accordance with Section 5.05(b)(1) and Section 8.04

Section 9.09. Faithful Performance. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions required to be performed by it and contained in this Agreement, in any and every Bond executed and delivered hereunder and in all of its proceedings pertaining hereto.

ARTICLE X

DEFAULT AND LIMITATIONS OF LIABILITY

Section 10.01. Events of Default. If any of the following events occur, it is hereby declared to constitute an "**Event of Default**"; *provided* that, in determining whether an Event of Default has occurred under paragraph (a) or (b), no effect shall be given to payments made on the Bonds pursuant to the Financial Guaranty Insurance Policy:

(a) Default in the due and punctual payment of interest on any Bond;

(b) Default in the due and punctual payment of the principal of, or premium, if any, on any Bond, whether at the stated maturity thereof, redemption thereof pursuant to Section 4.01, or upon the acceleration thereof;

(c) Default in the due and punctual payment of the purchase price of any Bond required to be purchased in accordance with its terms;

(d) First Mortgage Bonds shall have been delivered in connection with the Bonds and a "default" as defined in Section 12.01 of the First Mortgage shall have occurred and be continuing;

(e) A trustee, receiver, custodian or similar official or agent shall be appointed for the Company or for any substantial part of its property and such trustee or receiver shall not be discharged within sixty (60) days;

(f) The Company shall commence a voluntary case under the federal bankruptcy laws, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property;

(g) The Company shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty (60) days;

(h) An "Event of Default" as defined in the Insurance Agreement shall have occurred and be continuing; and

(i) The Company or the Authority shall fail to observe or perform in any material way any covenant, condition, agreement or provision contained in the Bonds or in this Agreement on the part of the Company or the Authority to be performed other than those set forth in clause (a), (b), (c), (d), (e), (f), (g) or (h) of this Section, and such failure shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Company and the Authority by the Trustee, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the holders of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds then outstanding, unless the Trustee and Bondholders of a principal amount of Bonds not less than the principal amount of the Bonds the Bondholders of which requested such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; *provided however*, that the Trustee and the Bondholders of such principal amount of Bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority or the Company on behalf of the Authority within such period and is being diligently pursued.

Section 10.02. Acceleration. Subject to the rights of the Bond Insurer set forth in Section 10.03 and Section 12.04, upon the occurrence and continuance of any Event of Default described in clause (a), (b), (c), (d), (e), (h) or (i) of the preceding paragraph and further upon the condition that if any First Mortgage Bonds shall have been delivered, all first mortgage bonds outstanding under the First Mortgage shall have become immediately due and payable in accordance with the terms of the First Mortgage, the Trustee may, and at the written request of Bondholders of not less than 25% in principal amount of the Bonds then outstanding shall, by written notice to the Authority and to the Company declare the Bonds to be immediately due and payable, whereupon, and upon the occurrence of an Event of Default as specified in clause (f) or (g) of the preceding paragraph without any further notice or action by the Trustee or the Authority, the Bonds shall, without further action, become and be immediately due and payable, any provisions hereof or the Bonds to the contrary notwithstanding, and the Trustee shall give notice of acceleration to the Authority, and shall give notice thereof by mail to the Bondholders.

The provisions of the preceding paragraph, however, are subject to the condition that if, after the principal of the Bonds shall have been so declared to be due and payable, and before any judgment or decree for the payment of moneys due shall have been obtained or entered as

hereinafter provided, the Company or the Authority shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all the Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum specified herein) and such amounts as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee and any paying agent, tender agent and registrar, and all Events of Default hereunder other than nonpayment of the principal of Bonds which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Authority and the Company, and shall give notice thereof to the Bondholders; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon; *provided, however*, that if any First Mortgage Bonds shall have been delivered in connection with the Bonds, any waiver of "default" under the First Mortgage and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under this Agreement and a rescission and annulment of the consequences thereof, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Authority and the Company, and notice to the Bondholders in the same manner as a notice of redemption under Section 4.04; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or Event of Default or impair any right or remedy consequent thereon.

Section 10.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal of and premium, if any, or interest on the Bonds or to enforce the performance of any provision of the Bonds or this Agreement. Notwithstanding anything to the contrary set forth herein, so long as the Policy is in full force and effect and the Bond Insurer is not in default thereunder, the Bond Insurer shall be deemed to be the sole owner of all the Bonds with respect to the remedies and granting of waivers herein.

The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Bondholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 10.04. Waiver of Past Defaults. Subject to the rights of the Bond Insurer set forth in Section 10.03 and Section 12.04, a majority in aggregate principal amount of the outstanding Bonds by notice to the Trustee may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent to it.

Section 10.05. Control by Majority. Subject to the rights of the Bond Insurer, the holders of a majority in aggregate principal amount of Bonds outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. The Trustee may refuse to follow any direction that conflicts with

law or this Agreement or that the Trustee determines is unduly prejudicial to the rights of other Bondholders or if the Trustee has not been indemnified pursuant to Section 11.01(k)

Section 10.06. Limitation on Suits. A Bondholder may not pursue any remedy with respect to this Agreement or the Bonds unless (a) the Bondholder gives the Trustee notice stating that an Event of Default is continuing, (b) the holders of at least 25% in aggregate principal amount of the outstanding Bonds make a written request to the Trustee to pursue the remedy, (c) such Bondholder or Bondholders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense, (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and (e) with respect to the Bonds, the Policy is not in effect or the Bond Insurer has defaulted in its obligations under the Policy.

Section 10.07. Rights of Bondholders to Receive Payment. Notwithstanding any other provision of this Agreement, the right of any Bondholder to receive payment of principal of, premium, if any, and interest on a Bond, on or after the due dates expressed in the Bond, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the Bondholder.

Section 10.08. Collection Suit by Trustee. If an Event of Default under paragraph (a), (b), (c) or (h) of Section 10.01 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust (but only from the sources provided herein, including without limitation, the limitations under Section 9.03 hereof) for the whole amount remaining unpaid.

Section 10.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Company or the Bond Insurer, their creditors or property and, unless prohibited by law or applicable regulations, may vote on behalf of the Bondholders in any election of a trustee in bankruptcy or other person performing similar functions.

Section 10.10. Priorities. As contemplated by and provided for in this Agreement, funds drawn under the Financial Guaranty Insurance Policy will be used only for the payment of principal of and interest on the Bonds, as provided in the Financial Guaranty Insurance Policy. If the Trustee collects any money pursuant to this Article or if any moneys shall be on deposit in the Bond Fund at the time of the acceleration of the Bonds pursuant to Section 10.02 or shall be deposited into the Bond Fund as a result of such an acceleration, it shall pay out such moneys in the following order: first, to the Trustee for amounts to which it is entitled under Section 11.02 (*provided*, that if such money constitutes proceeds from the Financial Guaranty Insurance Policy, the Trustee shall only use such proceeds to pay the holders of the Bonds); second, to holders for amounts due and unpaid on the Bonds for principal, premium and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal, premium and interest, respectively; third, to the Bond Insurer to the extent it certifies that moneys are owed to it under the Insurance Agreement; and fourth, to the Company. The Trustee may fix a payment date for any payment to the Bondholders.

Section 10.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Agreement or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the cost of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Bondholder pursuant to Section 10.06 or a suit by holders of more than 25% in aggregate principal amount of Bonds outstanding.

Section 10.12. Payment Procedures under Financial Guaranty Insurance Policy. So long as the Financial Guaranty Insurance Policy shall be in full force and effect and no default has occurred and is occurring thereunder, the Trustee shall comply with the following provisions:

(a) If on any Interest Payment Date for the Bonds there is not on deposit with the Trustee, as the paying agent for the Bonds, sufficient moneys available to pay all principal of and interest on the Bonds due on such date, the Trustee shall promptly notify the Bond Insurer and The Bank of New York, New York, New York or its successor as Insurance Trustee (the "**Insurance Trustee**") of the amount of such deficiency. Such notice shall specify the amount of the deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. In addition, the Trustee shall simultaneously make available to the Bond Insurer and to the Insurance Trustee the registration books for the Bonds maintained by the Trustee, and all records relating to any funds or accounts maintained under this Agreement.

(b) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of the Bondholders entitled to receive principal or interest payments from the Bond Insurer under the terms of the Financial Guaranty Insurance Policy and shall make arrangements with the Insurance Trustee (i) to mail checks to Bondholders entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal of the Bonds surrendered to the Insurance Trustee by the Bondholders entitled to receive full or partial payments from the Bond Insurer.

(c) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify Bondholders entitled to receive the payment of principal of or interest on the Bonds from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or part of the interest payments coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee, who shall note on such Bonds the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(d) In the event that the Trustee has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a Bondholder by or on behalf of the Company has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee and subsequently recovered from registered owners and the dates on which such payments were made.

(e) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy and, to evidence such subrogation, (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of such Bonds and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the Bonds maintained by the Trustee upon surrender of the Bonds by the registered owners thereof plus proof of the payment of principal thereof.

Section 10.13. Agreement To Pay Attorneys' Fees and Expenses. In the event the Company should default under any of the provisions of this Agreement or the First Mortgage if any First Mortgage Bonds shall have been delivered to the Trustee and the Authority should employ attorneys or incur other expenses for the collection of any amounts due from the Company hereunder or the enforcement of performance or observance of any obligation or agreement of the Company herein contained, the Company agrees that it will on demand therefor pay to the Authority the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by the Authority.

Section 10.14. **Remedies in Article X in Addition to Remedies in the First Mortgage.** The remedies conferred in this Article shall be in addition to any remedies available to the Trustee as holder of the First Mortgage Bonds, if any, under the First Mortgage.

ARTICLE XI

THE TRUSTEE AND THE REMARKETING AGENT

Section 11.01. Conditions of Trust. The Trustee (which term shall be deemed to include for purposes of this Section 11.01 the paying agent and registrar, unless the context otherwise requires) hereby accepts the trusts imposed upon it by this Agreement, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the obligations or powers hereof and perform any of its duties either directly or by or through attorneys, agents, receivers or employees and the Trustee shall not be responsible for any misconduct or negligence on the part of any attorney, agent, receiver or employee appointed with due care by it hereunder.

(b) The Trustee may consult with counsel of its selection concerning all matters of trust hereof and duties hereunder, and the written advice of such counsel or any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee shall not be responsible for, nor have any liability with respect to, any recital herein or in the Bonds (except in respect of the certificate of the Trustee endorsed on the Bonds), the validity of this Agreement or of any supplements hereto or instruments of further assurance, the maintenance, validity or sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or any lien or property to be created hereby, but the Trustee may require of the Authority or the Company full information and advice as to the performance of the covenants, conditions and agreements aforesaid.

(d) The Trustee shall not be accountable for, or have any liability with respect to, the use of any Bonds authenticated or delivered hereunder after such Bonds shall have been delivered in accordance with instructions of the Authority. The Trustee may become the owner of Bonds secured hereby with the same rights that it would have if it were not the Trustee.

(e) The Trustee shall be fully protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond shall be conclusive and binding upon all future owners of the same Bond or portions thereof and upon Bonds issued in exchange therefor or for portions thereof or in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate of the Authority signed by an Authority Representative or any certificate of the Company signed by a Company Representative as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this section, or of which by said subsection it is deemed to have notice, the Trustee shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Secretary of the Authority under its seal to the effect that a resolution has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its gross negligence or willful misconduct. After the occurrence and during the continuance of a default

hereunder, in the exercise of such of the rights and powers vested in it by this Agreement, the Trustee shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except (i) failure by the Authority to cause to be made any of the payments to the Trustee required to be made by Article V hereof and (ii) default of which the Trustee has actual knowledge, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the holders of at least 25% in aggregate principal amount of Bonds then Outstanding; and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid. For the purposes hereof, the Trustee shall not be deemed to have actual knowledge of any default or Event of Default unless a trust officer, assistant trust officer or other person charged with the administration of the obligations of the Trustee hereunder shall during the course of his duties have actual knowledge thereof.

(i) The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged or for salaries or nonfulfillment of contracts during any period in which it may be in the possession of or managing the real and tangible personal property as in this Agreement provided.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) No provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense, but the Trustee shall not require indemnity as a condition to making payment on the Bonds, provided that moneys are available for such purpose in the Bond Fund, or declaring the principal of and interest on the Bonds to be due immediately under Section 10.02, or requesting payment under the Financial Guaranty Insurance Policy, or with respect to its duties under Section 5.07.

(l) All money received by the Trustee or any paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which it was received but need not be segregated from other funds except to the extent required by this Agreement or by law.

(m) The Trustee shall not be bound to make an investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine during normal business hours and upon reasonable notice the books, records and premises of the Authority, personally or by agent or by attorney.

(n) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 11.02. Reimbursement of Administrative Expenses.

(a) The Trustee, any paying agent, tender agent and registrar shall be entitled to payment and/or reimbursement for Administrative Expenses, including such fees as shall be agreed in writing between the Company and the Trustee for their services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by them in connection with such services under this Agreement. The Trustee and any paying agent shall be entitled to payment and reimbursement for their reasonable fees and charges as paying agents for the Bonds as hereinabove provided. Upon the occurrence of an Event of Default, but only upon an Event of Default, the Trustee and any paying agent shall have a first lien with right of payment prior to payment on account of interest or principal of any Bond for the foregoing advances, fees, costs and expenses incurred by them, respectively, or any indemnification due, on moneys held by the Trustee hereunder, other than moneys held for the payment of Bonds which are deemed to have been purchased or paid (including payment upon acceleration of maturity) under the terms of this Agreement.

(b) All fees, charges and other compensation to which the Trustee, any paying agent, tender agent or registrar may be entitled under the provisions of this Agreement are required to be paid by the Company, and, accordingly, the Authority shall not be liable in any respect to indemnify such entities for fees, charges and other compensation to which they may be entitled and, by acceptance of the trusts hereunder, each entity shall be deemed to have agreed to the foregoing.

(c) The provisions of this Section shall survive the termination of this Agreement.

Section 11.03. Notice of Defaults. If an Event of Default occurs and is continuing, the Trustee will mail, first class, postage prepaid, notice of the Event of Default to the Bondholders and the Bond Insurer as promptly as practicable after the Trustee has knowledge of the Event of Default. The Trustee shall not be deemed to have knowledge of any event which, with the giving of notice or lapse of time or both, would be an Event of Default or of any Event of Default, except an Event of Default pursuant to Section 10.01(a), Section 10.01(b), or Section 10.01(c), unless a responsible representative of the Trustee receives written notice of such event or Event of Default.

Section 11.04. Trustee's Right To Intervene; First Mortgage Bonds.

(a) In any judicial proceedings to which the Authority is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Bondholders, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the holders of at least 25% of the aggregate principal amount of Bonds then outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

(b) Except as required to effect an assignment to a successor Trustee, the Trustee shall not sell, assign or transfer any First Mortgage Bond, if any, and the Trustee is authorized to enter into an agreement with the Company to such effect, including a consent to the issuance of stop transfer instructions to the First Mortgage Trustee.

(c) If First Mortgage Bonds shall have been delivered in connection with the Bonds, the Trustee, as a holder of such First Mortgage Bonds, shall attend any meeting of first mortgage bondholders under the First Mortgage as to which it receives due notice. Either at such meeting, or otherwise where consent of holders of first mortgage bonds of the Company is sought without a meeting, the Trustee shall vote as such holder, or shall consent with respect thereto, proportionately with what the Trustee reasonably believes will be the vote or consent of all other holders of first mortgage bonds of the Company then outstanding and eligible to vote or consent.

Notwithstanding the foregoing, the Trustee shall not vote as such holder in favor of, or give its consent to, any action which would materially adversely affect the interests of the Bondholders, except upon notification by the Trustee to the Bondholders of such proposal and consent thereto of the holders of at least two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding or, if such proposal would so affect the rights of some but less than all the outstanding Bonds, the consent thereto of the holders of at least two-thirds (2/3) in aggregate principal amount of all Bonds so affected voting as a class.

Section 11.05. Successor Trustee Upon Merger, Etc. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further acts, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The successor Trustee shall give the Authority, the Company, the Remarketing Agent, the Auction Agent, each Broker-Dealer, the Bond Insurer, and each Bondholder written notice of its succession as successor Trustee promptly after such succession.

Section 11.06. Resignation of Trustee. A Trustee and any successor Trustee may resign by giving 60 days' written notice by first class mail to the Authority, the Company, the Remarketing Agent, the Auction Agent, each Broker-Dealer, the Bond Insurer, and each Bondholder as shown on the records of the Trustee, prior to the date specified in such notice when such resignation shall take effect. Such notice to the Authority, the Company, the Remarketing Agent, the Auction Agent, the Bond Insurer, and each Bondholder may be served personally or sent by registered mail or telegram. Such resignation shall take effect only upon the appointment of a successor or temporary Trustee by the Bondholders or by the Authority as hereinafter provided. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee.

Section 11.07. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, the Authority, the Company, the Remarketing Agent, the Auction Agent, each Broker-Dealer, and the Bond Insurer and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding. In addition, provided that no Event of Default, or event or circumstance which with the passage of time or the giving of notice could become an Event of Default, has occurred and is continuing, the Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Authority, the Trustee, the Remarketing Agent, the Auction Agent, each Broker-Dealer, the Bond Insurer and the Bondholders and signed by the Company, such removal to be effective only upon the acceptance of such appointment by a qualified successor Trustee in accordance with Section 11.09. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the Trustee being removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee.

Section 11.08. Appointments of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in the case it shall be taken under control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; *provided, however*, that in case of such vacancy the Company shall forthwith appoint a temporary successor Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders in the manner above provided, and any such temporary successor Trustee as appointed by the Company shall immediately and without further act be superseded by the successor Trustee so appointed by such Bondholders. Every such successor Trustee and temporary successor Trustee appointed pursuant to the provisions of this Section shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers having a reported capital and surplus of not less than $100,000,000, subject to supervision or examination by federal or state authority, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Section 11.09. Acceptance by Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority, the Company, the Remarketing Agent, the Auction Agent, and the Bond Insurer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor Trustee shall nevertheless, upon payment of its charges hereunder, on the written request of the Company, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estate, properties, rights, powers and trusts, duties and obligations of such predecessor hereunder, and every predecessor Trustee shall deliver all securities and money held by it as Trustee hereunder to its successor. Should any instrument in writing from the Company be required by a successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Company.

Section 11.10. Reliance Upon Instruments. The resolutions, opinions, certificates and other instruments provided for in this Agreement may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full protection and authority to the Trustee for the withdrawal of cash hereunder, and the taking or omitting to take of any other action under this Agreement.

Section 11.11. Former Trustee No Longer Custodian or Paying Agent. Any Trustee which has resigned or been removed shall cease to be custodian of the funds and, if it has been so appointed, paying agent, and the successor Trustee shall become such custodian, and a successor paying agent shall be appointed under Section 11.14.

Section 11.12. Directions From Company; Company May Perform.

(a) Whenever after a reasonable written request by the Company the Authority shall fail, refuse or neglect to give any direction to the Trustee or to require the Trustee to take any other action which the Authority is required to have the Trustee take pursuant to the provisions of this Agreement, the Company instead of the Authority may give any such direction to the Trustee or require the Trustee to take any such action, and the Trustee, upon receipt of proof of delivery of the request to the Authority and unless otherwise instructed by the Authority, is hereby irrevocably empowered and directed to accept such direction from the Company as sufficient for all purposes of this Agreement. The Company shall have the right to cause the Trustee to comply with any of the Trustee's obligations under this Agreement to the same extent that the Authority is empowered so to do.

(b) The Authority and the Trustee acknowledge that certain actions or failures to act by the Authority under this Agreement may create or result in a default hereunder. The Authority hereby agrees that the Company may perform any and all acts or take such action as may be necessary for and on behalf of the Authority to prevent or correct said default, and the Trustee agrees that it shall take or accept such performance by the Company as performance by the Authority in such event.

Section 11.13. Trading in Bonds by Trustee, Paying Agent, Tender Agent or Registrar. The Trustee, any paying agent, tender agent or registrar, in its individual capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder, and may join in any action which any Bondholders may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, any paying agent, tender agent or registrar, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the Company, and may act as depositary, trustee, or agent for any committee or body of Bondholders secured hereby or other obligation of the Authority as freely as if it did not act in any capacity hereunder.

Section 11.14. Appointment of Separate Paying Agent and/or Tender Agent. If, at any time, the Securities Depository ceases to hold the Bonds, with the effect that the Bonds are no longer subject to the Book Entry System, then the Authority and the Trustee, acting at the request of the Company, may appoint one or more banks or trust companies to act as paying agent and/or tender agent for the Bonds hereunder. Any such paying agent or tender agent shall be a bank or trust company organized under the laws of the United States of America or any state thereof, shall

have a reported capital and surplus of at least $100,000,000 and a corporate trust office located in New York, New York at which Bonds may be presented for payment or purchase and shall perform such duties and responsibilities as may be delegated to it hereunder. If such a paying agent or tender agent is appointed, then all references herein to the "Trustee" shall include such paying agent or tender agent to the extent of the duties performed by such entity.

Section 11.15. Entities Serving in More Than One Capacity. Anything in this Agreement to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, the paying agent, tender agent and the registrar and in any other combination of such capacities, to the extent permitted by law.

Section 11.16. Duties of Remarketing Agent. Except as otherwise described herein, the Remarketing Agent will set the interest rates on the Bonds and perform the other duties provided for in Section 3.02 and will remarket the Bonds as provided in Section 4.11, subject to any provisions of a remarketing agreement between the Company and the Remarketing Agent. The Remarketing Agent may for its own account or as broker or agent for others deal in Bonds and may do anything any other Bondholder may do to the same extent as if the Remarketing Agent were not serving as such.

Section 11.17. Eligibility of Remarketing Agent. The Remarketing Agent shall be a bank, trust company or member of the National Association of Securities Dealers, Inc. organized and doing business under the laws of the United States or any state or the District of Columbia, will have a combined capital stock, surplus and undivided profits of at least $15,000,000 as shown in its most recently published annual report, will be a Participant in the Securities Depository and will be authorized by law to perform all the duties imposed upon it by this Agreement. Any Remarketing Agent shall be rated at least Baa3/P-3 or otherwise qualified by Moody's or have an equivalent rating of another rating agency.

Section 11.18. Replacement of Remarketing Agent. The Remarketing Agent may resign by notifying the Authority, the Trustee and the Company. Such resignation will take effect on the day a successor Remarketing Agent appointed in accordance with this Section 11.18 has accepted the appointment. The Company may remove the Remarketing Agent at any time by an instrument signed by the Company and filed with the Remarketing Agent, the Authority and the Trustee at least 30 days prior to the effective date of such removal (which will not in any event occur prior to the appointment of a successor Remarketing Agent). A new Remarketing Agent may be appointed by the Company upon the resignation or removal of the Remarketing Agent. The Trustee shall promptly notify the Bondholders of any change in the Remarketing Agent.

Section 11.19. Compensation of Remarketing Agent. The Remarketing Agent will not be entitled to any compensation from the Authority or the Trustee or to any property held under this Agreement but must make separate arrangements with the Company for compensation.

Section 11.20. Successor Remarketing Agent. If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent, provided that such successor shall be eligible under the applicable provisions in this Article.

Section 11.21. Inapplicability of Provisions Relating to Remarketing Agent. The provisions of this Agreement relating to the Remarketing Agent, including, but not limited to, Section 11.16, Section 11.17, Section 11.18, Section 11.19 and Section 11.20, shall not apply when the Bonds are in an Auction Rate Period.

ARTICLE XII

AMENDMENT OF OR SUPPLEMENT TO THE AGREEMENT; RIGHTS OF BOND INSURER

Section 12.01. Supplemental Agreements Without Notice to or Consent of Bondholders. The Authority, the Company and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into an agreement or agreements supplemental to this Agreement for any one or more of the following purposes:

(a) to cure any ambiguity, defect or omission in this Agreement, or otherwise amend this Agreement, in such manner as shall not in the opinion of the Trustee impair the security hereof;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) (i) to evidence any succession to the Authority and the assumption by its successor of the covenants, agreements and obligations of the Authority under this Agreement and the Bonds, (ii) to add additional covenants of the Authority, or (iii) to surrender any right or power herein conferred upon the Authority;

(d) to subject to this Agreement additional revenues, properties or collateral, which may be accomplished by, among other things, entering into instruments with the Company and/or other persons providing for further security, covenants, limitations or restrictions for the benefit of the Bonds;

(e) to modify, amend or supplement this Agreement or any Agreement supplemental hereto in such manner as may be required to permit the qualification hereof and thereof under the Trust Agreement Act of 1939 or any similar federal statute hereafter in effect, and to add to this Agreement or any Agreement supplemental hereto such other terms, conditions and provisions as may be required by said Trust Agreement Act of 1939 or similar federal statute;

(f) to amend any provision pertaining to matters under Federal income tax laws, including Section 148(f) of the Code;

(g) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to this Agreement regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(h) to increase or decrease the number of days specified for the giving of notices in Section 4.06 and to make corresponding changes to the period for notice of mandatory tender of the Bonds; provided that no decreases in any such number of days shall become effective except while the Bonds bear interest at a Daily Rate or a Weekly Rate and until 30 days after the Trustee has given notice to the owners of the Bonds;

(i) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book Entry System for the Bonds;

(j) to evidence the succession of a new Trustee or the appointment by the Trustee or the Authority of a co trustee;

(k) to make any change related to the Bonds that does not materially adversely affect the rights of any Bondholder;

(l) prior to, or concurrently with, the conversion of the Bonds to an Auction Rate Period, to make any change appropriate or necessary with respect to the procedures, definitions or provisions herein or in **Exhibit C** hereto related to the Auction Mode Rate in order to provide for or facilitate the marketability of Bonds in the Auction Mode Rate; and

(m) to make any other changes to this Agreement that take effect as to any or all remarketed Bonds following a mandatory tender.

Section 12.02. Supplemental Agreements Requiring Consent of Bondholders.

(a) Exclusive of supplemental agreements covered by Section 12.01 and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds outstanding shall have the right, from time to time, to consent to and approve the execution by the Company, the Authority and the Trustee of such other agreement or agreements supplemental hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of terms or provisions contained in this Agreement or in any agreement supplemental hereto; *provided, however*, that nothing in this Section contained shall permit, or be construed as permitting (i) without the consent of the holder of the affected Bond an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or a reduction in the principal amount of, or redemption premium on, any Bond or the rate or rates of interest thereon, or (ii) without the consent of the holders of all Bonds outstanding a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental agreement.

(b) If at any time the Company or the Authority shall request the Trustee to enter into any such supplemental agreement for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental agreement to be mailed to the holder of each Bond at his address as it appears on the registration books hereinabove provided for. Such notice shall be prepared by the Company and shall briefly set forth the nature of the proposed supplemental agreement and shall state that copies thereof are on file at the designated office of the Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the

Company following the mailing of such notice, the holders of the requisite aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental agreement shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Company or the authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental agreement as in this Section permitted and provided, this Agreement shall be and be deemed to be modified and amended in accordance therewith and without the necessity for notation on the outstanding Bonds.

Section 12.03. Reliance on Opinion of Counsel; Favorable Opinion of Tax Counsel Required. The Trustee and the Authority are authorized to join in the execution and delivery of any supplemental agreement pursuant to Section 12.01 and Section 12.02 and in so doing they shall be fully protected by an Opinion of Counsel that such supplemental agreement is so permitted and has been duly authorized by the Company, that all things necessary to make it a valid and binding supplemental agreement have been done and that upon execution it will be valid and binding upon the Company and the Authority in accordance with its terms; *provided, however,* that neither the Trustee nor the Authority shall be required to enter into any supplemental agreement that it reasonably deems to be prejudicial to its interests. Before the Authority and the Trustee shall enter into any supplemental agreement pursuant to Section 12.01 or Section 12.02 there shall have been delivered to the Authority, the Bond Insurer and the Trustee a Favorable Opinion of Tax Counsel.

Section 12.04. Bond Insurer to Be Deemed Bondholder; Rights of Bond Insurer; Notices. Notwithstanding anything in this Agreement to the contrary, for so long as the Financial Guaranty Insurance Policy shall be in full force and effect and provided that the Bond Insurer shall not have defaulted and is not continuing to default on its obligations under the Financial Guaranty Insurance Policy, (1) the Bond Insurer shall be deemed to be the sole owner of all Bonds for all purposes of the provisions in this Agreement relating to default by the Company and actions for protection of the Bondholders and (2) the Bond Insurer shall be deemed to be the sole owner of all Bonds at all times for the purpose of giving consent and direction when consent of the Bondholders is required by this Agreement, other than for the purpose of making amendments which pursuant to this Agreement require the unanimous written consent of the affected Bondholders. Provided that the Bond Insurer has not failed to make a payment under the Financial Guaranty Insurance Policy, the following provisions shall apply with respect to the Bonds:

(a) ***Consent of the Bond Insurer.*** Any provision of this Agreement expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer. The Bond Insurer reserves the right to charge the Company a fee for any consent or amendment to the Agreement while the Financial Guaranty Insurance Policy is outstanding.

(b) ***Consent of the Bond Insurer in lieu of Bondholder Consent.*** Unless otherwise provided in this Section and except for a supplemental agreement or amendment providing for a modification described in the proviso in Section 12.02(a), the Bond Insurer's consent shall be

required in lieu of Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental agreement or any amendment, supplement or change to or modification of this Agreement (ii) removal of the Trustee and selection and appointment of any successor trustee or paying agent, if any; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

(c) ***Consent of the Bond Insurer in the Event of Insolvency.*** In the event of any reorganization or liquidation of the Company, the Bond Insurer shall have the right to vote on behalf of all Bondholders who hold the Bond Insurer-insured Bonds with respect to any plan of reorganization or liquidation for the Company absent a default by the Bond Insurer under the applicable Financial Guaranty Insurance Policy insuring such Bonds.

(d) ***Consent of the Bond Insurer Upon Default.*** Anything in this Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this Agreement, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in this Agreement, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of default.

(e) ***Acceleration Rights.*** Upon the occurrence of an Event of Default, the Trustee may, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer or 25% of the Bondholders with the consent of the Bond Insurer, by written notice to the Company and the Bond Insurer, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Agreement or in the Bonds to the contrary notwithstanding.

(f) ***Notices to be sent to the attention of the Surveillance Department:***

(1) While the Financial Guaranty Insurance Policy is in effect, the Trustee shall furnish to the Bond Insurer, upon request, at the Company's expense to the attention of the Surveillance Department, unless otherwise indicated, the following:

(i) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Agreement relating to the security for the Bonds; and

(ii) such additional information the Bond Insurer may reasonably request.

(2) To the extent that the Company has entered into a continuing disclosure agreement with respect to the Bonds, the Bond Insurer shall be included as party to be notified.

(g) *Notices to be sent to the attention of the General Counsel Office*:

(1) The Trustee shall notify the Bond Insurer of any failure of the Company to provide notices, certificates or other documents required to be delivered pursuant to this Agreement.

(2) Notwithstanding any other provision of this Agreement, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default hereunder.

(h) ***Other Information to be given to the Bond Insurer.*** The Company will permit the Bond Insurer to discuss the affairs, finances and accounts of the Company or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Company. The Trustee or Company, as appropriate, will permit the Bond Insurer to have access to the Project and have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

The Bond Insurer shall have the right to direct an accounting at the Company's expense, and the Company's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; *provided, however*, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

(i) ***Trustee Related Provisions.***

(1) The Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth herein.

(2) The Bond Insurer shall receive prior written notice of any Trustee or any paying agent resignation.

(3) Every successor Trustee appointed pursuant to Section 11.08 shall be acceptable to the Bond Insurer. No paying agent shall be appointed pursuant to Section 11.14 unless the Bond Insurer approves such appointment in writing.

(4) Notwithstanding any other provision of this Agreement, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Agreement, the Trustee shall consider the effect on the Bondholders as if there were no Financial Guaranty Insurance Policy.

(5) Notwithstanding any other provision of this Agreement, no removal, resignation or termination of the Trustee or any paying agent shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

(j) ***The Bond Insurer As Third Party Beneficiary.*** To the extent that this Agreement confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Agreement, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(k) ***Parties Interested Herein.*** Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Company, the Trustee, the Bond Insurer, and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Agreement contained by and on behalf of the Company shall be for the sole and exclusive benefit of the Company, the Trustee, the Bond Insurer and the registered owners of the Bonds.

ARTICLE XIII

DEFEASANCE

Section 13.01. Defeasance. If and when the Bonds secured hereby shall become due and payable in accordance with their terms or through redemption proceedings as provided in this Agreement, or otherwise, and the whole amount of the principal, or Redemption Price and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under this Agreement by the Company on behalf of the Authority, including all fees and expenses of the Trustee and the Authority, then and in that case, this Agreement and the lien created hereby shall be discharged and satisfied and the Authority shall be released from the covenants, agreements and obligations contained in this Agreement, and the Trustee shall assign and transfer to or upon the order of the Company all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and shall execute such documents as may be reasonably required by the Authority and the Company in this regard.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, all the covenants and promises in such Bonds and in this Agreement required or contemplated to be kept, performed and observed by the Authority (or by the Company on behalf of the Authority) or on its part on or prior to that time, then this Agreement shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of this Agreement and such lien and all covenants, agreements and other obligations hereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of this Agreement or the discharge of this Agreement in respect of any Bonds, those provisions of this Agreement relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds and the duties of the Trustee in connection with all of the foregoing, and compliance with the covenants contained in Section 8.07, shall remain in effect and shall be binding upon the Authority, the Trustee and the holders of the Bonds and

the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, Redemption Price of and interest on the Bonds, to pay to the Bondholders the funds so held by the Trustee as and when such payment becomes due.

Section 13.02. Bonds Deemed to Have Been Paid. Any outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 13.01 if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Company shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of ARTICLE IV of this Agreement, notice of redemption of such Bonds on said Redemption Date, (b) there shall have been deposited with the Trustee either moneys (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations), in an amount which shall be sufficient, or Government Obligations, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant), to pay when due the principal or Redemption Price (as applicable) of, and interest due and to become due on, said Bonds on and prior to the Redemption Date or Maturity Date thereof, as the case may be, and (c) in the event any of said Bonds are not to be redeemed within the next succeeding sixty (60) days, the Company shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to ARTICLE IV of this Agreement, a notice to the holders of such Bonds and to the Securities Depository and an Information Service that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or Redemption Price (as applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price (as applicable) of, and interest on said Bonds; *provided* that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and consistent with the terms of this Agreement and any escrow agreement pertaining thereto, and at the written direction of the Company, be reinvested in Government Obligations maturing at times and in amounts, together with the other moneys and payments with respect to Government Obligations then held by the Trustee pursuant to this Section, sufficient to pay when due the principal or Redemption Price (as applicable) of, and interest to become due on said Bonds on and prior to such Redemption Date or Maturity Date, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a written direction of a Company Representative, be paid over to the Company, as received by the Trustee, free and clear of any trust, lien or pledge.

Any release under this Section shall be without prejudice to the right of the Trustee to be paid the agreed upon compensation for all services rendered by it under this Agreement and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by this Agreement created and the performance of its powers and duties under this Agreement; *provided, however*, that the Trustee

shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this ARTICLE XIII.

Section 13.03. Moneys Held for Particular Bonds. Except as otherwise provided in Section 13.02, the amounts held by the Trustee for the payment of the interest, principal, or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the holders of the Bonds entitled thereto.

Section 13.04. Insured Bonds; Defeasance. Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Financial Guaranty Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by and the assignment and pledge of the Revenues and Funds and all rights to receive them, and all covenants, agreements and other obligations under this Agreement to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Benefits of This Agreement Limited to Parties. Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Company, the Authority, the Trustee, the Remarketing Agent, the Auction Agent, the Broker-Dealers, the Bond Insurer, the Indemnified Persons and the holders of the Bonds, including their respective agents, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof. All the covenants, stipulations, promises and agreements in this Agreement contained by or on behalf of the Authority shall be for the sole benefit of the Trustee, the Remarketing Agent, the Auction Agent, the Bond Insurer, the Company and the holders of the Bonds, including their respective agents.

Section 14.02. No Recourse Against Authority. No recourse under or upon any obligations, covenants or agreement of this Agreement, or of any Bond, or in any way based thereon or otherwise in respect thereof, shall be had against any past, present or future member or officer, as such, of the Authority or any successor body politic, either directly or through the Authority, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being hereby expressly waived and released as a conclusion of and as consideration for, the execution of this Agreement and the issue of the Bonds.

Section 14.03. Successor Deemed Included in All References to Predecessor. Whenever the Bond Insurer, the Authority, the Company, the Remarketing Agent, the Auction Agent or the Trustee or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Bond Insurer, the Authority, the Company, the Remarketing Agent, the Auction Agent or the Trustee or such officer, and all agreements, conditions, covenants and terms contained herein required to be

observed or performed by or on behalf of the Bond Insurer, the Authority, the Company, the Remarketing Agent, the Auction Agent or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 14.04. Extent of Covenants; No Personal Liability. All covenants, stipulations, obligations and agreements of the Authority contained in this Agreement are and shall be deemed to be subject to the limitations set forth in Section 14.02 hereof. No covenant, stipulation, obligation or agreement of the Authority contained in this Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Authority in other than that person's official capacity. Neither the members of the Authority nor any official executing the Bonds, this Agreement, or any amendment or supplement hereto or thereto shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance or execution hereof or thereof.

Section 14.05. Notices.

(a) All notices, certificates, requests, complaints, demands, consents and other communications hereunder shall be deemed sufficiently given or filed for all purposes of this Agreement if and when sent by registered mail, return receipt requested, or by telecopy, promptly confirmed in writing:

to the Authority, if addressed to the:

Hillsborough County Industrial Development Authority
c/o Morrison & Mills, P.A.
1200 West Platt Street, Suite 100
Tampa, Florida 33606,
Attention: Thomas Morrison, Esq.
Telecopy No. 813-258-3209

to the Company, if addressed to:

Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601
Attention: Corporate Secretary
Telecopy No. 813-228-1328

to the Trustee, if addressed to:

The Bank of New York Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department
Telecopy No. 904-645-1997

to the Bond Insurer, if addressed to:

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Attention: Surveillance Department
(or to General Counsel Office when specified in Section 12.04(g))
Telecopy No. 212-480-3682 (Surveillance Department)
212-208-3558 (General Counsel Office)

or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice. All notices to a Bondholder shall be in writing and shall be deemed sufficiently given if sent by mail, postage prepaid, to the Bondholder at the address shown on the registration books for the Bonds maintained by the Trustee. A Bondholder may direct the Trustee to change its address as shown on the registration books by written notice to the Trustee.

(b) Notice hereunder may be waived prospectively or retrospectively by the Person entitled to the notice, but no waiver shall affect any notice requirement as to other Persons.

(c) All documents received by the Trustee under the provisions of this Agreement, or photographic copies thereof, shall be retained in its possession until this Agreement shall be released under the provision of this Agreement, subject at all reasonable times to the inspection of the Authority, the Company, any Bondholder and any agent or representative thereof.

Section 14.06. Notices to Rating Agencies. Written notice shall be provided by the Trustee to Moody's, S&P and Fitch of (i) the appointment of any successor Trustee or Remarketing Agent, (ii) any amendment or supplement to this Agreement or Financial Guaranty Insurance Policy, (iii) the payment of all principal, interest and premium, if any, on all of the Bonds, (iv) any change in the Determination Method of the Bonds, and (v) any mandatory tender or acceleration of the Bonds.

Section 14.07. Funds. Any Fund required to be established and maintained herein by the Trustee may be established and maintained in the account records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such Funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the Bonds and the rights of the Bondholders.

Section 14.08. Severability. In case any Section or provision of this Agreement, or any covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Agreement, or any application thereof, is held to be illegal or invalid for any reason, or is inoperable at any time, that illegality, invalidity or inoperability shall not affect the remainder thereof or any other Section or provision of this Agreement or any other covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or

taken under this Agreement, all of which shall be construed and enforced at the time as if the illegal, invalid or inoperable portion were not contained therein.

Any illegality, invalidity or inoperability shall not affect any legal, valid and operable section, provision, covenant, agreement, stipulation, obligation, act, action, part or application, all of which shall be deemed to be effective, operative, made, assumed, entered into or taken in the manner and to the full extent permitted by law from time to time.

Section 14.09. Florida Law to Govern. This Agreement and each Bond shall be deemed to be a contract made under the laws of the State and for all purposes shall be construed in accordance with the laws of the State.

Section 14.10. Instruments of Bondholders. Any writing including, without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Agreement to be executed by any Bondholder may be in any number of concurrent writings of similar tenor and may be executed by that Bondholder in person or by an agent or attorney appointed in writing. Proof of (i) the execution of any writing including, without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any agent or attorney, and (iii) the ownership of Bonds, shall be sufficient for any of the purposes of this Agreement, if made in the following manner, and if so made, shall be conclusive in favor of the Trustee with regard to any action taken thereunder, namely:

(a) The fact and date of the execution by any individual of any writing may be proved by the certificate of any officer in any jurisdiction, who has power by law to take acknowledgments within that jurisdiction, that the individual signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(b) The fact of ownership of Bonds shall be proved by the register maintained by the Trustee.

Nothing contained herein shall be construed to limit the Trustee to the foregoing proof, and the Trustee may accept any other evidence of the matters stated therein which it deems to be sufficient. Any writing including, without limitation, any consent, request, direction, approval, objection or other instrument or document, of the holder of any Bond shall bind every future holder of the same Bond, with respect to anything done or suffered to be done by the Authority or the Trustee pursuant to that writing.

Section 14.11. Priority of this Agreement. This Agreement shall be superior to any liens which may be placed upon the Revenues or any other funds or accounts created pursuant to this Agreement.

Section 14.12. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the Company and the Trustee and their respective successors and assigns, subject to the limitations contained herein.

Section 14.13. Payments Due or Other Actions on Nonbusiness Days.

(a) If the date for any payment on the Bonds at a place of payment shall be other than a Business Day, then payment shall be made on the next succeeding Business Day, and no interest shall accrue for the intervening period other than as specifically provided for herein.

(b) Unless otherwise noted in this Agreement, in the event that any day on which any act or function is to be performed or done, other than payment on the Bonds, is not a Business Day, such act or function shall be done or performed on the next succeeding Business Day.

Section 14.14. Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument.

Section 14.15. Waiver of Jury Trial. EACH OF THE AUTHORITY, THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE BONDS OR THE TRANSACTION CONTEMPLATED HEREBY.

Section 14.16. Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

(Official Seal)

Attest:

By: Earl Hagaman
Earl Hagaman
Secretary

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By: Mike D. Luctgert
Mike D. Luctgert
Chairman

Approved by General Counsel to the Hillsborough County Industrial Development Authority as to Form and Legal Sufficiency:

Thomas K. Morrison, Esq.

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President-Finance and Chief Financial Officer

THE BANK OF NEW YORK TRUST COMPANY, N.A.
As Trustee

By:_____
Name:
Title:

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

(Official Seal)

Attest:

By:_____
Secretary

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By:_____
Chairman

Approved by General Counsel to the Hillsborough County Industrial Development Authority as to Form and Legal Sufficiency:

_____
Thomas K. Morrison, Esq.

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President-Finance and Chief Financial Officer

THE BANK OF NEW YORK TRUST COMPANY, N.A.
As Trustee

By:_____
Name:
Title:

Signature Page of Loan and Trust Agreement S-1

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

(Official Seal)

Attest:

By:_____
Secretary

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By:_____
Chairman

Approved by General Counsel to the Hillsborough County Industrial Development Authority as to Form and Legal Sufficiency:

_____
Thomas K. Morrison, Esq.

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President-Finance and Chief Financial Officer

THE BANK OF NEW YORK TRUST COMPANY, N.A.
As Trustee

By: Barbara B. Buck
Name: Barbara B. Buck
Title: VICE President

Signature Page of Loan and Trust Agreement S-1

STATE OF FLORIDA)
) ss.:
COUNTY OF HILLSBOROUGH)

The foregoing instrument was acknowledged before me on January 17th, 2006, by M.D. Luerssen, personally known to me, the Chairman of the HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, the public body corporate and politic and public instrumentality described in and which executed the above instrument.

THOMAS K. MORRISON
MY COMMISSION # DD 091574
EXPIRES: March 1, 2008
Bonded Thru Notary Public Underwriters

Notary Public
My commission expires:

NOTARIAL SEAL

STATE OF FLORIDA)
)
COUNTY OF HILLSBOROUGH)

The foregoing instrument was acknowledged before me on January 17th, 2006, by E. Nangabeck, personally known to me, the Secretary of the HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, the public body corporate and politic and public instrumentality described in and which executed the above instrument.

THOMAS K. MORRISON
MY COMMISSION # DD 091574
EXPIRES: March 1, 2008
Bonded Thru Notary Public Underwriters

Notary Public
My commission expires:

NOTARIAL SEAL

STATE OF FLORIDA)
) ss.:
COUNTY OF HILLSBOROUGH)

The foregoing instrument was acknowledged before me on January __, 2006, by _____, personally known to me, the _____ of TAMPA ELECTRIC COMPANY, on behalf of said corporation.

Notary Public
My commission expires:

NOTARIAL SEAL

Signature Page of Loan and Trust Agreement S-1

STATE OF FLORIDA)
) ss.:
COUNTY OF HILLSBOROUGH)

The foregoing instrument was acknowledged before me on January __, 2006, by _____, personally known to me, the Chairman of the HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, the public body corporate and politic and public instrumentality described in and which executed the above instrument.

_____
Notary Public
My commission expires:

NOTARIAL SEAL

STATE OF FLORIDA)
) ss.:
COUNTY OF HILLSBOROUGH)

The foregoing instrument was acknowledged before me on January __, 2006, by _____, personally known to me, the Secretary of the HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, the public body corporate and politic and public instrumentality described in and which executed the above instrument.

_____
Notary Public
My commission expires:

NOTARIAL SEAL

STATE OF FLORIDA)
) ss.:
COUNTY OF HILLSBOROUGH)

The foregoing instrument was acknowledged before me on January 19th 2006, by Gordon Gillette, personally known to me, the Sr VP-Finance & CFO of TAMPA ELECTRIC COMPANY, on behalf of said corporation.

Denise A Millovitch
Notary Public
My commission expires:

Notary Public State of Florida
Denise A Millovitch
My Commission DD482529
Expires 12/07/2009

NOTARIAL SEAL

Signature Page of Loan and Trust Agreement S-1

STATE OF Florida)
) ss.:
COUNTY OF Duval)

The foregoing instrument was acknowledged before me on January 17 2006, by Barbara Beck, personally known to me, a VP of THE BANK OF NEW YORK TRUST COMPANY, N.A., the national banking association described in and which executed the above instrument on behalf of said national banking association.

Notary Public
My commission expires:

NOTARIAL SEAL

ROXANNE P. SHAW
MY COMMISSION # DD 409062
EXPIRES: March 20, 2009
Bonded Thru Budget Notary Services

Signature Page of Loan and Trust Agreement S-1

Exhibit A

Description of the Project

The following pollution control facilities acquired, constructed and installed at Unit No. 4 of the Big Bend Station of the Company in Hillsborough County, Florida, more particularly described as follows:

A. Electrostatic Precipitator

Particulate control for Big Bend Unit No. 4 will be accomplished by the use of a rigid frame electrostatic precipitator. The Precipitator is designed for a 99.7+% particulate removal efficiency and includes the following associated equipment: ductwork and breaching, structural steel, foundations, pilings, hoppers/hopper heat tracing and electrical power and control devices.

1. Precipitator Flyash Storage Silo

This silo is a cylindrical tank supported by structural steel columns. The associated equipment includes bag filter, vent controls, weigh scale, pumps, supporting structural steel, foundations and piling.

2. Storage Ponds

Earthen storage ponds with dikes to a maximum elevation of 35 feet will be provided for the storage of flyash in the event flyash cannot be marketed. These ponds will be lined to protect the ground water systems from leachate.

3. Piping

This item consists of the necessary piping, pumps and controls to convey the precipitator flyash from the precipitator hoppers by way of a dry vacuum system to the flyash silo. From dry flyash silo, flyash is transported wet by way of piping to the above noted flyash storage ponds.

B. Bottom Ash Removal

1. Hoppers

Steel hoppers collect ash which falls out the bottom of the pulverized fuel furnace. Included with the bottom ash hopper are the necessary structural steel supports, foundations, pilings and associated electrical controls.

2. Pond

Bottom ash storage ponds are provided for storage of the collected bottom ash. The initial or primary settling pond receives the water from the ash hoppers. This water is then

decanted and recycled to the plant for reuse. After the primary ponds are filled, they will be hydraulically dredged to a more permanent long-term storage pond. The primary decanting or settling receiving ponds will be lined; the larger more permanent bottom ash storage pond will be unlined.

3. Piping

This item includes the necessary piping to sluice the bottom ash slurry from the hoppers to the bottom ash receiving ponds. Also included are the piping and pumps required to return the water to the plant for reuse in this ash system.

D. Flue Gas Desulfurization System (FGD System)

1. Description of System

The type of FGD System selected for Big Bend Unit No. 4 is a two stage forced oxidation limestone regenerable system designed to have an efficiency between eighty-five to ninety percent (85%-90%). The FGD System consists of three (3) modules with one (1) spare. The modules will consist of booster fans, quenchers, absorbers, absorber feed tank, associated piping and pumps. Reheat fans and a reheater are provided to reheat the exiting gas flow from the FGD System to provide the necessary buoyancy and drying requirements for the exiting stack gas.

2. Limestone Preparation

Included with the FGD System are the raw limestone facilities required for receiving, unloading, grinding, preparation and transfer of limestone to the FGD System proper. The limestone unloading and handling system includes all necessary controls, structural supports, foundations and piling required.

3. FGD Waste Handling

Another major portion of the FGD System is the waste handling facility. This system includes a building which houses the necessary dewatering, separation, treatment equipment and is for processing the gypsum waste from the FGD System, plus transfer facilities for moving the gypsum from the waste handling building to the on-site storage area. This area includes a stacking system and the necessary ponding and containment ditches for the gypsum pile runoff.

E. Liquid Waste Treatment

The waste treatment system for Big Bend Unit No. 4 will be an extension of the existing waste treatment systems for Big Bend Unit Nos. 1, 2 and 3. The floor drains are collected and transferred to a common reinforced concrete transfer sump with all necessary pumping and piping and then transported to an existing settling pond before return to the plant for use as recycle water for equipment wash down.

F. Fine Mesh Screens

Fine mesh traveling water screens and associated equipment will be installed in the circulating water system to remove small marine organisms from the circulating water system. The caught organisms will be collected with a low pressure screenwash and returned via a flume to Tampa Bay.

G. Sanitary Waste Streams

Additional sanitary water treatment capacity will be installed with Unit No 4. The discharge from this system will be piped to the waste water transfer pump described above.

H. Coal Pile Runoff System Modifications

The existing coal pile runoff collection system will be modified so as to collect the runoff from the extended and modified coal handling and blending system. The collected runoff water will be monitored prior to returning this water to the bay.

I. Dust Suppression Equipment

Dust suppression equipment will be provided at all major transfer points in the newly installed coal handling and blending system. This suppression equipment will consist of either water sprays and/or vacuum type bag filters. A dust suppression system will also be included in the tripper room over the top of the blending bins.

In addition, the following property (the 1974 Improvements):

	Project Components	Properties of the Company in or on which Component is Located
1.	Upgrading Electrostatic Precipitator, Unit No. 1	Big Bend Station
2.	Upgrading Electrostatic Precipitator, Units Nos. 5 and 6	Gannon Station
3.	Electrostatic Precipitator, Unit Nos. 2 and 3	Big Bend Station
4.	Ash Reinjection Equipment, Unit No. 3	Big Bend Station
5.	Ash Silos and Associated Ash Handling Equipment, Units Nos. 1, 2 and 3	Big Bend Station
6.	Sanitary System (extended aeration package treatment plant), Units Nos. 1, 2 and 3	Big Bend Station
7.	Circulating Cooling Water Dilution Systems, Units Nos. 1 and 2	Big Bend Station
8.	Once-Through Cooling Water Dilution System, Unit No. 3	Big Bend Station
9.	Waste Treatment and Collection Equipment (excluding Waste Neutralization System), Units Nos. 1, 2 and 3	Big Bend Station
10.	Waste Treatment and Collection Equipment	Gannon Station
11.	Waste Treatment and Collection Equipment	Hooker's Point Station
12.	Waste Neutralization System (treatment of excess acid and base), Unit No. 3	Big Bend Station

Exhibit B

Form of Bond

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co. has an interest herein.

REGISTERED **REGISTERED**

No. R-_____

UNITED STATES OF AMERICA
HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
POLLUTION CONTROL REVENUE REFUNDING BOND
(TAMPA ELECTRIC COMPANY PROJECT),
SERIES 2006

MATURITY DATE	DATED DATE	CUSIP
December 1, 2034	_____, 2006	_____

Registered Owner: CEDE & CO.

Principal Amount: $_____

The Hillsborough County Industrial Development Authority, a public body corporate and politic and a public instrumentality created pursuant to the laws of the State of Florida (the "**Authority**"), for value received, hereby promises to pay, solely from the sources described in this Bond, to the Registered Owner identified above, or registered assigns, on the Maturity Date stated above (or if this Bond is called for earlier redemption as described herein, on the redemption date) the principal amount identified above and to pay interest as provided in this Bond.

THIS BOND AND THE PREMIUM, IF ANY, AND THE INTEREST HEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF ANY AUTHORITY OR COUNTY OR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, INCLUDING, WITHOUT LIMITATION, THE AUTHORITY AND HILLSBOROUGH COUNTY, FLORIDA. NEITHER ANY AUTHORITY OR COUNTY NOR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, SHALL BE OBLIGATED TO PAY THIS BOND OR THE PREMIUM, IF ANY, OR INTEREST HEREON EXCEPT FROM THE PAYMENTS FROM THE COMPANY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY AUTHORITY OR COUNTY, INCLUDING WITHOUT LIMITATION, THE AUTHORITY AND HILLSBOROUGH COUNTY, OR OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION,

AGENCY OR INSTRUMENTALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THIS BOND. THE AUTHORITY HAS NO TAXING POWER.

1. *Agreement.* This Bond is one of the Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (the "**Bonds**"), limited to $85,950,000 in principal amount, issued under and pursuant to the Constitution of the State of Florida, the Florida Industrial Development Financing Act, Parts II and III of Chapter 159, Florida Statutes, a resolution of the Board of County Commissioners of Hillsborough County, Florida adopted October 27, 1971 organizing the Authority, and other applicable provisions of law (the "**Act**"), the Loan and Trust Agreement dated as of January 5, 2006 (the "**Agreement**"), among the Authority, Tampa Electric Company, a Florida corporation (the "**Company**"), and The Bank of New York Trust Company, N.A., trustee (the "**Trustee**"), and a resolution duly enacted by the Authority. The terms of the Bonds include those in the Agreement and those contained herein. Bondholders are referred to the Agreement for a statement of certain of those terms. When used with reference to the Bonds, the term "principal" includes any premium payable on those Bonds. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement.

The proceeds of the Bonds will be used to refinance a portion of the cost of acquiring, constructing and installing certain air and water pollution and waste control facilities including any structures, machinery, fixtures, improvements and equipment, at the Big Bend Station, the F.J. Gannon Station and Hookers Point Station of the Company, located in Hillsborough County, Florida, together with all additions thereto, substitutions therefor and deletions therefrom, as they may at any time exist. (collectively, as more fully defined in the Agreement, the "**Project**"). The principal of and any premium and interest (the "**Bond Service Charges**") on the Bonds are payable solely from the Revenues, as defined and as provided for in the Agreement (being, generally, any amounts payable with respect to Bond Service Charges, and any investments and moneys in the Bond Fund created in the Agreement, and all income and profit from the investment of the foregoing moneys), and are an obligation of the Authority only to the extent of the Revenues.

Under the Agreement, the Company is required to make payments to the Trustee in the amounts and at the times necessary to pay the Bond Service Charges on the Bonds when due, whether at maturity, upon redemption or acceleration or otherwise until paid in full. Pursuant to the Agreement, the Authority has assigned or granted a security interest to the Trustee in all right, title and interest of the Authority in and to (i) the Revenues, (ii) all rights to receive such Revenues and the proceeds of such rights, and all other rights and interests of the Authority provided under the Agreement, except for certain rights to reimbursement and indemnity as defined in the Agreement.

The Agreement may be amended or supplemented as provided by its terms, and references to it include any amendments or supplements.

The Authority has established a book-entry only system of registration for the Bonds (the "**Book-Entry System**"). Except as specifically provided otherwise in the Agreement, a Securities Depository (or its nominee) will be the registered owner of this Bond. By acceptance

of a confirmation of purchase, delivery or transfer, the Beneficial Owner (if any) of this Bond shall be deemed to have agreed to this arrangement. If the Securities Depository (or its nominee) is the registered owner of this Bond, it shall be treated as the owner of it for all purposes.

2. *Source of Payments.* THIS BOND IS PAYABLE BOTH AS TO PRINCIPAL AND INTEREST SOLELY OUT OF THE ASSETS OF THE AUTHORITY PLEDGED THERETO AS DESCRIBED HEREIN. Payments under the Agreement sufficient for the prompt payment when due of the principal of and premium, if any, and interest on, and any other amounts due with respect to, the Bonds are to be paid to the Trustee by the Company for the account of the Authority and deposited in a special trust account created by the Authority and have been duly pledged and assigned for that purpose.

3. *Interest Rate.* Interest on this Bond will be paid at the lesser of (a) a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Interest Rate or an Auction Mode Rate as selected by the Company and as determined in accordance with the Agreement and (b) 14% per annum. Interest will initially be payable at an Auction Mode Rate determined in accordance with the Agreement. The Company may change the Determination Method from time to time. A change in the Determination Method will result in mandatory tender of the Bonds (see "*Mandatory Tender for Purchase*" in paragraph 7 below).

When interest is payable at a Daily Rate, Weekly Rate or Commercial Paper Rate, it will be computed on the basis of the actual number of days elapsed over a year of 365 days (366 days in leap years), when payable at an Auction Mode Rate, on the basis of the actual number of days over 360 days (during Auction Periods of 180 days or less) and on the basis of a 360-day year of twelve 30-day months (during Auction Periods greater than 180 days), and when payable at a Long Term Interest Rate, on the basis of a 360-day year of twelve 30-day months. Interest on overdue principal and, to the extent lawful, on overdue premium and interest will be payable as provided in the Agreement.

4. *Interest Payment and Record Dates.* Interest will accrue on the unpaid portion of the principal of this Bond from the Dated Date stated above and thereafter from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof to which interest has been paid or duly provided for, unless the date of authentication hereof is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication hereof, or unless no interest has been paid or duly provided for on the Bonds of this series, in which case from the Dated Date; *provided, however,* that if the date of authentication is between the Record Date (as hereinafter defined) for any Interest Payment Date and such Interest Payment Date, then interest will accrue from such Interest Payment Date or, if the Company shall default in payment of the interest due on such Interest Payment Date, then from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, then from the Dated Date.

When interest is payable at the rate in the first column below, interest accrued during the period (an "**Interest Period**") shown in the second column will be paid on the date (an "**Interest Payment Date**") in the third column to holders of record on the date (a "**Record Date**") in the fourth column:

RATE	INTEREST PERIOD	INTEREST PAYMENT DATE	RECORD DATE
Daily*	Interest Payment Date to Interest Payment Date	First Business Day of the next month	Last Business Day before Interest Payment Date
Weekly*	Interest Payment Date to Interest Payment Date	First Business Day of the next month	Last Business Day before Interest Payment Date
Commercial Paper	From 1 to 270 days as determined for each Bond pursuant to the Agreement ("**Commercial Paper Period**")	Day after the last day of Commercial Paper Period	Last Business Day before Interest Payment Date
Long-Term**	270 days or longer	Each first day of each sixth calendar month after effective date of Long-Term Interest Rate	Fifteenth of the month before the Interest Payment Date***
Auction Mode	From 1 day to 5 years as determined for each Bond pursuant to the Agreement	The Business Day immediately following each Auction Period, and, in addition, for an Auction Period of 92 or more days, each 13th Wednesday after the first day of such Auction Period****	The second Business Day preceding an Interest Payment Date therefor

"**Business Day**" is defined in the Agreement. Payment of defaulted interest will be made to holders of record as of the fifth-to-last Business Day before payment.

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* If there shall be a change from a Daily Rate or a Weekly Rate on a day other than the first Business Day of a calendar month, the then current Interest Period relating to such Daily Rate or Weekly Rate shall end on the day immediately preceding the date on which the new interest rate on the Bonds shall become effective, which date in the case of a change from a Daily Rate or a Weekly Rate, shall be the Interest Payment Date for such Interest Period, for which the Record Date shall be the immediately preceding Business Day. If such new interest rate shall be a Daily Rate or a Weekly Rate, the first Interest Period relating thereto shall begin on the effective date of such new interest rate and end on the day immediately preceding the first Business Day of the next month, for which the Interest Payment Date and the Record Date shall be as prescribed in this Table.

** If there shall be a change from a Long-Term Interest Rate on a day other than a regularly scheduled Interest Payment Date for a Long-Term Interest Rate Period, or if there shall be an early termination of such Long-Term Interest Rate Period and a new Long-Term Interest Rate shall be set, such Long-Term Interest Rate Period shall end on the day immediately preceding the date on which the new interest rate shall become effective, which date shall be the Interest Payment Date for such Long-Term Interest Rate Period, for which the Record Date shall be the last day of such Long-Term Interest Rate Period or, if sooner, the first day of such Long-Term Interest Rate Period. If such new interest rate shall be a Daily Rate or a Weekly Rate, the first Interest Period relating thereto shall begin on the effective date of such new interest rate and end on the day immediately preceding the first Business Day of the next month, for which the Interest Payment Date and the Record Date shall be as prescribed in this Table.

*** If an Interest Payment Date occurs less than 15 days after the first day of a Long-Term Interest Rate Period, the first day of such Long-Term Interest Rate Period is the Record Date for such Interest Payment Date.

**** The Interest Payment Date with respect to a daily Auction Period shall be the first Business Day of the month immediately succeeding such Auction Period.

5. *Method of Payment.* Holders must surrender Bonds to the Trustee to collect principal at maturity or upon redemption. (See "*Optional Tenders*" and "*Mandatory Tender for Purchase*" below for the payment of purchase price of tendered Bonds.) Interest on Bonds bearing interest at a Commercial Paper Rate (other than Bonds in the Book Entry System) is payable only upon presentation of such Bonds to the Trustee. Interest on Bonds bearing interest at a Daily, Weekly, Auction Mode or Long Term Interest Rate (other than Bonds in the Book-Entry System) will be paid to the registered holder as of the Record Date by check mailed by first class mail on the Interest Payment Date to such holder's registered address. A holder of $1,000,000 or more in principal amount of Bonds may be paid interest at a Daily, Weekly, Auction Mode or Commercial Paper Rate by wire transfer in immediately available funds to an account in the continental United States if the holder makes a written request of the Trustee (in form satisfactory to the Trustee) at least two Business Days before the Record Date specifying the account address. The notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. If any payment on the Bonds is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

6. *Optional Tenders.* "**Tender**" means to require, or the act of requiring, the Trustee to purchase a Bond at the holder's option under the provisions of this paragraph 6 at 100% of the principal amount plus interest accrued to (but excluding) the date of purchase. While the Bonds bear interest at a Long Term Interest Rate, a Commercial Paper Rate or an Auction Mode Rate, the owner of a Bond does not have the option to require the Trustee to purchase its Bond.

Daily Rate Tender. When interest on the Bonds is payable at a Daily Rate and a Book-Entry System is in effect, a Beneficial Owner (through its direct Participant in the Securities Depository) may tender its interest in a Bond (or portion of Bond) by delivering an irrevocable written notice by telecopy, facsimile transmission or e-mail transmission to the Trustee (any such notice to be delivered to a Responsible Officer of the Trustee) and an irrevocable notice by telephone, telegraph or facsimile transmission to the Remarketing Agent, in each case prior to 11:00 a.m., New York City time, on a Business Day, stating the principal amount of the Bond (or portion of Bond) being tendered, payment instructions for the purchase price and the Business Day (which may be the date the notice is delivered) the Bond (or portion of Bond) is to be purchased. The Beneficial Owner shall effect delivery of such Bond by causing such direct Participant to transfer its interest in the Bond equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee with the Securities Depository. Any notice received by the Trustee after 11:00 a.m., New York City time, shall be deemed to have been given on the next Business Day.

When interest on the Bonds is payable at a Daily Rate and a Book Entry System is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering the notices as described above (which shall include the certificate number of the Bond), and shall also deliver the Bond to the Trustee by 1:00 p.m., New York City time, on the date of purchase (see additional requirements below).

Weekly Rate Tender. When interest on the Bonds is payable at a Weekly Rate and a Book-Entry System is in effect, a Beneficial Owner (through its direct Participant in the Securities Depository) may tender his interest in a Bond (or portion of Bond) by delivering an irrevocable written notice by telecopy, facsimile transmission or e-mail transmission to the Trustee (any such notice to be delivered to a Responsible Officer of the Trustee) and an irrevocable notice by telephone, telegraph or facsimile transmission to the Remarketing Agent, in each case prior to 5:00 p.m., New York City time, on a Business Day stating the principal amount of the Bond (or portion of Bond) being tendered, payment instructions for the purchase price and the date, which must be a Business Day at least seven days after the notice is delivered, on which the Bond (or portion of Bond) is to be purchased. The Beneficial Owner shall effect delivery of such Bond by causing such direct Participant to transfer its interest in the Bond equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee or its agent with the Securities Depository.

When interest on the Bonds is payable at a Weekly Rate and a Book-Entry System is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering the notices as described above (which shall include the certificate number of the Bond), and shall also deliver the Bond to the Trustee by 1:00 p.m., New York City time, on the date of purchase (see additional requirements below).

Payment of Purchase Price. The purchase price for a Bond tendered under this paragraph 6 or under paragraph 7 "*Mandatory Tender for Purchase*" will be paid in immediately available funds to the registered owner of the Bond by 4:00 p.m., New York City time, on the date of purchase. No purchase of Bonds by the Trustee shall be deemed to be a payment or redemption of the Bonds or of any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

7. *Mandatory Tender for Purchase.* As provided below, the Bonds are subject to mandatory tender for purchase under certain circumstances. BY ACCEPTANCE OF THIS BOND, THE OWNER AGREES TO SELL AND SURRENDER THIS BOND, PROPERLY ENDORSED, UNDER THE CONDITIONS DESCRIBED BELOW. All purchases will be made in funds immediately available on the purchase date and will be at the Purchase Price. Bonds tendered for purchase on a date after a call for redemption but before the redemption date will be purchased pursuant to the tender. No purchase of Bonds shall be deemed to be a payment or redemption of the Bonds or of any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

Mandatory Tender at Beginning of a New Long Term Interest Rate Period. When the Bonds bear interest at a Long Term Interest Rate and a new Long Term Interest Rate is to be determined, the Bonds will be subject to mandatory tender for purchase on the effective date of the new Long Term Interest Rate. In the case of a change prior to the day originally established as the day after the last day of a Long Term Interest Rate Period, the Bonds will be purchased at the percentage of their principal amount which would be payable upon the applicable redemption described under "*Optional Redemption During Long-Term Interest Rate Period*" below.

Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode. When Bonds bear interest at a Commercial Paper Rate, each Bond must be tendered for purchase on the Interest Payment Date for such Bond.

Mandatory Tender Upon a Change in the Determination Method. Subject to the provisions of Section 3.02(b) of the Agreement, on the effective date of the change in the Determination Method (the methods being Daily, Weekly, Commercial Paper, Long-Term or Auction Mode Interest Rates) (the "**Conversion Date**"), the Bonds will be subject to mandatory tender for purchase on the Conversion Date at the Purchase Price, except that in the case of a change prior to the day originally established as the date after the last day of a Long Term Interest Rate Period, the Bonds will be purchased at the percentage of their principal amount which would be payable upon the applicable redemption described under "*Optional Redemption During Long-Term Interest Rate Period*" below.

Notice of Tender. At least 15 days before each mandatory tender (except for the tender described under "*Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode*" described above, for which no notice will be given and except that such notice shall be given at least 30 days prior to the effective date if a Long-Term Interest Rate Period is in effect and the effective date is before the end of the Long-Term Interest Rate Period), the Trustee will mail a notice of tender by first-class mail to each Bondholder at the holder's registered address. Failure to give any required notice of tender as to any particular Bonds, or any defect therein, will not affect the validity of the tender of any Bonds in respect of which no failure or defect occurs. Any notice mailed as provided in this paragraph shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by the addressee.

Effect of Notice. When notice of tender is required and given, and when Bonds are to be tendered without notice, Bonds tendered become due and payable on the purchase date; in such case when funds are deposited with the Trustee sufficient for purchase, interest on the Bonds to be purchased ceases to accrue with respect to the holder thereof as of the date of purchase.

8. *Delivery Address; Additional Delivery Requirements.* Notices in respect of tenders and Bonds tendered must be delivered to the Trustee, and notices in respect of tenders must be delivered to the Remarketing Agent, as provided in the Agreement.

All tendered Bonds must be accompanied by an instrument of transfer satisfactory to the Trustee, executed in blank by the registered owner or his duly authorized attorney, with the signature guaranteed by an eligible guarantor institution.

Limitation on Tenders. Except as provided under "*Mandatory Tender Upon a Change in the Determination Method,*" "*Mandatory Tender at Beginning of a New Long Term Interest Rate Period*" and "*Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode,*" no Bonds may be tendered while they bear interest at a Commercial Paper Rate, Auction Mode Rate or a Long Term Interest Rate.

Irrevocable Notice Deemed to Be Tender of Bond; Undelivered Bonds. The giving of notice by the registered owner of a Bond as provided in paragraph 6 or the occurrence of a mandatory tender for purchase as described in paragraph 7 constitutes the irrevocable tender for

purchase of each Bond (or portion of Bond) with respect to which such notice was given, irrespective of whether such Bond was delivered as provided in paragraph 6 or 7. The determination of the Trustee as to whether a notice of tender has been properly sent shall be conclusive and binding upon the Bondholders.

The Trustee may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided. If any owner of a Bond who gave notice of optional tender or which is subject to mandatory tender fails to deliver his Bond to the Trustee at the place and on the applicable date and time specified, or fails to deliver his Bond properly endorsed, and moneys for the payment of such Bond are on deposit with the Trustee, his Bond shall constitute an undelivered Bond as described in the Agreement and interest shall cease to accrue on his Bonds as of the tender date and such owner shall have no right under the Agreement other than the right to receive payment of the tender price thereof. BY ACCEPTANCE OF THIS BOND, THE OWNER AGREES TO SELL AND SURRENDER THIS BOND, PROPERLY ENDORSED, TO THE TRUSTEE AFTER THE GIVING OF IRREVOCABLE NOTICE OF TENDER FOR PURCHASE AS DESCRIBED ABOVE.

9. *Redemptions.* All redemptions (and purchases in lieu of redemption) will be made in funds immediately available on the redemption date (or purchase date) and will be at a redemption price of 100% of the principal amount of the Bonds being redeemed (unless a premium is required as provided below) plus interest accrued to the redemption date.

Optional Redemption During Long Term Interest Rate Period. During any Long-Term Interest Rate Period, if the Long Term Interest Rate Period is less than or equal to five years, the Bonds will not be redeemable pursuant to this provision during the Long Term Interest Rate Period.

If the Long Term Interest Rate Period is greater than five years, the Bonds will not be redeemable for five years after the date on which the Bonds begin to bear interest at the Long Term Interest Rate. After the applicable no call period, the Bonds may be redeemed at any time in whole or in part at 100% of their principal amount plus accrued interest, if any.

As an alternative to and in lieu of the foregoing redemption provisions, if, with respect to any Long Term Interest Rate Period, a Favorable Opinion of Tax Counsel is delivered to the Trustee not later than the date of the establishment of such Long Term Interest Rate Period, the Bonds may be redeemed during such Long Term Interest Rate Period at the option of the Company in whole or in part at any time after a no-call period, if any, established by the Remarketing Agent, at the percentages of their principal amount, plus accrued interest, as follows: the Remarketing Agent shall, given the duration of the Long Term Interest Rate Period, determine and inform the Trustee and the Company, on a date which is no later than the establishment of the Long Term Interest Rate, the periods during which the Bonds shall not be subject to redemption (the "**Call Protection Period**"), the premium or premiums payable upon redemption (the "**Call Premiums**"), if any, applicable to the redemption of Bonds after the Call Protection Period, and the period or periods during which the Call Premiums shall be effective (the "**Call Premium Periods**") necessary to establish the Long Term Interest Rate. Such Call Protection Period, Call Premiums and Call Premium Periods shall be established in accordance with optional call redemption provisions which, in the judgment of the Remarketing Agent, are

generally accepted at the time of determination as the standard features for obligations such as the Bonds, given the length of the Long Term Interest Rate Period.

Optional Redemption During Daily or Weekly Rate Period. When interest on the Bonds is payable at a Daily or Weekly Rate, the Bonds may be redeemed in whole or in part at the option of the Company, on any Business Day.

Optional Redemption During Auction Rate Period. When interest on the Bonds is payable at an Auction Mode Rate, the Bonds may be redeemed in whole or in part at the option of the Company, on the first day after the last day of the Auction Period then in effect.

Extraordinary Optional Redemption. Subject to the conditions set forth in the Agreement, any Bond is subject to extraordinary optional redemption by the Authority upon the direction of the Company, on any date, upon the occurrence of the events described in Section 4.01(b) (redemption in whole or in part) of the Agreement, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, to the date of such redemption.

Mandatory Redemption Upon Determination of Taxability. Subject to the conditions set forth in the Agreement, the Bonds are subject to mandatory redemption in whole or in part following a final determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or payable on any Bond is or will be includible in gross income for federal income tax purposes, at a redemption price equal to the principal amount to be redeemed plus accrued and unpaid interest, if any, to the date of such redemption.

Notice of Redemption. At least 30 days before each redemption, the Trustee will mail a notice of redemption by first-class mail to each Bondholder with Bonds to be redeemed at such holder's registered address. Failure to give any required notice of redemption as to any particular Bonds, or any defect therein, will not affect the validity of the call for redemption of any Bonds in respect of which no failure or defect occurs. Any notice mailed as provided in this paragraph shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by the addressee.

Effect of Notice. When notice is required and given, Bonds called for redemption become due and payable on the redemption date; in such case when funds are deposited with the Trustee sufficient for redemption, interest on the Bonds to be redeemed ceases to accrue as of the date of redemption.

Purchase in Lieu of Redemption. As provided in the Agreement, the Company has the right to purchase Bonds in lieu of the optional redemption described in this paragraph under "*Optional Redemption During Long-Term Interest Rate Period*", "*Optional Redemption During Daily or Weekly Rate Period*" and "*Optional Redemption During Auction Rate Period*".

10. *Denominations; Transfer; Exchange.* The Bonds may be issued in registered form without coupons in denominations as follows: (1) when interest is payable at a Daily, Weekly or Commercial Paper Rate, $100,000 and any larger denominations constituting an integral multiple of $5,000; (2) when interest is payable at a Long Term Interest Rate, $5,000 and integral multiples thereof; and (3) when interest is payable at an Auction Mode Rate,

$25,000 and integral multiples thereof. A holder may register the transfer of or exchange Bonds in accordance with the Agreement. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Agreement. Except in connection with the purchase of Bonds tendered for purchase, the Trustee will not be required to register the transfer of or exchange any Bond which has been called for redemption or during the period beginning 15 days before the mailing of notice calling the Bonds or any portion of the Bonds for redemption and ending on the redemption date.

11. *Persons Deemed Owners.* The registered holder of this Bond shall be treated as the owner of it for all purposes.

12. *Funds in Trust; Unclaimed Funds.* All moneys which the Trustee shall have withdrawn from the account of the Company or shall have received from any other source and set aside, or deposited with the paying agents, for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or upon call for redemption or tender, shall be held in trust for the respective holders of such Bonds. But any moneys which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the holders of such Bonds for a period of one year after the date on which such Bonds shall have become due and payable shall upon request in writing be paid to the Company, and thereafter the holders of such Bonds shall look only to the Company for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee, the Authority and the paying agents shall have no responsibility with respect to such moneys. In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to this paragraph 12 shall be held uninvested and without liability for interest thereon. Before making any payment under this paragraph 12, the Trustee shall be entitled to receive at the Company's expense an opinion of counsel to the effect that said payment is permitted under applicable law.

13. *Discharge Before Redemption, Tender or Maturity.* If the Company at any time deposits with the Trustee money or Government Obligations as described in the Agreement sufficient to pay at redemption, tender or maturity principal of and interest on the outstanding Bonds, and if the Company also pays or provides for the payment of all other sums then payable by the Company under the Agreement, the lien of the Agreement will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment except as otherwise specifically provided in the Agreement.

14. *Amendment, Supplement, Waiver.* Subject to certain exceptions and to rights granted to the Bond Insurer under the Agreement, the Agreement or the Bonds may be amended or supplemented, and any past default or compliance with any provision may be waived, with the consent of the holders of at least a majority in principal amount of the Bonds then outstanding. Any such consent shall be irrevocable and shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond. Without the consent of any Bondholder, the Authority may amend or supplement the Agreement or the Bonds as described in the Agreement,

among other things, to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Bonds in addition to or in place of certificated Bonds, to provide for a Book Entry System for the Bonds or to make any change that does not materially adversely affect the rights of any Bondholder.

15. *Defaults and Remedies.* The Agreement provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Bonds may become or may be declared immediately due and payable, as provided in the Agreement. An Event of Default and its consequences may be waived as provided in the Agreement. Bondholders may not enforce the Agreement or the Bonds except as provided in the Agreement. Except as specifically provided in the Agreement, the Trustee may refuse to enforce the Agreement or the Bonds unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority in principal amount of the Bonds then outstanding may direct the Trustee in its exercise of any trust or power.

16. *No Recourse Against Others.* A member, director, officer or employee, as such, of the Authority shall not have any liability for any obligations of the Authority or the Company under the Bonds or the Agreement or for any claim based on such obligations or their creation. Each Bondholder by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Bond.

17. *Authentication.* This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Agreement until the certificate of authentication hereon shall have been duly executed by the Trustee.

18. *Abbreviations.* Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A (= Uniform Gifts to Minors Act).

It Is Hereby Certified, Recited And Declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Agreement and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Agreement until it shall have been authenticated by the execution by the Trustee of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY has caused this Bond to bear the facsimile signatures of its Chairman and Secretary and a facsimile of its official seal to be imprinted hereon, all as of the Dated Date specified above.

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By:_____
Chairman

[SEAL]

Attest:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the series designated therein and referred to in the within-mentioned Agreement.

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Trustee

Date:_____ By:_____
Authorized Signatory

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. 24936BE (the "**Policy**") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("**Ambac Assurance**"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	—	as tenants in common	UNIF GIFT MIN ACT
TEN ENT	—	as tenants by the entireties	_____ Custodian _____
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common	(Cust) (Minor) under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

For Value Received, the undersigned sells, assigns and transfers unto

Please insert social security or other identifying number of assignee

_____

_____

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint

_____

attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature guaranteed: _____

Medallion Number:_____

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, *i.e.*, Securities Transfer Agents Medallion Program (STAMP), or New York Stock Exchange Medallion Signature Program (MSP).

Notice: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Exhibit C

Auction Procedures

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ARTICLE I

DEFINITIONS

In addition to the words and terms elsewhere defined in the Agreement, the following words and terms as used in this *Exhibit C* and elsewhere in the Agreement have the following meanings with respect to Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent.

"*Agent Member*" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"*All Hold Rate*" means, as of any Auction Date, 65% of the Reference Rate in effect on such Auction Date.

"*Auction*" means each periodic implementation of the Auction Procedures.

"*Auction Agent*" means the auctioneer appointed in accordance with Section 3.01 or 3.02 of this *Exhibit C*.

"*Auction Agreement*" means an agreement among the Company, the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this *Exhibit C* with respect to the Bonds while bearing interest at an Auction Mode Rate, as such agreement may from time to time be amended or supplemented.

"*Auction Date*" means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Period, each Business Day, (ii) if the Bonds are in an Auction Period of 92 or more days, the last Business Day in such Auction Period and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); *provided, however*, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and *provided, further*, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Bonds is January 24, 2006.

"*Auction Mode Rate*" means the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this *Exhibit C*; *provided, however*, in no event may the Auction Mode Rate exceed the Maximum Interest Rate.

"*Auction Period*" means any period from one day to five years during which the Bonds bear interest at a single Auction Mode Rate, as established pursuant to the Agreement.

"*Auction Procedures*" means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this *Exhibit C.*

"*Auction Rate*" means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, *provided, however*, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Interest Rate.

"*Authorized Denominations*" means $25,000 and integral multiples thereof, notwithstanding anything else in this Agreement to the contrary, so long as the Bonds bear interest at an Auction Mode Rate.

"*Available Bonds*" means on each Auction Date, the aggregate principal amount of Bonds that are not the subject of Submitted Hold Orders.

"*Bid*" has the meaning specified in subsection (a) of Section 2.02 of this *Exhibit C.*

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"*Broker-Dealer*" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this *Exhibit C,* that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company, and that is a party to a Broker-Dealer Agreement with the Company and the Auction Agent.

"*Broker-Dealer Agreement*" means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this *Exhibit C,* as such agreement may from to time be amended or supplemented.

"*Business Day*" shall mean any day other than a Saturday or Sunday or other than a day on which commercial banks located in all of the cities in which the designated offices of the Trustee and each Broker-Dealer and the Principal Office of the Auction Agent are located are authorized by law or regulation to close or on which the New York Stock Exchange is closed.

"*Conversion Date*" means the date on which the Bonds begin to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Interest Rate.

"*Existing Owner*" means a Person who is listed from time to time as the beneficial owner of Bonds in the records of the Auction Agent.

"*Failed Auction*" means an Auction for which there were not Sufficient Clearing Bids.

"*Hold Order*" has the meaning specified in subsection (a) of Section 2.02 of this *Exhibit C.*

"*Initial Period*" means the period from the date of original issuance of the Bonds to, but not including, January 25, 2006.

"*Interest Payment Date*" with respect to Bonds bearing interest at Auction Mode Rates, means January 25, 2006, and thereafter (a) when used with respect to any Auction Period of less than 92 days (other than a daily Auction Period), the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to an Auction Period of 92 or more days, each 13th Wednesday after the first day of such Auction Period or the next Business Day if such Wednesday is not a Business Day and on the Business Day immediately following such Auction Period, (d) each Conversion Date and (e) the Maturity Date.

"*Maximum Interest Rate*" means (i) 14% on the date hereof and (ii) to the extent the maximum rate permitted by applicable law shall become less than 14%, then the maximum rate permitted by applicable law.

"*Order*" means a Hold Order, Bid or Sell Order.

"*Potential Owner*" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

"*Principal Office*" means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Trustee and each Broker-Dealer.

"*Rating Agencies*" means Fitch, Moody's and S&P.

"*Reference Rate*" shall have the meaning specified in Section 2.07 of this *Exhibit C*.

"*Securities Depository*" means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"*Sell Order*" has the meaning specified in subsection (a) of Section 2.02 of this *Exhibit C*.

"*Submission Deadline*" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"*Submitted Bid*" has the meaning specified in subsection (b) of Section 2.04 of this *Exhibit C*.

"*Submitted Hold Order*" has the meaning specified in subsection (b) of Section 2.04 of this *Exhibit C*.

"*Submitted Order*" has the meaning specified in subsection (b) of Section 2.04 of this *Exhibit C*.

"*Submitted Sell Order*" has the meaning specified in subsection (b) of Section 2.04 of this *Exhibit C.*

"*Successful Auction*" means an Auction for which there were Sufficient Clearing Bids.

"*Sufficient Clearing Bids*" means an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Interest Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Interest Rate.

"*Winning Bid Rate*" means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate, subject to the All Hold Rate, would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

ARTICLE II

AUCTION PROCEDURES

Section 2.01. General Procedures. While the Bonds bear interest at the Auction Mode Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding each Auction Rate Period commencing after the ownership of the Bonds is no longer maintained in the Book-Entry System pursuant to this Agreement). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in this *Exhibit C.*

Section 2.02. Orders by Existing Owners and Potential Owners. (a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a "*Hold Order*," an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "*Bid*," and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "*Sell Order*."

(b) (i) Subject to the provisions of Section 2.03 of this *Exhibit C*, a Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as set forth in subsection (a)(v) of Section 2.05 of this *Exhibit C* if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as set forth in subsection (b)(iv) of Section 2.05 of this *Exhibit C* if such specified rate shall be higher than the Maximum Interest Rate and Sufficient Clearing Bids do not exist.

(ii) Subject to the provisions of Section 2.03 of this *Exhibit C*, a Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (b)(iv) of Section 2.05 of this *Exhibit C* if Sufficient Clearing Bids do not exist.

(iii) Subject to the provisions of Section 2.03 of this *Exhibit C*, a Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (a)(vi) of Section 2.05 of this *Exhibit C* if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not $25,000 or an integral multiple thereof shall be rounded down to the nearest $25,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee of an occurrence of an Event of Default resulting from the failure to pay the principal or interest on any Bond when due followed by the failure of the Bond Insurer to pay a proper claim under the Policy related to the Bonds, but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Event of Default or failure by the Bond Insurer to pay has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.03. Submission of Orders by Broker-Dealers to Auction Agent. (a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, with respect to each Order:

(i) the aggregate principal amount of Bonds, if any, that are the subject of such Order;

(ii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iii) to the extent such Bidder is a Potential Owner, the rate and amount specified in such Potential Owner's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; *provided, however*, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner, and if the aggregate principal amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds held by such Existing Owner, the aggregate principal amount of Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of outstanding Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the aggregate principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) of this paragraph (ii), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) of this subsection (d);

(C) subject to clause (A) of this paragraph (ii), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal

amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) of this subsection (d); and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner at the rate specified therein; and

(iii) all Sell Orders shall be considered valid Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) of this subsection (d) and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) of this subsection (d).

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) None of the Authority, the Company, the Trustee, the Remarketing Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(g) Notwithstanding Section 2.02(b)(iii), a Bid may be revoked or amended prior to the Submission Deadline.

Section 2.04. Determination of Auction Mode Rate. (a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the All Hold Rate and the Reference Rate.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "*Submitted Hold Order*," a "*Submitted Bid*" or a "*Submitted Sell Order*," as the case may be, and collectively as a "*Submitted Order*") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) of this Section 2.04, the Auction Agent shall advise the Trustee and the Company by telex, facsimile or other electronic transmission of the Auction Rate for the next succeeding Auction Period and the Trustee shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period, and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the new Auction Period will be a seven-day Auction Period and

the Auction Mode Rate for the new Auction Period will be the same as the Auction Mode Rate for the preceding Auction Period. In the event an Auction Period is extended as set forth in clause (i) or (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

(e) In the event the Auction Procedures are suspended as provided in Section 2.02(c)(iv) of this *Exhibit C*, the Auction Rate for the period from the date of such suspension until the next succeeding regularly scheduled Auction Period shall be the Maximum Interest Rate.

(f) In the event of a failed conversion from a Auction Mode Rate Determination Method to another Determination Method or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period or a failure to deliver a required Favorable Opinion of Tax Counsel, (i) if the preceding Auction Period was a period of one year or less, the new Auction Period shall be seven days (or if the seventh day is not followed by a Business Day then the new Auction Period shall be extended to the next succeeding day which is followed by a Business Day), and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than one year, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (i) or (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended, which new Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

(g) If the Bonds are not rated, the interest rate for the next Auction Period shall be the Maximum Interest Rate. If the Bonds are no longer maintained in book entry only form by the Securities Depository, the Auction Mode Rate shall be the interest rate for the preceding Auction Period. In both cases, the Auction Period shall be a seven day Auction Period.

Section 2.05. Allocation of Bonds. (a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted, and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in paragraph (i) of this subsection (a) or of Submitted Bids described in paragraphs (iii) and (iv) of this subsection (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in paragraph (i) of this subsection (a) or of Submitted Bids described in paragraph (iii), (iv) or (v) of this subsection (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Interest Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Interest Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Interest Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Bonds outstanding subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Interest Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) of this Section 2.05, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of $25,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of $25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) of this Section 2.05, any Potential Owner would be required to purchase less than $25,000 in principal amount of Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal

amount of Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of $25,000, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Section 2.06. Notice of Auction Rate. (a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following:

(i) the Auction Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.07. Reference Rate. (a) The Reference Rate on any Auction Date with respect to Bonds in any Auction Period of 35 days or less shall be the offered rate for deposits in U.S. dollars for a one-month period (LIBOR) which appears on the MoneyLine Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market. The Reference Rate with respect to Bonds in any Auction Period of more than 35 days shall be the rate on Treasury securities having a maturity which most closely approximates the length of the Auction Period, as last published in *The Wall Street Journal*. If either rate is unavailable, the Reference Rate shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

(b) If for any reason on any Auction Date the Reference Rate shall not be determined as hereinabove provided in this Section, the Reference Rate shall be the Reference Rate for the Auction Period ending on such Auction Date.

(c) The determination of the Reference Rate as provided herein shall be conclusive and binding upon the Authority, the Company, the Trustee, the Remarketing Agent, the Broker-Dealers, the Auction Agent and the Owners and Beneficial Owners of the Bonds.

Section 2.08. Miscellaneous Provisions Regarding Auctions. (a) In this *Exhibit C*, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of the Agreement concerning the Auction Procedures and the definitions contained therein and described in this *Exhibit C*, including without limitation the definitions of All Hold Rate, Interest Payment Date, Reference Rate and Auction Mode Rate, may be amended pursuant to the Agreement by obtaining the consent of the Bond Insurer and the owners of all Bonds bearing interest at a Auction Mode Rate, as follows. If, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the Bonds as required by the Agreement, (i) the Auction Mode Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Company and the Trustee an Opinion of Tax Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Bonds affected by such amendment.

(c) During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, *provided* that (i) in the

case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Existing Owner of such Bonds to that Broker-Dealer or another customer of that Broker Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this Section 2.08 if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. Changes in Auction Period or Auction Date. (a) Changes in Auction Period.

(i) During any Auction Rate Period, the Company, may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Company shall initiate the change in the length of the Auction Period by giving seven days' prior written notice to the Trustee, the Auction Agent, the Authority, the Broker-Dealers and the Securities Depository. If the change is from an Auction Period of one year or less to an Auction Period longer than one year, or vice versa, the Company shall also provide the Trustee with a Favorable Opinion of Tax Counsel as to such change in the Auction Period.

(ii) The change in the length of the Auction Period shall not be effective unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iii) The change in length of the Auction Period shall take effect only if (A) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period and (B) if the Favorable Opinion of Tax Counsel as to such change in the Auction Period, if required, is confirmed on the effective date of such change. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the conditions referred to in the first sentence of this paragraph (iii) are not met, the Trustee shall notify the Auction Agent and then (C) if the preceding Auction Period was a period of one year or less, the new Auction Period shall be seven days (or if the seventh day is not followed by a Business Day then the new Auction Period shall be extended to the succeeding day which is followed by a Business Day), and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (D) if the preceding Auction Period was a period of greater than one year, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day, then the Auction Period shall be extended to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (C) or (D) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period

as extended, which new Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

(iv) On the conversion date of the Bonds selected for conversion from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, at the written direction of the Company, shall specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Company shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Authority, the Auction Agent, the Broker-Dealers and the Securities Depository.

ARTICLE III

AUCTION AGENT

Section 3.01. Auction Agent. (a) The Auction Agent shall be appointed by the Company to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Authority and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02. Qualifications of Auction Agent; Resignation; Removal. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $30,000,000 or (b) a member of NASD having a capitalization of at least $30,000,000 and, in either case, authorized by law to perform all the duties and obligations imposed upon it by this Agreement and a member of or a participant in the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Agreement by giving at least 90 days notice to the Company, the Authority and the Trustee. The Auction Agent may be removed at any time by the Company by written notice, delivered to the Auction Agent, the Authority and the Trustee. Upon any such resignation or removal, the Company shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the

resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Company. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Company, the Authority and the Trustee even if a successor Auction Agent has not been appointed.

Execution Copy

AUCTION AGREEMENT

Dated as of January 5, 2006

between

TAMPA ELECTRIC COMPANY,

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Trustee

and

THE BANK OF NEW YORK,
as Auction Agent

Relating to

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

AUCTION AGREEMENT

THIS AUCTION AGREEMENT, dated as of January 5, 2006 (the *"Auction Agreement"*), among TAMPA ELECTRIC COMPANY (the *"Company"*), THE BANK OF NEW YORK TRUST COMPANY, N.A., acting not in its individual capacity but solely as trustee under the Loan and Trust Agreement defined herein (the *"Trustee"*), and THE BANK OF NEW YORK, a New York banking corporation, as auction agent (the *"Auction Agent"*), acting not in its individual capacity but solely as agent for the Company.

WITNESSETH

WHEREAS, concurrently with the execution and delivery of this Auction Agreement, the Hillsborough County Industrial Development Authority (the *"Issuer"*) is offering $85,950,000 in aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (the *"Bonds"*) pursuant to a Loan and Trust Agreement dated as of January 5, 2006 (as from time to time in effect, the *"Loan and Trust Agreement"*) among the Issuer, the Company and the Trustee;

WHEREAS, the Trustee is entering into this Auction Agreement in accordance with the Loan and Trust Agreement; and

WHEREAS, the Auction Agent is to perform certain duties set forth herein;

NOW, THEREFORE, the Company, the Trustee and the Auction Agent hereby agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Terms Defined by Reference to the Loan and Trust Agreement. Capitalized terms used herein and not defined herein shall have the respective meanings specified in the Loan and Trust Agreement, including without limitation in *Exhibit C* to the Loan and Trust Agreement.

Section 1.2. Terms Defined Herein. As used herein and in the exhibits hereto, the following terms shall have the following meanings, unless the context otherwise requires:

(a) *"Auction Agent Fee"* means the fees set forth in a written agreement signed by the Auction Agent and the Company.

(b) *"Auction Procedures"* shall mean the procedures detailed in *Exhibit C* of the Loan and Trust Agreement.

(c) *"Authorized Officer"* shall mean (i) in the case of the Auction Agent, each Vice President, Assistant Vice President and Assistant Treasurer of the Auction Agent assigned to the Dealing and Trading Group of its Corporate Trust Division and every other officer or employee of the Auction Agent designated an "Authorized Officer" for purposes hereof in a written communication delivered to the Trustee, (ii) in the case of the Company, the President, any Vice President, the Treasurer or any Assistant Treasurer and every other officer or employee of the Company designated an "Authorized Officer" for purposes hereof in a written communication delivered to the Trustee, and (iii) in the case of the Trustee, any officer or employee of the Trustee designated as an "Authorized Officer" for purposes hereof in a written communication delivered to the Auction Agent.

(d) *"Bond Register"* is defined in Section 2.2(c)(i) hereof.

(e) *"Broker-Dealer Agreement"* shall mean each agreement among the Auction Agent, the Company and a Broker-Dealer substantially in the form attached hereto as *Exhibit A*.

(f) *"Broker-Dealer Fee Rate"* shall be the per annum rate provided in the first paragraph of Section 2.5(a) of the Broker-Dealer Agreement.

(g) *"Closing Date"* shall mean January 19, 2006.

(h) *"Existing Owner"* shall mean the owner of any beneficial interest in any Bonds as shown on the Bond Register; *provided, however,* for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

(i) *"Potential Owner"* shall mean any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

(j) *"Settlement Procedures"* shall mean the Settlement Procedures attached hereto as *Exhibit B*.

Section 1.3. Rules of Construction. Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Auction Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for the convenience of reference and shall not constitute a part of this Auction Agreement nor shall they affect its meaning, construction or effect.

(c) The words "hereof," "herein" and other words of similar import refer to this Auction Agreement as a whole.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of Bonds shall refer to beneficial ownership interests in the Bonds unless the context clearly requires otherwise.

ARTICLE II

AUCTION

Section 2.1. Purpose; Appointment; Incorporation by Reference of Auction Procedures and Settlement Procedures. (a) The Loan and Trust Agreement provides that the interest rate on the Bonds for each Auction Period shall be the Auction Mode Rate which shall be, except as otherwise provided therein, the rate per annum that the Auction Agent determines to have resulted from the implementation of the Auction Procedures.

(b) Pursuant to the Auction Procedures, the Company hereby appoints The Bank of New York to act as Auction Agent. The Bank of New York hereby accepts such appointment to perform the Auction Procedures, Settlement Procedures and other duties herein, in each Broker-Dealer Agreement and in the Loan and Trust Agreement specified to be performed by the Auction Agent.

(c) The Auction Procedures contained in *Exhibit C* to the Loan and Trust Agreement are hereby incorporated herein by reference in their entirety (including the applicable definitions set forth in Article I thereof) and shall be deemed to be a part hereof to the same extent as if such provisions were expressly set forth herein. No amendment of any provision of the Auction Procedures or any other provision of the Loan and Trust Agreement that adversely affects any right, duty or obligation of the Auction Agent shall be binding upon the Auction Agent without its consent.

Section 2.2. Preparation for Each Auction; Maintenance of Registry of Beneficial Owners. (a) Not later than seven days prior to any Auction Date for which any change in Broker-Dealers is to be effective, if an Authorized Officer of the Trustee has actual knowledge that such change is to be effective, the Trustee shall notify or cause to be notified the Auction Agent and the Company in writing of such change and, if such change is the addition of a Broker-Dealer, the Company shall cause to be delivered to the Auction Agent, for execution by the Auction Agent pursuant to Section 2.6(a) hereof, a Broker-Dealer Agreement manually signed by such Broker-Dealer. The Auction Agent shall have entered into a Broker-Dealer Agreement with each Broker-Dealer prior to the participation of any such Broker-Dealer in any Auction. The Auction Agent shall be entitled to assume that there has been no change in the Broker-Dealers unless and until it has actual receipt of such notification from an Authorized Officer of the Trustee.

(b) (i) On each Auction Date, the Auction Agent shall calculate the All Hold Rate and the Reference Rate. Not later than 9:30 A.M. on each Auction Date, the Auction Agent shall notify the Trustee and the Broker-Dealers by telephone (confirmed to the Trustee in writing or by facsimile transmission after the Auction) or other electronic communication acceptable to the parties of the All Hold Rate and the Reference Rate.

(ii) Upon the occurrence of an Event of Default resulting from failure to pay principal or interest on any Bond when due followed by the failure of the Bond Insurer to pay a proper claim under the Policy, the Trustee shall forthwith notify the Auction Agent of the same and upon receipt of such notice, the Auction Procedures shall be suspended from commencing on the date of the Auction Agent's receipt of notice of such default from the Trustee, and the interest rate on the Bonds for each Auction Period commencing after the occurrence and during the continuance of such default to and including the Auction Period, if any, during which such default is cured will equal the Default Rate as determined by the Trustee on the first day of such Auction Period as provided in the Loan and Trust Agreement. If such default is later cured or waived, the Trustee shall forthwith notify the Auction Agent of the same. The Auction Procedures shall resume two Business Days after the Auction Agent's actual receipt of such notice of cure or waiver, with the next Auction to occur on the next regularly scheduled Auction Date occurring after such cure or waiver.

(c) (i) The Auction Agent shall maintain a registry of the Existing Owners of Bonds (the *"Bond Register"*) for purposes of Auctions and shall indicate thereon the identity of the Broker-Dealer that submitted the most recent Order in any Auction which resulted in such Existing Owner continuing to hold or purchase such Bonds. The Auction Agent may consider a Broker-Dealer which has submitted an Order as the Existing Owner for the purposes of the Bond Register; *provided,* that the Auction Agent may request the Broker-Dealer to provide a list of its customers if in the Auction Agent's sole discretion it determines to do so. The Auction Agent may conclusively rely upon the information furnished to the Auction Agent by the Broker-Dealer and notices from DTC regarding the results of redemptions or mandatory tenders.

(ii) The Trustee shall provide to the Auction Agent any notice of redemption, conversion or mandatory tender of the Bonds at or before the time any such notice is first given by the Trustee to any registered owner thereof. In the event of any partial redemption or mandatory tender of the Bonds, the Trustee shall promptly request DTC to notify the Trustee of the Agent Members whose Bonds have been called for redemption or mandatory tender and the person or department at such Agent Member to contact regarding such redemption or mandatory tender and, within two Business Days, request each such Agent Member to disclose to the Auction Agent (upon selection by such Agent Member of the Existing Owners whose Bonds are to be redeemed) the principal amount of Bonds of each such Existing Owner, if any, which are subject to such redemption or mandatory tender, provided the Auction Agent shall have been furnished with the name and telephone number of a person or department at such Agent Member from which it is to request such information. In the absence of receiving any such information with respect to an Existing Owner from such Existing Owner's Agent Member (or otherwise), the Auction Agent may continue to treat such Existing Owner as the registered owner of the principal amount of Bonds shown in the Bond Register.

If any of the Bonds in an Auction Period are to be redeemed and those Bonds are held by the Securities Depository, the Trustee shall include in the notice of redemption delivered to Cede & Co., or such other nominee as the Securities Depository or its successor Securities Depository shall designate, (a) under an item entitled "Publication Date for Securities Depository Purposes", the Interest Payment Date prior to the redemption date, and (b) an instruction to the Securities Depository to (I) determine on such Publication Date the Agent Members whose Securities Depository positions will be redeemed and the principal amount of such Bonds to be redeemed from each such position (the "Securities Depository Redemption Information"), and (II) immediately notify the Auction Agent of the Agent Members' positions in such Bonds immediately following such Auction settlement, and the Securities Depository Redemption Information. As used herein, "Publication Date" shall mean three Business Days after the Auction Date next preceding such Redemption Date.

(iii) The Auction Agent may refuse to register a transfer of Bonds from an Existing Owner to another person unless (a) such transfer is pursuant to an Auction or (b) the Auction Agent has been notified in writing (I) in a notice in the form of *Exhibit C* to the Broker-Dealer Agreements by such Existing Owner, the Broker-Dealer or an Agent Member of such Existing Owner of such transfer, (II) in a notice in the form of *Exhibit D* to the Broker-Dealer Agreements by the Broker-Dealer of any Person that purchased or sold such Bonds in an Auction of the failure of such Bonds to be transferred as a result of such Auction, or (III) in a notice from DTC regarding the results of mandatory tenders. In the event a notice referred to in the preceding clause (II) is received, the Auction Agent shall register the Bonds covered thereby in the name of the Existing Owner thereof prior to the Auction referred to in such notice. The Auction Agent shall not be required to accept any notice delivered pursuant to the terms of the foregoing sentence if received by the Auction Agent after 3:00 P.M. on the Business Day next preceding an Auction Date.

(iv) The Auction Agent may, but shall have no obligation to, request a Broker-Dealer, as set forth in the applicable Broker-Dealer Agreement, to provide the Auction Agent with a list of its customers that such Broker-Dealer believes are Existing Owners of Bonds. The Auction Agent shall not disclose such information so provided to any Person other than the Trustee, the Company and the Broker-Dealer that provided the same; *provided, however,* that the Auction Agent reserves the right and is authorized to disclose any such information if (A) it is ordered to do so by a court of competent jurisdiction or a regulatory, judicial or quasi judicial agency or authority having the authority to compel such disclosure, (B) it is advised by such counsel that its failure to do so would be unlawful or (C) failure to do so would expose the Auction Agent to loss, liability, claim, damage or expense for which it has not received indemnity satisfactory to it.

(d) In the event that the notice referred to in clause (vi) of paragraph (a) of the Settlement Procedures states an Auction Date that is subsequently changed, the Auction Agent, by such means as the Auction Agent deems practicable, shall give notice of the new Auction Date not later than 9:15 A.M. on the earlier of the new Auction Date or the old Auction Date.

(e) The Auction Agent shall deliver a copy of any notice received by it from the Trustee to the effect that an Event of Default has been cured or waived to the Broker-Dealers on

the Business Day following its receipt thereof by telecopy or other electronic communication acceptable to the parties.

Section 2.3. Auction Schedule. The Auction Agent shall conduct Auctions for the Bonds in accordance with the schedule set forth below. Such schedule may be changed by the Auction Agent if directed in writing by the Company to reflect then currently accepted market practices for similar auctions. The Auction Agent shall give written notice of any such change to the Trustee, the Company and each Broker-Dealer. Such notice shall be given prior to the close of business on the Business Day next preceding the first Auction Date on which any such change shall be effective. The Auction Agent will follow the Bond Market Association's Market Practice U.S. Holiday Recommendations for shortened trading days for the bond markets (the *"BMA Recommendation"*) unless the Auction Agent is instructed otherwise. In the event of a BMA Recommendation on an Auction Date, the Submission Deadline will be 11:30 A.M., instead of 1:00 P.M., and as a result the notice set forth in Section 2.4 will occur earlier.

TIME	EVENT
By 9:30 A.M.	Auction Agent advises the Broker-Dealers of the All Hold Rate and the Reference Rate, as set forth in Section 2.2(b) hereof.
9:30 A.M. – 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period)	Auction Agent assembles information communicated to it by Broker-Dealers as provided in Section 2.03 of the Auction Procedures. Submission Deadline is 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period).
As soon as practical after 1:00 P.M. (11:30 A.M. in the case of a daily Auction Period)	Auction Agent makes determination pursuant to Section 2.04 of the Auction Procedures.
By approximately 3:00 P.M. but not later than the close of business (by 12:00 Noon in the case of a daily Auction Period).	Submitted Bids and Submitted Sell Orders are accepted and rejected and the Bonds allocated as provided in Section 2.05 of the Auction Procedures. Auction Agent gives notice of Auction results as set forth in Section 2.4 hereof.

Section 2.4. Notice of Auction Results. Following such Auction, the Auction Agent shall follow the notification procedures set forth in paragraph (a) of the Settlement Procedures. In addition, promptly after making the determinations required by Section 2.04 of the Auction Procedures on each Auction Date, the Auction Agent shall give notice of the Auction Mode Rate to the Trustee by telephone (promptly confirmed in writing) or by telecopy or other electronic communication acceptable to the parties, and the Trustee shall promptly give notice to DTC of such Auction Mode Rate. The Auction Agent, unless instructed otherwise in writing by the Company and the Broker-Dealer or the Trustee, is authorized to release the Winning Bid Rate after each auction for public dissemination.

Section 2.5. Notices to Existing Owners. The Auction Agent shall be entitled to conclusively rely upon the address of each Existing Owner delivered by such Existing Owner in connection with any notice to Existing Owners required to be given by the Auction Agent pursuant to this Article II.

Section 2.6. Broker-Dealers. (a) On the Closing Date, the Auction Agent shall enter into a Broker-Dealer Agreement with each of J.P. Morgan Securities Inc., Merrill Lynch & Co., and Morgan Keegan & Company, Inc. The Auction Agent shall from time to time enter into such other Broker-Dealer Agreements (substantially in the form set forth in *Exhibit A* hereto) as the Company shall request and with written notice to the Trustee, the Auction Agent and J.P. Morgan Securities Inc., so long as J.P. Morgan Securities Inc. is a Broker-Dealer.

(b) The Auction Agent shall terminate any Broker-Dealer Agreement as set forth therein if so directed by the Company in writing with prior written notice to the Trustee. The Auction Agent shall have no liability for terminating any Broker-Dealer Agreement pursuant to the written directions of the Company, regardless of whether or not prior written notice has been provided to the Trustee.

Section 2.7. Ownership of the Bonds. None of the Issuer, the Company or any Person controlled by any thereof may submit any Order or Bid, directly or indirectly, in any Auction. The Auction Agent shall have no duty to monitor compliance with this Section 2.7.

Section 2.8. Access to and Maintenance of Auction Records. The Auction Agent shall afford to the Trustee and its agents, independent public accountants and counsel, access at reasonable times during normal business hours to all books, records, documents and other information concerning the conduct and results of Auctions; *provided* that any such agent, accountant or counsel of the Trustee shall furnish the Auction Agent with a letter from an Authorized Officer of the Trustee requesting that the Auction Agent afford such person access. Except as provided in Sections 3.1(d) and 5.1(b) hereof, the Auction Agent shall maintain records relating to any Auction for a period of two years after such Auction and such records shall, in reasonable detail, accurately and fairly reflect the actions taken by the Auction Agent hereunder. At the end of such two-year period the Auction Agent shall deliver notice to the Trustee and the Company of the Auction Agent's intended course of action with respect to such records and shall deliver such records to the Trustee or the Company if the Trustee or the Company so requests by notice in writing to the Auction Agent with a copy to the Company or the Trustee, as the case may be (any such request by the Trustee to take precedence over any such request by the Company). The Auction Agent shall provide the Trustee with copies of any report the Auction Agent provides DTC concerning discrepancies between the records of the Auction Agent and DTC of the aggregate portions registered in each CUSIP number. The Auction Agent shall not be responsible for any actions of the Trustee or its agents, accountants or counsel for passing on confidential information as a result of access to the records of the Auction Agent.

ARTICLE III

THE AUCTION AGENT AND THE TRUSTEE

Section 3.1. Duties and Responsibilities of the Auction Agent and the Trustee. (a) The Auction Agent is acting solely as non-fiduciary agent of the Company and owes no duties, fiduciary or otherwise, to any other person by reason of this Auction Agreement, except as otherwise stated herein, and no implied duties, fiduciary or otherwise, shall be read into this Auction Agreement.

(b) The Auction Agent and the Trustee undertake to perform such duties and only such duties as are expressly set forth herein, or expressly incorporated herein by reference pursuant to Section 2.1 hereof, to be performed by it, and no implied covenants or obligations shall be read into this Auction Agreement against the Auction Agent or the Trustee.

(c) In the absence of bad faith, negligence or willful misconduct on its part, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts necessary to make such judgment. In no event shall the Auction Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profit), even if the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(d) Upon termination of this Auction Agreement, the Auction Agent shall promptly deliver to the Company the Auction records and accompanying documentation and any other documents referred to in Section 2.8 hereof to the extent not previously delivered to the Trustee.

(e) The Auction Agent shall: (i) not be required to and shall make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own, or any document delivered pursuant to or as contemplated by this Auction Agreement; (ii) not be obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with indemnity satisfactory to it; and (iii) not be responsible for or liable in any respect on account of the identity, authority or rights of any person executing or delivering or purporting to execute or deliver any document under this Auction Agreement or any Broker-Dealer Agreement unless the responsible officer of the Auction Agent had actual knowledge that such person was not authorized or entitled to execute such document

(f) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Auction Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; terrorism; sabotage; epidemics; riots; interruptions; loss or malfunction of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or

governmental actions; it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(g) To the extent the maximum interest rate allowable by applicable law is reduced to less than the Maximum Interest Rate on the date hereof, the Company shall notify, in writing, the Auction Agent, or instruct the Trustee to do the same, of such reduced maximum interest rate allowable by applicable law.

Section 3.2. Rights of the Auction Agent. (a) The Auction Agent may conclusively rely upon, and shall be fully protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to be genuine. The Auction Agent shall not be liable for acting in good faith upon any such communication made by telephone or other electronic communication acceptable to the parties which the Auction Agent reasonably believes to have been given by the particular party or parties. To the extent permitted by law, the Auction Agent may record telephone communications with the Company, the Issuer, the Trustee and the Broker-Dealers, and each of such parties may record telephone communications with the Auction Agent.

(b) The Auction Agent may consult with counsel of its choice (provided such selection is made with reasonable care) and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder, except as may be required as a result of its own gross negligence, willful misconduct or bad faith.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(e) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the Bonds under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds pursuant to the terms of this Auction Agreement, any Broker-Dealer Agreement, the Loan and Trust Agreement or any other document contemplated by any thereof.

Section 3.3. Auction Agent's Disclaimer. The Auction Agent makes no representations and assumes no responsibility for the validity, accuracy or adequacy of this Auction Agreement, any Broker-Dealer Agreement, the Loan and Trust Agreement or any offering material used in connection with the offer and sale of the Bonds (except as to the validity of the Auction Agent's undertakings hereunder or under any Broker-Dealer Agreement and the accuracy of its representations herein or in any Broker-Dealer Agreement).

Section 3.4. Compensation, Expenses and Indemnification of the Auction Agent. The Company shall pay (i) the Auction Agent Fee for the Bonds on the first Interest Payment Date following the Closing Date and annually thereafter, and (ii) upon request of the Auction Agent, reasonable expenses, disbursements and advances reasonably incurred or made by the Auction Agent in accordance with this Auction Agreement and any Broker-Dealer Agreement (including the reasonable compensation, expenses and disbursements of its agents and counsel), except any expense, disbursement or advance attributable to the bad faith, negligence or willful misconduct of the Auction Agent. The Auction Agent Fee represents compensation for the services of the Auction Agent in conducting Auctions. The Auction Agent Fee may be adjusted from time to time with the approval of the Company upon a written request of the Auction Agent delivered to the Company. The Company shall indemnify the Auction Agent, its directors, officers, agents and employees for, and hold them harmless against any loss, liability or expense incurred without bad faith, negligence or willful misconduct on their part arising out of or in connection with its agency under this Auction Agreement and any Broker-Dealer Agreement, including the costs and expenses of defending itself, its directors, officers, agents and employees against any claim of liability in connection with their exercise or performance of any of their duties thereunder (including the enforcement of this provision), except such as may result from their bad faith, negligence or willful misconduct. The Trustee shall have no responsibility for payment of the fees and expenses of the Auction Agent.

Section 3.5. Broker-Dealer Fee. While the Bonds are in an Auction Period other than a daily Auction Period, on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount (the *"Broker-Dealer Fee"*) equal to the product of (x) the Broker-Dealer Fee Rate multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of the Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner and were purchased by such Potential Owner as a result of such Auctions and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date, the aggregate principal amount of outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the actual number of days in the Auction Period next succeeding such Auction Date and the denominator of which is 360. If the Bonds are in a daily Auction Period each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) the Broker-Dealer Fee Rate multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period, the aggregate principal amount of outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the

numerator of which is the number of days in the Auction Period and denominator of which is 360. The Broker-Dealer Fee shall be calculated by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Company and the Trustee by 4:00 P.M. on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Company shall pay to the Trustee the amount due to each Broker-Dealer. By noon on each Interest Payment Date, to the extent of its receipt of adequate funds from the Company, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of each Broker-Dealer, and promptly after receipt of such Broker-Dealer Fee, the Auction Agent shall deliver such Broker-Dealer Fee to each Broker-Dealer, pursuant to the written instructions of such Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than pursuant to an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds; *provided, however*, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" contained in the Bonds and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee hereby represents and warrants that:

(a) this Auction Agreement has been duly and validly authorized, executed and delivered by the Trustee and constitutes the legal, valid and binding limited obligation of the Trustee;

(b) neither the execution and delivery of this Auction Agreement, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Auction Agreement will conflict with, or violate or result in a breach of the terms, conditions or provisions of, or constitute a default under the organizational documents of the Trustee, any law or regulation, any order or decree of any court or public corporation having jurisdiction over such party, or any mortgage, resolution, contract, agreement or undertaking to which the Trustee is a party or by which it is bound; and

(c) any approvals, consents and orders of any governmental corporation, legislative body, board, agency or commission having jurisdiction over the Trustee which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Trustee of its obligations under this Auction Agreement have been obtained.

ARTICLE V

MISCELLANEOUS

Section 5.1. Term of Agreement. (a) This Auction Agreement shall remain in effect until (i) all Bonds are redeemed, paid or purchased and cancelled; (ii) the Bonds are no longer held by DTC in book-entry form; (iii) this Auction Agreement shall be terminated as provided in this Section 5.1; (iv) the Auction Agent resigns upon 45 days' notice due to non-payment of the Auction Agent Fee; or (v) the Auction Agent is removed as provided in this Section 5.1. The Trustee shall, upon the written direction of the Company, remove the Auction Agent by giving at least 15 days' prior written notice to the Auction Agent and each Broker Dealer, *provided* that a successor Auction Agent has been appointed. The Auction Agent may terminate this Auction Agreement by giving at least 90 days' notice to the Company, the Issuer and the Trustee (who shall give notice of the same to each Broker-Dealer). In the event the Auction Agent has not been compensated for its services rendered hereunder, the Auction Agent may terminate this Auction Agreement by giving at least 45 days' notice to the Company, the Issuer and the Trustee (who shall give notice of the same to each Broker-Dealer), and upon the expiration of such 45 days, the Auction Agent may resign even if a successor Auction Agent has not been appointed.

(b) Except as otherwise provided in this paragraph (b), the respective rights and duties of the Trustee and the Auction Agent under this Auction Agreement shall cease upon termination of this Auction Agreement. The representations and warranties of the Trustee contained herein, and the rights of the Auction Agent under Sections 3.2 and 3.4 hereof, shall survive the termination hereof. Upon termination of this Auction Agreement, the Auction Agent shall be deemed to have resigned as Auction Agent under the Broker-Dealer Agreement and shall promptly deliver to the Company copies of all books and records maintained by it in connection with its duties hereunder.

Section 5.2. Communications. Except for (a) communications authorized to be by telephone pursuant to this Auction Agreement or the Auction Procedures and (b) communications in connection with Auctions (other than those expressly required to be in writing), all notices, requests and other communications to any party hereunder shall be in writing (including telecopy or other electronic communication acceptable to the parties) and shall be given to such party, addressed to it, at its address, telecopy number or e-mail address set forth below:

If to the Trustee, addressed:

The Bank of New York Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department
FAX: (904) 645-1997
PHONE: (904) 645-1912

If to the Auction Agent, addressed:	The Bank of New York 101 Barclay Street, 7W New York, New York 10286 Attention: Dealing and Trading Group - Auction Desk FAX: (212) 815-3440 PHONE: (212) 815-3450
If to the Issuer, addressed:	Hillsborough County Industrial Development Authority c/o Morrison & Mills, P.A. 1200 West Platt Street, Suite 100 Tampa, Florida 33606 Attention: Thomas Morrison, Esq. FAX: (813) 258-3209 PHONE: (813) 258-3311
If to the Company, addressed:	Tampa Electric Company Post Office Box 111 Tampa, Florida 33601 Attention: Corporate Secretary FAX: (813) 228-1328 PHONE: (813) 228-1808

or such other address, telecopier number or e-mail address as such party may hereafter specify for such purpose by written notice to the other parties. Each such notice, request or communication shall be effective (a) if given by telecopy, when such telecopy is transmitted to the telecopier number specified herein or (b) if given by any other means, when delivered at the address specified herein. Communications shall be given on behalf of the parties hereto by one of their respective Authorized Officers.

Section 5.3. Entire Agreement. This Auction Agreement contains the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof.

Section 5.4. Benefits; Successors and Assigns. This Auction Agreement shall be binding upon, inure to the benefit of and be enforceable by the Trustee and the Auction Agent and their respective successors and assigns. Nothing herein, express or implied, shall give to any person, other than the Trustee and the Auction Agent and their respective successors or assigns, any benefit of any legal or equitable right, remedy or claim hereunder, except as otherwise expressly stated, other than the rights expressly granted to the Company herein.

Section 5.5. Amendment, Waiver. (a) This Auction Agreement shall not be deemed or construed to be modified, amended, rescinded, cancelled or waived, in whole or in part, except by written instrument signed by a duly authorized representative of all the parties hereto.

(b) The failure of any party hereto to exercise any right or remedy hereunder in the event of a breach hereof by any party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

Section 5.6. Severability. If any clause, provision or section hereof shall be ruled invalid or unenforceable by any court or competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

Section 5.7. Execution in Counterparts. This Auction Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.8. Governing Law. This Auction Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles. Each party hereby consents to the exclusive jurisdiction of a state or federal court situated in New York, New York in connection with any dispute relating to any civil matter arising hereunder, and waives to the fullest extent permitted by law its right to trial by jury or any objection to any such forum as inconvenient.

(The remainder of this page has been intentionally left blank.)

IN WITNESS WHEREOF, the parties hereto have caused this Auction Agreement to be duly executed and delivered by their proper and duly Authorized Officers as of the date first above written.

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Trustee

By: Barbara B. Buck
Name: Barbara B. Beck
Title: VICE PRESIDENT.

THE BANK OF NEW YORK,
as Auction Agent

By: _____
Name:
Title:

TAMPA ELECTRIC COMPANY

By: _____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Auction Agreement to be duly executed and delivered by their proper and duly Authorized Officers as of the date first above written.

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Trustee

By:_____
Name:
Title:

THE BANK OF NEW YORK,
as Auction Agent

By: Edgar R. Lago
Name: EDGAR R. LAGO
Title: ASSISTANT VICE PRESIDENT

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Auction Agreement to be duly executed and delivered by their proper and duly Authorized Officers as of the date first above written.

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Trustee

By:_____
Name:
Title:

THE BANK OF NEW YORK,
as Auction Agent

By:_____
Name:
Title:

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

EXHIBIT A

Form of Broker-Dealer Agreement

[See separate Broker-Dealer Agreement]

EXHIBIT B

SETTLEMENT PROCEDURES

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic communication acceptable to the parties each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner:

(i) the Auction Mode Rate fixed for the succeeding Auction Period or, in the case of Bonds in a daily Auction Period, the Auction Mode Rate on the Bonds fixed for the current Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such other Broker-Dealers submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the

Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bonds) against receipt of such principal amount of Bonds;

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid of the Auction Mode Rate for the next succeeding Auction Interest Period;

(v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the Auction Date of the next succeeding Auction or, in the case of Bonds in a daily Auction Period, the Auction Mode Rate for the current Auction Period; and

(vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the Auction Date of the next succeeding Auction.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order shall allocate any funds received by it pursuant to subparagraph (b)(ii) above, and any Bonds received by it pursuant to subparagraph (b)(iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders and any Broker-Dealer identified to it by the Auction Agent pursuant to subparagraph (a)(v) above.

(d) On the Business Day after the Auction Date or, in the case of Bonds in a daily Auction Period, on such Auction Date, the Securities Depository shall be instructed to execute the transactions set forth above, debiting and crediting the accounts of the respective Agent Members as necessary to effect the purchase and sale of Bonds as determined in the Auction.

Execution Copy

BROKER-DEALER AGREEMENT

January 5, 2006

among

THE BANK OF NEW YORK,

as Auction Agent

and

J.P. MORGAN SECURITIES INC.,

as Broker-Dealer

and

TAMPA ELECTRIC COMPANY

relating to

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

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BROKER-DEALER AGREEMENT

THIS BROKER-DEALER AGREEMENT, dated January 5, 2006 (this *"Broker-Dealer Agreement"*), is among (i) The Bank of New York (the *"Auction Agent"*), appointed by the Company, as hereinafter defined; (ii) [J.P. Morgan Securities Inc.] (*"BD"*); and (iii) Tampa Electric Company (the *"Company"*).

WITNESSETH

WHEREAS, the Hillsborough County Industrial Development Authority (the *"Authority"*) has issued its Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 in the aggregate principal amount of $85,950,000 (the *"Bonds"*) pursuant to the Loan and Trust Agreement dated as of January 5, 2006 (as it may be supplemented, the *"Loan and Trust Agreement"*) among the Authority, the Company and The Bank of New York Trust Company, N.A., as Trustee (the *"Trustee"*); and

WHEREAS, the Company has elected an Auction Mode Rate on the Bonds (such Bonds during an Auction Period to be referred to herein as *"Bonds"*); and

WHEREAS, the Company has selected BD to serve as a Broker-Dealer pursuant to Exhibit C of the Loan and Trust Agreement;

WHEREAS, BD is to perform certain duties set forth herein; and

WHEREAS, The Bank of New York has been appointed as Auction Agent for purposes of an Auction Agreement dated January 5, 2006 among the Trustee, the Company and the Auction Agent (the *"Auction Agreement"*), and pursuant to Section 2.6(a) of the Auction Agreement, the Company has requested and directed the Auction Agent to execute and deliver this Broker-Dealer Agreement; and

WHEREAS, the Auction Procedures require the participation of one or more Broker-Dealers;

NOW, THEREFORE, the Auction Agent, as agent for the Trustee, BD, for the benefit of the Existing Owners and the Potential Owners of the Bonds, and the Company agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Terms Defined by Reference to the Loan and Trust Agreement. Capitalized terms not defined herein shall have the respective meanings specified in the Loan and Trust Agreement, including Exhibit C thereto.

Section 1.2. Terms Defined Herein. As used herein and in the exhibits hereto, the following terms shall have the following meanings, unless the context otherwise requires.

"Authorized Officers" shall mean each Vice President, Assistant Vice President, and Assistant Treasurer of the Auction Agent assigned to the Dealing and Trading Group of its Corporate Trust Services Division and every other officer or employee of the Auction Agent designated as an *"Authorized Officer"* for purposes hereof in a communication to BD.

"BD Officer" shall mean each officer or employee of BD designated as a *"BD Officer"* for purposes of this Broker-Dealer Agreement in a communication to the Auction Agent.

"Broker-Dealer Agreement" shall mean this Broker-Dealer Agreement and any substantially similar agreement between the Auction Agent and a Broker-Dealer relating to the Bonds.

"Broker-Dealer Fee Rate" shall be the per annum rate provided in the first paragraph of Section 2.5(a) of the Broker-Dealer Agreement.

"Settlement Procedures" shall mean the Settlement Procedures for the Bonds and shall be substantially in the form attached hereto as *Exhibit A.*

Section 1.3. Rules of Construction. Unless the context or rules indicate another or different meaning or intent, the following rules shall apply to the construction of this Broker-Dealer Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for the convenience of reference and shall not constitute a part of this Broker-Dealer Agreement nor shall they affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," "hereby" and "hereunder" and other words of similar import refer to this Broker-Dealer Agreement as a whole and not to any particular section, subsection or subdivision.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of Bonds shall refer to beneficial ownership interests in Bonds unless the context clearly requires otherwise.

Section 1.4. Warranties of BD. BD hereby represents and warrants that this Broker-Dealer Agreement has been duly authorized, executed and delivered by BD and that, assuming the due authorization, execution and delivery hereof by the Auction Agent, this

Broker-Dealer Agreement constitutes a valid and binding agreement of BD, enforceable against it in accordance with its terms.

ARTICLE II

THE AUCTION

Section 2.1. Purpose; Incorporation by Reference of Auction Procedures and Settlement Procedures. (a) The Auction Procedures will be followed by the Auction Agent for the purpose of determining the Auction Mode Rate for each Auction Period after the initial Auction Period. Each periodic implementation of such procedures is hereinafter referred to as an *"Auction."*

(b) All of the provisions contained in the Auction Procedures and the Settlement Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part of this Broker-Dealer Agreement to the same extent as if such provisions were fully set forth herein.

(c) BD agrees to act as, and assumes the obligations of, and limitations and restrictions placed upon, a Broker-Dealer under this Broker-Dealer Agreement. BD understands that other Persons meeting the requirements specified in the definition of "Broker-Dealer" contained in the Loan and Trust Agreement may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions. BD agrees to handle customer orders in accordance with its duties under applicable securities laws and rules.

(d) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Company may, however, by notice to BD and all other Broker-Dealers, prohibit all of the Broker-Dealers from submitting Bids in Auctions for their own accounts, provided that Broker-Dealers may continue to submit Hold Orders and Sell Orders. Notwithstanding the foregoing, if BD is an affiliate of the Company it may not submit Bids to purchase Bonds in Auctions for its own account, except that if any such affiliated Broker-Dealer holds Bonds for its own account, it must submit a Sell Order on the next Auction Date with respect to such Bonds. The Auction Agent shall have no duty or liability with respect to monitoring or enforcing the provisions of this Section 2.1(d).

(e) BD may decline to participate in an Auction for the Bonds at any time without any liability to the Company or the Auction Agent, even if it is the sole Broker-Dealer for the Bonds, if it determines, in its reasonable judgment, that it is impractical or inadvisable to attempt to Auction the Bonds for any reason, including, without limitation, (i) a pending or proposed change in applicable tax laws, (ii) a pending or proposed change in applicable law that would cause the Bonds to not be exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended (the *"1933 Act"*) or the Securities Exchange Act of 1934, as amended, (iii) a pending or proposed change in applicable law that would cause the Loan and Trust Agreement or instruments of the general character of the Loan and Trust Agreement to not be exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended, (iv) any material adverse change in the financial condition of the Company

and its subsidiaries, taken as a whole, (v) any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis, (vi) any decrease in the rating of the Bonds by Moody's or S&P, (vii) an imposition of material restrictions on the trading of the Bonds or similar obligations, (viii) the occurrence of any adverse change in national or international financial, political or economic conditions, (ix) the suspension or limitation of trading securities generally on the New York Stock Exchange or the establishment of minimum prices on such Exchange, (x) the declaration of a general moratorium on commercial banking activities by either Federal or New York State authorities or the occurrence of a material disruption in commercial banking or securities settlement or clearance services in the United States or (xi) any amendment or supplement to the Offering Document or Disclosure Statement pursuant to Section 4.1 of this Broker-Dealer Agreement.

Section 2.2. Preparation for Each Auction. (a) On each Auction Date, the Auction Agent shall determine the All Hold Rate and the Reference Rate and the components thereof. Not later than 9:30 A.M. on each Auction Date, the Auction Agent shall advise the Trustee, the Company and the Broker-Dealers by facsimile or other electronic communication acceptable to the parties, of the All Hold Rate and the Reference Rate.

(b) On the date hereof and from time to time thereafter as the Auction Agent may request, BD may, but is not required to, provide the Auction Agent with a list, substantially in the form of *Exhibit E* hereto, of the names of its customers that it believes are Existing Owners of Bonds and the principal amount of Bonds held by each of such customers. The Auction Agent shall not disclose any such information so provided to any Person other than the Trustee, the Authority, the Company or BD except as otherwise required by law. For the avoidance of doubt, the word "Person" as used in the preceding sentence shall include each Broker-Dealer other than BD.

(c) Not later than 3:00 P.M. on the Record Date preceding each Auction Date, the Auction Agent shall notify BD of any change in the aggregate principal amount of Bonds, as of the opening of business on such Record Date, by delivering a notice to BD by telecopy or other electronic communication acceptable to the parties.

Section 2.3. Auction Schedule; Method of Submission of Orders. (a) The Auction Agent shall conduct Auctions for the Bonds in accordance with the schedule set forth below. Such schedule may be changed at any time by the Auction Agent at the written direction of the Company to reflect then currently accepted market practices for similar auctions. The Auction Agent shall give written notice of any such change to BD, the Authority, the Company and the Trustee, which notice shall be given prior to the close of business on the Business Day next preceding the first Auction Date on which any such change shall be effective. Notwithstanding the foregoing, the Auction Agent will follow the Bond Market Association's Market Practice U.S. Holiday Recommendations for shortened trading days for the bond markets (the *"BMA Recommendation"*) unless the Auction Agent is instructed otherwise. In the event of a BMA Recommendation on an Auction Date, the Submission Deadline will be 11:30 A.M. instead of 1:00 P.M., and as a result, the notice of Auction results will occur at an earlier time.

TIME	EVENT
By 9:30 A.M	Auction Agent advises the Broker-Dealers of the All Hold Rate and the Reference Rate, as set forth in Section 2.2(a) hereof.
9:30 A.M. - 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period)	Auction Agent assembles information communicated to it by Broker-Dealers as provided in Section 2.03 of Exhibit C of the Loan and Trust Agreement. Submission Deadline is 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period).
As soon as practical after 1:00 P.M. and by no later than 3:00 P.M. (by 11:30 A.M. in the case of a daily Auction Period)	Auction Agent makes determinations pursuant to Section 2.04 of Exhibit C of the Loan and Trust Agreement.
By approximately 3:00 P.M. but not later than the close of business (by 12:00 noon in the case of a daily Auction Period)	Submitted Bids and Submitted Sell Orders are accepted and rejected and Bonds allocated as provided in Section 2.05 of Exhibit C of the Loan and Trust Agreement. Auction Agent gives notice of the auction results as set forth in Section 2.4(a) hereof.

(b) BD agrees, for the purpose of implementing the Auctions (and thereby achieving the lowest possible interest rate on the Bonds), to contact Potential Owners, including Persons that are not Existing Owners, prior to the Submission Deadline on each Auction Date to determine the principal amount of Bonds, if any, that each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum requested by such Potential Owner. BD further agrees, upon request, to deliver a copy of the Auction Procedures and other relevant documents prepared by the Authority and the Company for the purpose of disclosure to Potential Owners relating to the Bonds to each Potential Owner prior to such Potential Owner's participation in any Auction.

(c) In each Auction in which BD submits one or more Orders, BD shall submit a separate Order to the Auction Agent for each Potential Owner or Existing Owner on whose behalf BD is submitting an Order and shall not net the Orders of different Potential Owners or Existing Owners on whose behalf BD is submitting Orders. Each Order shall be in writing in substantially the form attached hereto as *Exhibit B* or in such other form as may be submitted by the Broker-Dealer.

(d) BD may deliver to the Auction Agent (i) a written notice, substantially in the form attached hereto as *Exhibit C* of transfers of Bonds made through BD by an Existing Owner to another Person other than pursuant to an Auction, and (ii) a written notice, substantially in the form attached hereto as *Exhibit D* of the failure of any Bonds to be transferred to or by any Person that purchased or sold Bonds through BD pursuant to an Auction. The Auction Agent is not required to accept any such notice specified in this Subsection (d) for an Auction if it is received by it after 3:00 P.M. on the Business Day preceding such Auction.

Section 2.4. Notices. (a) On each Auction Date, the Auction Agent shall notify BD by telephone or other electronic communication acceptable to the parties of the results of the Auction as set forth in paragraph (a) of the Settlement Procedures. As soon as reasonably practicable thereafter, the Auction Agent shall notify BD, if so requested, in writing of the disposition of all Orders submitted by BD in the Auction held on such Auction Date.

(b) The Auction Agent shall notify BD of any change in the Auction schedule set forth in Section 2.3(a) hereof.

(c) BD shall notify each Existing Owner or Potential Owner on whose behalf BD has submitted an Order as set forth in paragraph (b) of the Settlement Procedures, and take such other action as is required of BD pursuant to the Settlement Procedures.

(d) The Auction Agent shall deliver to BD after receipt all notices and certificates which the Auction Agent is required to deliver to BD pursuant to Article II of the Auction Agreement at the times and in the manner set forth in the Auction Agreement.

Section 2.5. Compensation. (a) The initial Broker-Dealer Fee Rate shall equal 0.25 of 1% per annum. The Broker-Dealer Fee (as defined in Subsection (b) below) for the Bonds shall be paid by the Company and represents compensation for the services of the Broker-Dealer in facilitating Auctions of the Bonds. The Broker-Dealer Fee Rate may be adjusted from time to time with the approval of the Company upon a written request of the Broker-Dealer delivered to the Company.

(b) While the Bonds are in an Auction Period other than a daily Auction Period, on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount (the *"Broker-Dealer Fee"*) equal to the product of (x) the Broker-Dealer Fee Rate multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date (otherwise than because such Broker-Dealer declined to participate in an Auction based on its determination that, in its reasonable judgment, it is impractical or inadvisable to attempt to

auction the Bonds pursuant to Section 2.1(e) of its Broker-Dealer Agreement), the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the actual number of days in the Auction Period next succeeding such Auction Date and the denominator of which is 360. If the Bonds are in a daily Auction Period, each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) the Broker-Dealer Fee Rate multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period (otherwise than because such Broker-Dealer declined to participate in an Auction based on its determination that, in its reasonable judgment, it is impractical or inadvisable to attempt to auction the Bonds pursuant to Section 2.1(e) of its Broker-Dealer Agreement), the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the number of days in the Auction Period and denominator of which is 360. The Broker-Dealer Fee shall be calculated by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Company and the Trustee by 4:00 P.M. on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Company shall pay to the Trustee the amount due to the Broker-Dealer. By 12:00 noon on each Interest Payment Date, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker-Dealer, and immediately after receipt of such Fee, the Auction Agent shall deliver such Fee to the Broker-Dealer, pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than through an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds, provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" contained in Exhibit C to the Loan and Trust Agreement and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

Section 2.6. Settlement. (a) If any Potential Owner on whose behalf BD has submitted an Order fails to deliver funds with respect to any Auction, BD shall promptly deliver such funds to the party entitled to receive such funds. If any Existing Owner on whose behalf BD has submitted an Order fails to instruct its Agent Member to deliver Bonds subject to such Order against payment therefor, BD shall instruct such Agent Member to deliver such Bonds against payment therefor. The delivery of funds by BD for the purchase of Bonds by a Potential Owner, as provided above, shall not relieve such Potential Owner of any liability to BD for payment for such Bonds. Notwithstanding the foregoing provisions of this Section 2.6(a), any delivery or

nondelivery of Bonds which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the terms of Section 2.3(d) hereof. The Auction Agent shall have no duty or liability with respect to enforcement of this Section 2.6(a).

(b) Neither the Auction Agent, the Trustee, the Company nor the Authority shall have any responsibility or liability with respect to the failure of an Existing Owner, a Potential Owner or its respective Agent Member to deliver Bonds or to pay for Bonds sold or purchased pursuant to the Auction Procedures or otherwise.

Section 2.7. Duties, Responsibilities and Rights of BD. (a) BD is acting solely as agent of the Company and owes no duties, fiduciary or otherwise, to any other Person by reason of this Broker-Dealer Agreement.

(b) No implied duties, fiduciary or otherwise, and no implied covenants or obligations, shall be read into this Broker-Dealer Agreement insofar as BD is concerned.

(c) In the absence of bad faith, willful misconduct or gross negligence on its part, BD shall not be liable for any action taken, suffered or omitted by it in good faith or for any error of judgment made by it in the performance of its duties hereunder, *provided, however,* that BD will not be deemed negligent for any action taken, suffered or omitted by it in accordance with the then current market practices.

(d) BD shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused by, directly or indirectly, circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; or acts of terrorism, it being understood that BD shall use reasonable efforts which are consistent with accepted practices in the broker-dealer industry to resume performance as soon as practicable under the circumstances.

(e) BD may rely conclusively upon, and shall be protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to be genuine. BD shall not be liable for acting in good faith upon any such communication made by telephone, facsimile or other electronic communication acceptable to the parties which BD reasonably believes to have been given by the particular party or parties. To the extent permitted by law, BD may record telephone communications with the Auction Agent, other Broker-Dealers and the Company.

(f) BD may consult with counsel of its choice (provided such selection is made with reasonable care), and the advice of such counsel shall be full and complete authorization and

protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

ARTICLE III

THE AUCTION AGENT

Section 3.1. Duties and Responsibilities of the Auction Agent. (a) The Auction Agent is acting solely as a non-fiduciary agent of the Company and owes no duties, fiduciary or otherwise, to any other person by reason of this Broker-Dealer Agreement, except as expressly set forth herein or in the Auction Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Broker-Dealer Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are expressly set forth herein, or expressly incorporated herein by reference pursuant to Section 2.1(b) hereof, to be performed by it, and no implied covenants or obligations shall be read into this Broker-Dealer Agreement against the Auction Agent.

(c) In the absence of bad faith, willful misconduct or negligence on its part, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts necessary to make such judgment.

(d) The Auction Agent shall: (i) not be required to and shall make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own; (ii) not be obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with indemnity satisfactory to it; and (iii) not be responsible for or liable in any respect on account of the identity, authority or rights of any person executing or delivering or purporting to execute or deliver any document under this Broker-Dealer Agreement unless the responsible officer of the Auction Agent had actual knowledge that such person was not authorized or entitled to execute such document.

(e) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused by, directly or indirectly, circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; or acts of terrorism, it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 3.2. Rights of the Auction Agent. (a) The Auction Agent may rely conclusively upon, and shall be protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to be genuine. The Auction Agent shall not be liable for acting in good faith upon any such communication made by telephone, facsimile or other electronic communication acceptable to the parties which the Auction Agent reasonably believes to have been given by the particular party or parties. To the extent permitted by law, the Auction Agent may record telephone communications with the Broker-Dealers, and each of such Broker-Dealers may record telephone communications with the Auction Agent.

(b) The Auction Agent may consult with counsel of its choice (provided such selection is made with reasonable care), and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(c) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(d) In no event shall the Auction Agent be responsible or liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), regardless of whether the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(e) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder, except as may be required as a result of its own gross negligence, willful misconduct or bad faith.

(f) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the Bonds under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds pursuant to the terms of the Auction Agreement, this Broker-Dealer Agreement, any other Broker-Dealer Agreement, the Loan and Trust Agreement or any other document contemplated by any thereof.

Section 3.3. Auction Agent's Disclaimer. The Auction Agent makes no representations and assumes no responsibility for the validity, accuracy or adequacy of the Auction Agreement, this Broker-Dealer Agreement, the Loan and Trust Agreement or any offering material used in connection with the offer and sale of the Bonds (except as to the validity of the Auction Agent's undertakings hereunder, under any other Broker-Dealer Agreement or under the Auction Agreement and the accuracy of its representations herein, in any other Broker-Dealer Agreement or in the Auction Agreement).

ARTICLE IV

DISCLOSURE; INDEMNIFICATION

Section 4.1. Disclosure. (a) The Company agrees to supply to BD, at the Company's expense, such number of copies of the Official Statement dated January 10, 2006, including the appendices thereto (such Official Statement, as so amended and supplemented, the *"Offering Document"*), as BD shall reasonably request from time to time, and to amend the Offering Document so that the Offering Document will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(b) If BD determines (upon consultation and mutual agreement with the Company) that it is necessary or desirable to use a disclosure statement (other than the Offering Document), relating specifically to the Bonds (a *"Disclosure Statement"*) in connection with the solicitation of Orders for the Bonds, BD will notify the Company, and the Company will provide BD with a Disclosure Statement reasonably satisfactory to BD and its counsel. The Company will supply BD, at the Company's expense, with such number of copies of such Disclosure Statement as BD requests from time to time, and will amend such Disclosure Statement (as well as the documents incorporated by reference therein) so that such Disclosure Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. In connection with the use of any Disclosure Statement by BD in its solicitation of Orders for the Bonds (other than the Offering Document), the Company will furnish to BD such certificates, accountants' letters and opinions of counsel as would be customary in a public offering of tax-exempt securities underwritten by BD. In addition, the Company will, at its own expense, take all steps reasonably requested by BD that BD or its counsel may consider necessary or desirable to effect compliance with applicable federal or state securities laws.

Section 4.2. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless BD, each director, trustee, member, officer, official, partner, agent or employee thereof and each person, if any, who controls BD within the meaning of Section 15 of the 1933 Act against any and all losses, claims, damages, expenses and liabilities (or actions in respect thereof) to which BD may become subject, under federal laws or regulations or otherwise, insofar as such losses, claims, damages, expenses and liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact set forth in the Offering Document or Disclosure Statement, or the omission or alleged omission to state in the Offering Document or Disclosure Statement any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading but the Company shall not be liable in such case (i) to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by BD specifically for use in connection with the preparation of the Offering Document or Disclosure Statement, or (ii) if the person asserting any such loss, claim, damage or liability purchased Bonds from BD, if

delivery to such person of the Offering Document or Disclosure Statement or any amendment or supplement to it would have been a valid defense to the action from which such loss, claim, damage or liability arose and if the same was not delivered to such person by or on behalf of BD. The foregoing indemnity shall include (without limiting the generality of the foregoing), the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, if such settlement is effected with the written consent of the Company, and reimbursement for any legal or other expenses reasonably incurred by BD in connection with investigating, preparing or defending against any litigation commenced or threatened or any claim based upon any such loss, claim, damage, liability or action, as such expenses are incurred.

(b) BD agrees to indemnify and hold harmless the Company, each director, trustee, member, officer, official, partner or employee thereof and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act, to the same extent as the foregoing indemnity from the Company to BD, but only with reference to written information relating to BD furnished by or on behalf of BD specifically for use in connection with the preparation of the Offering Document or Disclosure Statement.

(c) Promptly after receipt by an indemnified party under paragraph (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 4.2, notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 4.2. In case any such action shall be brought against any indemnified party and such party shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of such indemnified party, be counsel to the indemnifying party); provided, however, that if the defendants in any such action include both an indemnified party and an indemnifying party and such indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or in addition to the defense available to the indemnifying party, the indemnified party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defenses of such action on behalf of such indemnified party and the indemnifying party shall pay the legal and other expenses subsequently incurred by any such indemnified party in connection with the defense thereof. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, except as described in the preceding sentence, the indemnifying party shall not be liable to such indemnified party under this Section 4.2 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation incurred at the request of the indemnifying party or such counsel, and shall not be liable to such indemnified party with respect to such action under this Section 4.2 if such indemnified party effects the settlement of such action without the consent of the indemnifying party, but if settled with the consent of the indemnifying party or if there shall be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and

hold harmless the indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 4.2 is unavailable to hold harmless an indemnified party under paragraph (a) or (b) above in respect of any losses, claims, damages, expenses or liabilities (or actions in respect thereof) referred to therein, then the indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, expenses or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party and the indemnified party, respectively, from the offering of the Bonds to which the loss, claim, damage, expense or liability (or action in respect thereof) relates and also to the relative fault of the indemnifying party and the indemnified party, respectively, in connection with the statement or omission which resulted in such losses, claims, damages, expenses or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and BD on the other shall be deemed to be in the same proportion as the total proceeds from the offering of the Bonds (before deducting issuance costs and expenses) received by the Company bear to the total fees received by BD. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact related to information supplied by the Company or BD and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and BD, respectively, agree that it would not be just and equitable if contribution pursuant to this Section 4.2 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4.2. The amount paid or payable by a party as a result of the losses, claims, damages or liabilities referred to above in this Section 4.2 shall be deemed to include any legal or other expenses reasonably incurred by such party (or any director, trustee, member, officer, official, partner, employee or controlling person of any of them) in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 4.2, BD shall not be required to contribute any amount in excess of the amount by which the total price at which the Bonds sold by or through BD exceeds the amount of any damages which BD has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

ARTICLE V

MISCELLANEOUS

Section 5.1. Termination. BD may be removed by the Company, or may resign at any time, upon at least five Business Days' notice thereof, with the Company also providing notice of such removal or resignation to the Trustee and the Auction Agent, *provided, however,* that BD may resign immediately if it determines not to participate in an Auction under the circumstances

described in Section 2.1(e); and *further provided* that the Company may not remove BD unless it has also entered into a Broker-Dealer Agreement with another Broker-Dealer. The Auction Agent, upon the written direction of the Company, may terminate this Broker-Dealer Agreement at any time upon at least 60 days' notice to the other parties hereto; *provided, however,* that if the Broker-Dealer in this Broker-Dealer Agreement is J.P. Morgan Securities Inc., the Auction Agent may not terminate this Broker-Dealer Agreement without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed; and *provided, further,* that this Broker-Dealer Agreement shall terminate upon the resignation or removal of the BD pursuant to this Section 5.1 or termination of the Auction Agreement. The Auction Agent shall be deemed to have resigned from this Broker-Dealer Agreement if the Auction Agreement is terminated.

Section 5.2. Participant. BD is and for the term of this Broker-Dealer Agreement shall remain a member of, a participant in, or an affiliate of such a member or participant in the Securities Depository; and will give the Auction Agent, each other Broker-Dealer, the Authority, the Company and the Trustee two Business Days' notice if it ceases to be so or if it changes its participation or affiliation to a different Securities Depository.

Section 5.3. Communications. Except for (i) communications authorized to be by telephone pursuant to this Broker-Dealer Agreement or the Auction Procedures and (ii) communications in connection with Auctions (other than those expressly required to be in writing) all notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing or other electronic communication acceptable to the parties) and shall be given to such party, addressed to it, at its address or telecopy number set forth below and, where appropriate, reference the particular Auction to which such notice relates:

If to BD addressed:

J.P. Morgan Securities Inc.
270 Park Avenue, 6th Floor
New York, New York 10017
Attention: Auction Rate Manager
Telecopier No.: (212) 834-6737
Telephone No.: (212) 834-7182

With a copy to:

J.P. Morgan Securities Inc.
270 Park Avenue, 48th Floor
New York, New York 10017
Attention: Public Finance
Telecopier No.: (212) 270-9665
Telephone No.: (212) 270-1584

If to the Trustee, addressed:

The Bank of New York Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department
Telecopier No.: (904) 645-1997
Telephone No.: (904) 645- 1912

If to the Auction Agent, addressed:

The Bank of New York
101 Barclay Street, 7W
New York, New York 10286
Attention: Dealing and Trading Group - Auction Desk
Telecopier No.: (212) 815-3440
Telephone No.: (212) 815-3450

If to the Authority addressed:

Hillsborough County Industrial Development Authority
c/o Morrison & Mills, P.A.
1200 West Platt Street, Suite 100
Tampa, Florida 33606
Attention: Thomas Morrison, Esq.
Telecopier No.: (813) 258-3209
Telephone No.: (813) 258-3311

If to the Company addressed:

Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601
Attention: Corporate Secretary
Telecopier No.: (813) 228-1328
Telephone No.: (813) 228-1808

or such other address or telecopy number or electronic mail address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopy number specified herein or (ii) if given by any other means, when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer.

Section 5.4. Entire Agreement. This Broker-Dealer Agreement, and the other agreements and instruments executed and delivered in connection with the execution hereof,

contain the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof.

Section 5.5. Benefits; Successors and Assigns. This Broker-Dealer Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of the Company, BD and the Auction Agent. Nothing in this Broker-Dealer Agreement, express or implied, shall give to any Person, other than the Company, the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim under this Broker-Dealer Agreement, other than the rights expressly granted to the Authority herein. Additionally, any assignment by the Auction Agent, the Company or BD of its respective rights and obligations under this Broker-Dealer Agreement shall be subject to the approval of each other party to this Broker-Dealer Agreement, each such approval not to be unreasonably withheld.

Section 5.6. Amendment; Waiver. (a) This Broker-Dealer Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto.

(b) Failure of any party to this Broker-Dealer Agreement to exercise any right or remedy hereunder in the event of a breach of this Broker-Dealer Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

Section 5.7. Severability. If any clause, provision or section of this Broker-Dealer Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

Section 5.8. Execution in Counterparts. This Broker-Dealer Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.9. Governing Law. This Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles. Each party hereby consents to the exclusive jurisdiction of a state or federal court situated in New York, New York in connection with any dispute relating to any civil matter arising hereunder, and waives to the fullest extent permitted by law its right to trial by jury or any objection to any such forum as inconvenient.

Section 5.10. No Implied Duties. Nothing contained in this Broker-Dealer Agreement, the Loan and Trust Agreement or the Auction Agreement shall be deemed to imply any duties, covenants or obligations on the part of the Company not otherwise expressly set forth herein or therein.

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By: Edgar R. Lago
Name: EDGAR R. LAGO
Title: ASSISTANT VICE PRESIDENT

J.P. MORGAN SECURITIES INC.

By: _____
Name: Ivan Naguit
Title: Vice President

TAMPA ELECTRIC COMPANY

By: _____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By:_____
Name:
Title:

J.P. MORGAN SECURITIES INC.

By:_____
Name: Ivan Naguit
Title: Vice President

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

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J.P. MORGAN SECURITIES INC.

By:_____
Name: Ivan Naguit
Title: Vice President

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

EXHIBIT A

SETTLEMENT PROCEDURES

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic communication acceptable to the parties each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of:

(i) the Auction Mode Rate fixed for the succeeding Auction Period or, in the case of Bonds in a daily Auction Period, the Auction Mode Rate on the Bonds fixed for the current Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such other Broker-Dealers submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's

Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bonds) against receipt of such principal amount of Bonds;

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid of the Auction Mode Rate for the next succeeding Auction Interest Period;

(v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the Auction Date of the next succeeding Auction or, in the case of Bonds in a daily Auction Period, the Auction Mode Rate for the current Auction Period; and

(vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the Auction Date of the next succeeding Auction.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order shall allocate any funds received by it pursuant to subparagraph (b) (ii) above, and any Bonds received by it pursuant to subparagraph (b) (iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders and any Broker-Dealer identified to it by the Auction Agent pursuant to subparagraph (a) (v) above.

(d) On the Business Day after the Auction Date or, in the case of Bonds in a daily Auction Period, on such Auction Date, the Securities Depository shall be instructed to execute the transactions set forth above, debiting and crediting the accounts of the respective Agent Members as necessary to effect the purchase and sale of Bonds as determined in the Auction.

EXHIBIT B

(Submit only one Order on this Order Form)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

The Bank of New York
_____
_____
Attention: _____

_____
Date of Auction

The undersigned Broker-Dealer submits the following Order on behalf of the Bidder listed below:

Bidder places the Order listed below covering the Bonds indicated (complete only one blank):

$_____ Bonds now held by Bidder (an Existing Owner) and subject to this Order, and the Order is a (check one):

_____ Hold Order; or

_____ Bid at rate of %; or

_____ Sell Order.

or

$_____ Bonds not now held by Bidder (a Potential Owner), and the Order is a Bid at a rate of_____%.

Notes:

(1) If submitting more than one Order for one Bidder, use additional Order Forms.

(2) If one or more Orders covering in the aggregate more than the number of Outstanding Bonds held by any Existing Owner are submitted, such Orders shall be considered valid in the order of priority set forth in the Auction Procedures.

(3) A Hold Order may be placed only by an Existing Owner covering a number of Outstanding Bonds not greater than the number of Outstanding Bonds currently held.

(4) Potential Owners may make Bids, each of which must specify a rate. If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate specified.

(5) Bids may contain no more than three figures to the right of the decimal point.

(6) An Order must be submitted in integral multiples of $25,000.

Name of Broker-Dealer:_____

By_____

EXHIBIT C

(To be used only for transfers of Bonds made
other than pursuant to an Auction)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

TRANSFER FORM

The Bank of New York
_____
_____
Attention:_____

_____, ____

Check I, II or III

_____ I. We are the Existing Owner named below.

_____ II. We are the Agent Member for such Existing Owner.

_____ III. We are a Broker-Dealer for such Existing Owner.

We hereby notify you that the Existing Owner named below has transferred:

$_____ Bonds* to _____

Complete either I or II

I. Corporate Name of Existing Owner:

By:_____
Printed Name: _____
Title:_____

II. Corporate Name of Existing Owner:

_____
Name of Agent Member or Broker-Dealer
Submitting this notice:

_____
By:_____
Printed Name: _____
Title: _____

*Bonds may only be transferred in integral multiples of $25,000.

EXHIBIT D

(To be used for failure to deliver Bonds
sold pursuant to an Auction)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

NOTICE OF FAILURE TO DELIVER

The Bank of New York
_____
_____
Attention:_____

_____, ____

Complete either I or II

I. We are a Broker-Dealer for _____ (the *"Purchaser"*), who was to purchase $_____ Bonds* in the Auction held on _____.

II. We are a Broker-Dealer for _____ (the *"Seller"*), who was to sell $_____ Bonds* in the Auction held on _____.

We hereby notify you that (check one).

_____ The Seller failed to deliver such Bonds to us.

_____ The Purchaser failed to make payment to us upon delivery of such Bonds.

_____ The following Broker-Dealer failed to deliver to us such Bonds.

_____ The following Broker-Dealer failed to make payment to us upon delivery of such Bonds.

Name of failing Broker-Dealer: _____

(Name of Broker-Dealer submitting this notice)

By: _____
Printed Name:
Title:

*Bonds may only be transferred in integral multiples of $25,000.

EXHIBIT E

TO BROKER-DEALER AGREEMENT

LISTING OF EXISTING OWNERS OF BONDS

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

The Bank of New York
_____
_____
Attention:_____

The undersigned Broker-Dealer hereby provides the names and related principal amounts of each of its customers that it believes is an Existing Owner of Bonds:

Name of Existing Owner	Principal Amount of Bonds

Name of Broker-Dealer:

_____
By:_____
Name:
Title:

Execution Copy

BROKER-DEALER AGREEMENT

January 5, 2006

among

THE BANK OF NEW YORK,

as Auction Agent

and

MERRILL LYNCH & CO.,

as Broker-Dealer

and

TAMPA ELECTRIC COMPANY

relating to

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

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BROKER-DEALER AGREEMENT

THIS BROKER-DEALER AGREEMENT, dated January 5, 2006 (this *"Broker-Dealer Agreement"*), is among (i) The Bank of New York (the *"Auction Agent"*), appointed by the Company, as hereinafter defined; (ii) Merrill Lynch & Co. (*"BD"*); and (iii) Tampa Electric Company (the *"Company"*).

WITNESSETH

WHEREAS, the Hillsborough County Industrial Development Authority (the *"Authority"*) has issued its Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 in the aggregate principal amount of $85,950,000 (the *"Bonds"*) pursuant to the Loan and Trust Agreement dated as of January 5, 2006 (as it may be supplemented, the *"Loan and Trust Agreement"*) among the Authority, the Company and The Bank of New York Trust Company, N.A., as Trustee (the "*Trustee*"); and

WHEREAS, the Company has elected an Auction Mode Rate on the Bonds (such Bonds during an Auction Period to be referred to herein as *"Bonds"*); and

WHEREAS, the Company has selected BD to serve as a Broker-Dealer pursuant to Exhibit C of the Loan and Trust Agreement;

WHEREAS, BD is to perform certain duties set forth herein; and

WHEREAS, The Bank of New York has been appointed as Auction Agent for purposes of an Auction Agreement dated January 5, 2006 among the Trustee, the Company and the Auction Agent (the *"Auction Agreement"*), and pursuant to Section 2.6(a) of the Auction Agreement, the Company has requested and directed the Auction Agent to execute and deliver this Broker-Dealer Agreement; and

WHEREAS, the Auction Procedures require the participation of one or more Broker-Dealers;

NOW, THEREFORE, the Auction Agent, as agent for the Trustee, BD, for the benefit of the Existing Owners and the Potential Owners of the Bonds, and the Company agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Terms Defined by Reference to the Loan and Trust Agreement. Capitalized terms not defined herein shall have the respective meanings specified in the Loan and Trust Agreement, including Exhibit C thereto.

Section 1.2. Terms Defined Herein. As used herein and in the exhibits hereto, the following terms shall have the following meanings, unless the context otherwise requires.

"Authorized Officers" shall mean each Vice President, Assistant Vice President, and Assistant Treasurer of the Auction Agent assigned to the Dealing and Trading Group of its Corporate Trust Services Division and every other officer or employee of the Auction Agent designated as an *"Authorized Officer"* for purposes hereof in a communication to BD.

"BD Officer" shall mean each officer or employee of BD designated as a *"BD Officer"* for purposes of this Broker-Dealer Agreement in a communication to the Auction Agent.

"Broker-Dealer Agreement" shall mean this Broker-Dealer Agreement and any substantially similar agreement between the Auction Agent and a Broker-Dealer relating to the Bonds.

"Broker-Dealer Fee Rate" shall be the per annum rate provided in the first paragraph of Section 2.5(a) of the Broker-Dealer Agreement.

"Settlement Procedures" shall mean the Settlement Procedures for the Bonds and shall be substantially in the form attached hereto as *Exhibit A.*

Section 1.3. Rules of Construction. Unless the context or rules indicate another or different meaning or intent, the following rules shall apply to the construction of this Broker-Dealer Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for the convenience of reference and shall not constitute a part of this Broker-Dealer Agreement nor shall they affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," "hereby" and "hereunder" and other words of similar import refer to this Broker-Dealer Agreement as a whole and not to any particular section, subsection or subdivision.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of Bonds shall refer to beneficial ownership interests in Bonds unless the context clearly requires otherwise.

Section 1.4. Warranties of BD. BD hereby represents and warrants that this Broker-Dealer Agreement has been duly authorized, executed and delivered by BD and that, assuming the due authorization, execution and delivery hereof by the Auction Agent, this

Broker-Dealer Agreement constitutes a valid and binding agreement of BD, enforceable against it in accordance with its terms.

ARTICLE II

THE AUCTION

Section 2.1. Purpose; Incorporation by Reference of Auction Procedures and Settlement Procedures. (a) The Auction Procedures will be followed by the Auction Agent for the purpose of determining the Auction Mode Rate for each Auction Period after the initial Auction Period. Each periodic implementation of such procedures is hereinafter referred to as an *"Auction."*

(b) All of the provisions contained in the Auction Procedures and the Settlement Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part of this Broker-Dealer Agreement to the same extent as if such provisions were fully set forth herein.

(c) BD agrees to act as, and assumes the obligations of, and limitations and restrictions placed upon, a Broker-Dealer under this Broker-Dealer Agreement. BD understands that other Persons meeting the requirements specified in the definition of "Broker-Dealer" contained in the Loan and Trust Agreement may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions. BD agrees to handle customer orders in accordance with its duties under applicable securities laws and rules.

(d) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Company may, however, by notice to BD and all other Broker-Dealers, prohibit all of the Broker-Dealers from submitting Bids in Auctions for their own accounts, provided that Broker-Dealers may continue to submit Hold Orders and Sell Orders. Notwithstanding the foregoing, if BD is an affiliate of the Company it may not submit Bids to purchase Bonds in Auctions for its own account, except that if any such affiliated Broker-Dealer holds Bonds for its own account, it must submit a Sell Order on the next Auction Date with respect to such Bonds. The Auction Agent shall have no duty or liability with respect to monitoring or enforcing the provisions of this Section 2.1(d).

(e) BD may decline to participate in an Auction for the Bonds at any time without any liability to the Company or the Auction Agent, even if it is the sole Broker-Dealer for the Bonds, if it determines, in its reasonable judgment, that it is impractical or inadvisable to attempt to Auction the Bonds for any reason, including, without limitation, (i) a pending or proposed change in applicable tax laws, (ii) a pending or proposed change in applicable law that would cause the Bonds to not be exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended (the *"1933 Act"*) or the Securities Exchange Act of 1934, as amended, (iii) a pending or proposed change in applicable law that would cause the Loan and Trust Agreement or instruments of the general character of the Loan and Trust Agreement to not be exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended, (iv) any material adverse change in the financial condition of the Company and its subsidiaries, taken as a whole, (v) any outbreak or escalation of hostilities, declaration by

the United States of a national emergency or war or other calamity or crisis, (vi) any decrease in the rating of the Bonds by Moody's or S&P, (vii) an imposition of material restrictions on the trading of the Bonds or similar obligations, (viii) the occurrence of any adverse change in national or international financial, political or economic conditions, (ix) the suspension or limitation of trading securities generally on the New York Stock Exchange or the establishment of minimum prices on such Exchange, (x) the declaration of a general moratorium on commercial banking activities by either Federal or New York State authorities or the occurrence of a material disruption in commercial banking or securities settlement or clearance services in the United States or (xi) any amendment or supplement to the Offering Document or Disclosure Statement pursuant to Section 4.1 of this Broker-Dealer Agreement.

Section 2.2. Preparation for Each Auction. (a) On each Auction Date, the Auction Agent shall determine the All Hold Rate and the Reference Rate and the components thereof. Not later than 9:30 A.M. on each Auction Date, the Auction Agent shall advise the Trustee, the Company and the Broker-Dealers by facsimile or other electronic communication acceptable to the parties, of the All Hold Rate and the Reference Rate.

(b) On the date hereof and from time to time thereafter as the Auction Agent may request, BD may, but is not required to, provide the Auction Agent with a list, substantially in the form of *Exhibit E* hereto, of the names of its customers that it believes are Existing Owners of Bonds and the principal amount of Bonds held by each of such customers. The Auction Agent shall not disclose any such information so provided to any Person other than the Trustee, the Authority, the Company or BD except as otherwise required by law. For the avoidance of doubt, the word "Person" as used in the preceding sentence shall include each Broker-Dealer other than BD.

(c) Not later than 3:00 P.M. on the Record Date preceding each Auction Date, the Auction Agent shall notify BD of any change in the aggregate principal amount of Bonds, as of the opening of business on such Record Date, by delivering a notice to BD by telecopy or other electronic communication acceptable to the parties.

Section 2.3. Auction Schedule; Method of Submission of Orders. (a) The Auction Agent shall conduct Auctions for the Bonds in accordance with the schedule set forth below. Such schedule may be changed at any time by the Auction Agent at the written direction of the Company to reflect then currently accepted market practices for similar auctions. The Auction Agent shall give written notice of any such change to BD, the Authority, the Company and the Trustee, which notice shall be given prior to the close of business on the Business Day next preceding the first Auction Date on which any such change shall be effective. Notwithstanding the foregoing, the Auction Agent will follow the Bond Market Association's Market Practice U.S. Holiday Recommendations for shortened trading days for the bond markets (*the "BMA Recommendation"*) unless the Auction Agent is instructed otherwise. In the event of a BMA Recommendation on an Auction Date, the Submission Deadline will be 11:30 A.M. instead of 1:00 P.M., and as a result, the notice of Auction results will occur at an earlier time.

TIME	EVENT
By 9:30 A.M	Auction Agent advises the Broker-Dealers of the All Hold Rate and the Reference Rate, as set forth in Section 2.2(a) hereof.
9:30 A.M. - 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period)	Auction Agent assembles information communicated to it by Broker-Dealers as provided in Section 2.03 of Exhibit C of the Loan and Trust Agreement. Submission Deadline is 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period).
As soon as practical after 1:00 P.M. and by no later than 3:00 P.M. (by 11:30 A.M. in the case of a daily Auction Period)	Auction Agent makes determinations pursuant to Section 2.04 of Exhibit C of the Loan and Trust Agreement.
By approximately 3:00 P.M. but not later than the close of business (by 12:00 noon in the case of a daily Auction Period)	Submitted Bids and Submitted Sell Orders are accepted and rejected and Bonds allocated as provided in Section 2.05 of Exhibit C of the Loan and Trust Agreement. Auction Agent gives notice of the auction results as set forth in Section 2.4(a) hereof.

(b) BD agrees, for the purpose of implementing the Auctions (and thereby achieving the lowest possible interest rate on the Bonds), to contact Potential Owners, including Persons that are not Existing Owners, prior to the Submission Deadline on each Auction Date to determine the principal amount of Bonds, if any, that each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum requested by such Potential Owner. BD further agrees, upon request, to deliver a copy of the Auction Procedures and other relevant documents prepared by the Authority and the Company for the purpose of disclosure to Potential Owners relating to the Bonds to each Potential Owner prior to such Potential Owner's participation in any Auction.

(c) In each Auction in which BD submits one or more Orders, BD shall submit a separate Order to the Auction Agent for each Potential Owner or Existing Owner on whose behalf BD is submitting an Order and shall not net the Orders of different Potential Owners or Existing Owners on whose behalf BD is submitting Orders. Each Order shall be in writing in substantially the form attached hereto as *Exhibit B* or in such other form as may be submitted by the Broker-Dealer.

(d) BD may deliver to the Auction Agent (i) a written notice, substantially in the form attached hereto as *Exhibit C* of transfers of Bonds made through BD by an Existing Owner to another Person other than pursuant to an Auction, and (ii) a written notice, substantially in the form attached hereto as *Exhibit D* of the failure of any Bonds to be transferred to or by any Person that purchased or sold Bonds through BD pursuant to an Auction. The Auction Agent is not required to accept any such notice specified in this Subsection (d) for an Auction if it is received by it after 3:00 P.M. on the Business Day preceding such Auction.

Section 2.4. Notices. (a) On each Auction Date, the Auction Agent shall notify BD by telephone or other electronic communication acceptable to the parties of the results of the Auction as set forth in paragraph (a) of the Settlement Procedures. As soon as reasonably practicable thereafter, the Auction Agent shall notify BD, if so requested, in writing of the disposition of all Orders submitted by BD in the Auction held on such Auction Date.

(b) The Auction Agent shall notify BD of any change in the Auction schedule set forth in Section 2.3(a) hereof.

(c) BD shall notify each Existing Owner or Potential Owner on whose behalf BD has submitted an Order as set forth in paragraph (b) of the Settlement Procedures, and take such other action as is required of BD pursuant to the Settlement Procedures.

(d) The Auction Agent shall deliver to BD after receipt all notices and certificates which the Auction Agent is required to deliver to BD pursuant to Article II of the Auction Agreement at the times and in the manner set forth in the Auction Agreement.

Section 2.5. Compensation. (a) The initial Broker-Dealer Fee Rate shall equal 0.25 of 1% per annum. The Broker-Dealer Fee (as defined in Subsection (b) below) for the Bonds shall be paid by the Company and represents compensation for the services of the Broker-Dealer in facilitating Auctions of the Bonds. The Broker-Dealer Fee Rate may be adjusted from time to time with the approval of the Company upon a written request of the Broker-Dealer delivered to the Company.

(b) While the Bonds are in an Auction Period other than a daily Auction Period, on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount (the *"Broker-Dealer Fee"*) equal to the product of (x) the Broker-Dealer Fee Rate multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date (otherwise than because such Broker-Dealer declined to participate in an Auction based on its determination that, in its reasonable judgment, it is impractical or inadvisable to attempt to auction the Bonds pursuant to Section 2.1(e) of its Broker-Dealer Agreement), the aggregate

principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the actual number of days in the Auction Period next succeeding such Auction Date and the denominator of which is 360. If the Bonds are in a daily Auction Period, each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) the Broker-Dealer Fee Rate multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period (otherwise than because such Broker-Dealer declined to participate in an Auction based on its determination that, in its reasonable judgment, it is impractical or inadvisable to attempt to auction the Bonds pursuant to Section 2.1(e) of its Broker-Dealer Agreement), the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the number of days in the Auction Period and denominator of which is 360. The Broker-Dealer Fee shall be calculated by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Company and the Trustee by 4:00 P.M. on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Company shall pay to the Trustee the amount due to the Broker-Dealer. By 12:00 noon on each Interest Payment Date, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker-Dealer, and immediately after receipt of such Fee, the Auction Agent shall deliver such Fee to the Broker-Dealer, pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than through an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds, provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" contained in Exhibit C to the Loan and Trust Agreement and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

Section 2.6. Settlement. (a) If any Potential Owner on whose behalf BD has submitted an Order fails to deliver funds with respect to any Auction, BD shall promptly deliver such funds to the party entitled to receive such funds. If any Existing Owner on whose behalf BD has submitted an Order fails to instruct its Agent Member to deliver Bonds subject to such Order against payment therefor, BD shall instruct such Agent Member to deliver such Bonds against payment therefor. The delivery of funds by BD for the purchase of Bonds by a Potential Owner, as provided above, shall not relieve such Potential Owner of any liability to BD for payment for such Bonds. Notwithstanding the foregoing provisions of this Section 2.6(a), any delivery or nondelivery of Bonds which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall

have been notified of such delivery or non-delivery in accordance with the terms of Section 2.3(d) hereof. The Auction Agent shall have no duty or liability with respect to enforcement of this Section 2.6(a).

(b) Neither the Auction Agent, the Trustee, the Company nor the Authority shall have any responsibility or liability with respect to the failure of an Existing Owner, a Potential Owner or its respective Agent Member to deliver Bonds or to pay for Bonds sold or purchased pursuant to the Auction Procedures or otherwise.

Section 2.7. Duties, Responsibilities and Rights of BD. (a) BD is acting solely as agent of the Company and owes no duties, fiduciary or otherwise, to any other Person by reason of this Broker-Dealer Agreement.

(b) No implied duties, fiduciary or otherwise, and no implied covenants or obligations, shall be read into this Broker-Dealer Agreement insofar as BD is concerned.

(c) In the absence of bad faith, willful misconduct or gross negligence on its part, BD shall not be liable for any action taken, suffered or omitted by it in good faith or for any error of judgment made by it in the performance of its duties hereunder, *provided, however,* that BD will not be deemed negligent for any action taken, suffered or omitted by it in accordance with the then current market practices.

(d) BD shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused by, directly or indirectly, circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; or acts of terrorism, it being understood that BD shall use reasonable efforts which are consistent with accepted practices in the broker-dealer industry to resume performance as soon as practicable under the circumstances.

(e) BD may rely conclusively upon, and shall be protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to be genuine. BD shall not be liable for acting in good faith upon any such communication made by telephone, facsimile or other electronic communication acceptable to the parties which BD reasonably believes to have been given by the particular party or parties. To the extent permitted by law, BD may record telephone communications with the Auction Agent, other Broker-Dealers and the Company.

(f) BD may consult with counsel of its choice (provided such selection is made with reasonable care), and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

ARTICLE III

THE AUCTION AGENT

Section 3.1. Duties and Responsibilities of the Auction Agent. (a) The Auction Agent is acting solely as a non-fiduciary agent of the Company and owes no duties, fiduciary or otherwise, to any other person by reason of this Broker-Dealer Agreement, except as expressly set forth herein or in the Auction Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Broker-Dealer Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are expressly set forth herein, or expressly incorporated herein by reference pursuant to Section 2.1(b) hereof, to be performed by it, and no implied covenants or obligations shall be read into this Broker-Dealer Agreement against the Auction Agent.

(c) In the absence of bad faith, willful misconduct or negligence on its part, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts necessary to make such judgment.

(d) The Auction Agent shall: (i) not be required to and shall make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own; (ii) not be obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with indemnity satisfactory to it; and (iii) not be responsible for or liable in any respect on account of the identity, authority or rights of any person executing or delivering or purporting to execute or deliver any document under this Broker-Dealer Agreement unless the responsible officer of the Auction Agent had actual knowledge that such person was not authorized or entitled to execute such document.

(e) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused by, directly or indirectly, circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; or acts of terrorism, it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 3.2. Rights of the Auction Agent. (a) The Auction Agent may rely conclusively upon, and shall be protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to

be genuine. The Auction Agent shall not be liable for acting in good faith upon any such communication made by telephone, facsimile or other electronic communication acceptable to the parties which the Auction Agent reasonably believes to have been given by the particular party or parties. To the extent permitted by law, the Auction Agent may record telephone communications with the Broker-Dealers, and each of such Broker-Dealers may record telephone communications with the Auction Agent.

(b) The Auction Agent may consult with counsel of its choice (provided such selection is made with reasonable care), and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(c) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(d) In no event shall the Auction Agent be responsible or liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), regardless of whether the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(e) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder, except as may be required as a result of its own gross negligence, willful misconduct or bad faith.

(f) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the Bonds under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds pursuant to the terms of the Auction Agreement, this Broker-Dealer Agreement, any other Broker-Dealer Agreement, the Loan and Trust Agreement or any other document contemplated by any thereof.

Section 3.3. Auction Agent's Disclaimer. The Auction Agent makes no representations and assumes no responsibility for the validity, accuracy or adequacy of the Auction Agreement, this Broker-Dealer Agreement, the Loan and Trust Agreement or any offering material used in connection with the offer and sale of the Bonds (except as to the validity of the Auction Agent's undertakings hereunder, under any other Broker-Dealer Agreement or under the Auction Agreement and the accuracy of its representations herein, in any other Broker-Dealer Agreement or in the Auction Agreement).

ARTICLE IV

DISCLOSURE; INDEMNIFICATION

Section 4.1. Disclosure. (a) The Company agrees to supply to BD, at the Company's expense, such number of copies of the Official Statement dated January 10, 2006, including the

appendices thereto (such Official Statement, as so amended and supplemented, the *"Offering Document"*), as BD shall reasonably request from time to time, and to amend the Offering Document so that the Offering Document will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(b) If BD determines (upon consultation and mutual agreement with the Company) that it is necessary or desirable to use a disclosure statement (other than the Offering Document), relating specifically to the Bonds (a *"Disclosure Statement"*) in connection with the solicitation of Orders for the Bonds, BD will notify the Company, and the Company will provide BD with a Disclosure Statement reasonably satisfactory to BD and its counsel. The Company will supply BD, at the Company's expense, with such number of copies of such Disclosure Statement as BD requests from time to time, and will amend such Disclosure Statement (as well as the documents incorporated by reference therein) so that such Disclosure Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. In connection with the use of any Disclosure Statement by BD in its solicitation of Orders for the Bonds (other than the Offering Document), the Company will furnish to BD such certificates, accountants' letters and opinions of counsel as would be customary in a public offering of tax-exempt securities underwritten by BD. In addition, the Company will, at its own expense, take all steps reasonably requested by BD that BD or its counsel may consider necessary or desirable to effect compliance with applicable federal or state securities laws.

Section 4.2. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless BD, each director, trustee, member, officer, official, partner, agent or employee thereof and each person, if any, who controls BD within the meaning of Section 15 of the 1933 Act against any and all losses, claims, damages, expenses and liabilities (or actions in respect thereof) to which BD may become subject, under federal laws or regulations or otherwise, insofar as such losses, claims, damages, expenses and liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact set forth in the Offering Document or Disclosure Statement, or the omission or alleged omission to state in the Offering Document or Disclosure Statement any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading but the Company shall not be liable in such case (i) to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by BD specifically for use in connection with the preparation of the Offering Document or Disclosure Statement, or (ii) if the person asserting any such loss, claim, damage or liability purchased Bonds from BD, if delivery to such person of the Offering Document or Disclosure Statement or any amendment or supplement to it would have been a valid defense to the action from which such loss, claim, damage or liability arose and if the same was not delivered to such person by or on behalf of BD. The foregoing indemnity shall include (without limiting the generality of the foregoing), the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, if such settlement is effected with the written consent of the Company, and

reimbursement for any legal or other expenses reasonably incurred by BD in connection with investigating, preparing or defending against any litigation commenced or threatened or any claim based upon any such loss, claim, damage, liability or action, as such expenses are incurred.

(b) BD agrees to indemnify and hold harmless the Company, each director, trustee, member, officer, official, partner or employee thereof and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act, to the same extent as the foregoing indemnity from the Company to BD, but only with reference to written information relating to BD furnished by or on behalf of BD specifically for use in connection with the preparation of the Offering Document or Disclosure Statement.

(c) Promptly after receipt by an indemnified party under paragraph (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 4.2, notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 4.2. In case any such action shall be brought against any indemnified party and such party shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of such indemnified party, be counsel to the indemnifying party); provided, however, that if the defendants in any such action include both an indemnified party and an indemnifying party and such indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or in addition to the defense available to the indemnifying party, the indemnified party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defenses of such action on behalf of such indemnified party and the indemnifying party shall pay the legal and other expenses subsequently incurred by any such indemnified party in connection with the defense thereof. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, except as described in the preceding sentence, the indemnifying party shall not be liable to such indemnified party under this Section 4.2 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation incurred at the request of the indemnifying party or such counsel, and shall not be liable to such indemnified party with respect to such action under this Section 4.2 if such indemnified party effects the settlement of such action without the consent of the indemnifying party, but if settled with the consent of the indemnifying party or if there shall be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless the indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 4.2 is unavailable to hold harmless an indemnified party under paragraph (a) or (b) above in respect of any losses, claims, damages, expenses or liabilities (or actions in respect thereof) referred to therein, then the indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages,

expenses or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party and the indemnified party, respectively, from the offering of the Bonds to which the loss, claim, damage, expense or liability (or action in respect thereof) relates and also to the relative fault of the indemnifying party and the indemnified party, respectively, in connection with the statement or omission which resulted in such losses, claims, damages, expenses or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and BD on the other shall be deemed to be in the same proportion as the total proceeds from the offering of the Bonds (before deducting issuance costs and expenses) received by the Company bear to the total fees received by BD. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact related to information supplied by the Company or BD and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and BD, respectively, agree that it would not be just and equitable if contribution pursuant to this Section 4.2 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4.2. The amount paid or payable by a party as a result of the losses, claims, damages or liabilities referred to above in this Section 4.2 shall be deemed to include any legal or other expenses reasonably incurred by such party (or any director, trustee, member, officer, official, partner, employee or controlling person of any of them) in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 4.2, BD shall not be required to contribute any amount in excess of the amount by which the total price at which the Bonds sold by or through BD exceeds the amount of any damages which BD has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

ARTICLE V

MISCELLANEOUS

Section 5.1. Termination. BD may be removed by the Company, or may resign at any time, upon at least five Business Days' notice thereof, with the Company also providing notice of such removal or resignation to the Trustee and the Auction Agent, *provided, however,* that BD may resign immediately if it determines not to participate in an Auction under the circumstances described in Section 2.1(e); and *further provided* that the Company may not remove BD unless it has also entered into a Broker-Dealer Agreement with another Broker-Dealer. The Auction Agent, upon the written direction of the Company, may terminate this Broker-Dealer Agreement at any time upon at least 60 days' notice to the other parties hereto; *provided, however,* that if the Broker-Dealer in this Broker-Dealer Agreement is J.P. Morgan Securities Inc., the Auction Agent may not terminate this Broker-Dealer Agreement without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed; and *provided, further,* that this Broker-Dealer Agreement shall terminate upon the resignation or removal of the BD pursuant to this Section 5.1 or termination of the Auction Agreement. The Auction Agent shall

be deemed to have resigned from this Broker-Dealer Agreement if the Auction Agreement is terminated.

Section 5.2. Participant. BD is and for the term of this Broker-Dealer Agreement shall remain a member of, a participant in, or an affiliate of such a member or participant in the Securities Depository; and will give the Auction Agent, each other Broker-Dealer, the Authority, the Company and the Trustee two Business Days' notice if it ceases to be so or if it changes its participation or affiliation to a different Securities Depository.

Section 5.3. Communications. Except for (i) communications authorized to be by telephone pursuant to this Broker-Dealer Agreement or the Auction Procedures and (ii) communications in connection with Auctions (other than those expressly required to be in writing) all notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing or other electronic communication acceptable to the parties) and shall be given to such party, addressed to it, at its address or telecopy number set forth below and, where appropriate, reference the particular Auction to which such notice relates:

If to BD addressed:

Merrill Lynch & Co.
4 World Financial Center, 7th Floor
New York, New York 10080
Attention: Auction Rate Securities Desk
Telecopier No.: (212) 449-2761
Telephone No.: (212) 449-4941

If to the Trustee, addressed:

The Bank of New York Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department
Telecopier No.: (904) 645-1997
Telephone No.: (904) 645-1912

If to the Auction Agent, addressed:

The Bank of New York
101 Barclay Street, 7W
New York, New York 10286
Attention: Dealing and Trading Group - Auction Desk
Telecopier No.: (212) 815-3440
Telephone No.: (212) 815-3450

If to the Authority addressed:

Hillsborough County Industrial Development Authority
c/o Morrison & Mills, P.A.
1200 West Platt Street, Suite 100
Tampa, Florida 33606
Attention: Thomas Morrison, Esq.
Telecopier No.: (813) 258-3209
Telephone No.: (813) 258-3311

If to the Company addressed:

Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601
Attention: Corporate Secretary
Telecopier No.: (813) 228-1328
Telephone No.: (813) 228-1808

or such other address or telecopy number or electronic mail address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopy number specified herein or (ii) if given by any other means, when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer.

Section 5.4. Entire Agreement. This Broker-Dealer Agreement, and the other agreements and instruments executed and delivered in connection with the execution hereof, contain the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof.

Section 5.5. Benefits; Successors and Assigns. This Broker-Dealer Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of the Company, BD and the Auction Agent. Nothing in this Broker-Dealer Agreement, express or implied, shall give to any Person, other than the Company, the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim under this Broker-Dealer Agreement, other than the rights expressly granted to the Authority herein. Additionally, any assignment by the Auction Agent, the Company or BD of its respective rights and obligations under this Broker-Dealer Agreement shall be subject to the approval of each other party to this Broker-Dealer Agreement, each such approval not to be unreasonably withheld.

Section 5.6. Amendment; Waiver. (a) This Broker-Dealer Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in

part, except by a written instrument signed by a duly authorized representative of the parties hereto.

(b) Failure of any party to this Broker-Dealer Agreement to exercise any right or remedy hereunder in the event of a breach of this Broker-Dealer Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

Section 5.7. Severability. If any clause, provision or section of this Broker-Dealer Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

Section 5.8. Execution in Counterparts. This Broker-Dealer Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.9. Governing Law. This Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles. Each party hereby consents to the exclusive jurisdiction of a state or federal court situated in New York, New York in connection with any dispute relating to any civil matter arising hereunder, and waives to the fullest extent permitted by law its right to trial by jury or any objection to any such forum as inconvenient.

Section 5.10. No Implied Duties. Nothing contained in this Broker-Dealer Agreement, the Loan and Trust Agreement or the Auction Agreement shall be deemed to imply any duties, covenants or obligations on the part of the Company not otherwise expressly set forth herein or therein.

(The remainder of this page has been intentionally left blank.)

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By: Edgar R. Lago
Name: EDGAR R. LAGO
Title: ASSISTANT VICE PRESIDENT

MERRILL LYNCH & CO.

By: _____
Name: Matthew Harblin
Title: Vice President

TAMPA ELECTRIC COMPANY

By: _____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By:_____
Name:
Title:

MERRILL LYNCH & CO.

By:_____
Name: Matthew Harblin
Title: Vice President

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By:_____
Name:
Title:

MERRILL LYNCH & CO.

By:_____
Name: Matthew Harblin
Title: Vice President

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

EXHIBIT B

(Submit only one Order on this Order Form)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

The Bank of New York
_____
_____
Attention: _____

_____
Date of Auction

The undersigned Broker-Dealer submits the following Order on behalf of the Bidder listed below:

Bidder places the Order listed below covering the Bonds indicated (complete only one blank):

$_____ Bonds now held by Bidder (an Existing Owner) and subject to this Order, and the Order is a (check one):

_____ Hold Order; or

_____ Bid at rate of %; or

_____ Sell Order.

or

$_____ Bonds not now held by Bidder (a Potential Owner), and the Order is a Bid at a rate of _____%.

Notes:

(1) If submitting more than one Order for one Bidder, use additional Order Forms.

(2) If one or more Orders covering in the aggregate more than the number of Outstanding Bonds held by any Existing Owner are submitted, such Orders shall be considered valid in the order of priority set forth in the Auction Procedures.

(3) A Hold Order may be placed only by an Existing Owner covering a number of Outstanding Bonds not greater than the number of Outstanding Bonds currently held.

(4) Potential Owners may make Bids, each of which must specify a rate. If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate specified.

(5) Bids may contain no more than three figures to the right of the decimal point.

(6) An Order must be submitted in integral multiples of $25,000.

Name of Broker-Dealer:_____

By_____

EXHIBIT C

(To be used only for transfers of Bonds made
other than pursuant to an Auction)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

TRANSFER FORM

The Bank of New York
_____
_____
Attention:_____

_____, ____

Check I, II or III

_____ I. We are the Existing Owner named below.

_____ II. We are the Agent Member for such Existing Owner.

_____ III. We are a Broker-Dealer for such Existing Owner.

We hereby notify you that the Existing Owner named below has transferred:

$_____ Bonds* to _____

Complete either I or II

I. Corporate Name of Existing Owner:

By:_____
Printed Name: _____
Title:_____

II. Corporate Name of Existing Owner:

_____
Name of Agent Member or Broker-Dealer
Submitting this notice:

_____
By:_____
Printed Name: _____
Title: _____

*Bonds may only be transferred in integral multiples of $25,000.

EXHIBIT D

(To be used for failure to deliver Bonds
sold pursuant to an Auction)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

NOTICE OF FAILURE TO DELIVER

The Bank of New York
_____
_____
Attention:_____

_____, ____

Complete either I or II

I. We are a Broker-Dealer for _____ (the *"Purchaser"*), who was to purchase $_____ Bonds* in the Auction held on _____.

II. We are a Broker-Dealer for _____ (the *"Seller"*), who was to sell $_____ Bonds* in the Auction held on _____.

We hereby notify you that (check one).

_____ The Seller failed to deliver such Bonds to us.

_____ The Purchaser failed to make payment to us upon delivery of such Bonds.

_____ The following Broker-Dealer failed to deliver to us such Bonds.

_____ The following Broker-Dealer failed to make payment to us upon delivery of such Bonds.

Name of failing Broker-Dealer: _____

(Name of Broker-Dealer submitting this notice)

By: _____
Printed Name:
Title:

*Bonds may only be transferred in integral multiples of $25,000.

EXHIBIT E

TO BROKER-DEALER AGREEMENT

LISTING OF EXISTING OWNERS OF BONDS

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

The Bank of New York
_____
_____
Attention:_____

The undersigned Broker-Dealer hereby provides the names and related principal amounts of each of its customers that it believes is an Existing Owner of Bonds:

Name of Existing Owner	Principal Amount of Bonds

Name of Broker-Dealer:

_____
By:_____
Name:
Title:

Execution Copy

BROKER-DEALER AGREEMENT

January 5, 2006

among

THE BANK OF NEW YORK,

as Auction Agent

and

MORGAN KEEGAN & COMPANY, INC.

as Broker-Dealer

and

TAMPA ELECTRIC COMPANY

relating to

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

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BROKER-DEALER AGREEMENT

THIS BROKER-DEALER AGREEMENT, dated January 5, 2006 (this *"Broker-Dealer Agreement"*), is among (i) The Bank of New York (the *"Auction Agent"*), appointed by the Company, as hereinafter defined; (ii) Morgan Keegan & Company, Inc. (*"BD"*); and (iii) Tampa Electric Company (the *"Company"*).

WITNESSETH

WHEREAS, the Hillsborough County Industrial Development Authority (the *"Authority"*) has issued its Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 in the aggregate principal amount of $85,950,000 (the *"Bonds"*) pursuant to the Loan and Trust Agreement dated as of January 5, 2006 (as it may be supplemented, the *"Loan and Trust Agreement"*) among the Authority, the Company and The Bank of New York Trust Company, N.A., as Trustee (the "*Trustee*"); and

WHEREAS, the Company has elected an Auction Mode Rate on the Bonds (such Bonds during an Auction Period to be referred to herein as *"Bonds"*); and

WHEREAS, the Company has selected BD to serve as a Broker-Dealer pursuant to Exhibit C of the Loan and Trust Agreement;

WHEREAS, BD is to perform certain duties set forth herein; and

WHEREAS, The Bank of New York has been appointed as Auction Agent for purposes of an Auction Agreement dated January 5, 2006 among the Trustee, the Company and the Auction Agent (the *"Auction Agreement"*), and pursuant to Section 2.6(a) of the Auction Agreement, the Company has requested and directed the Auction Agent to execute and deliver this Broker-Dealer Agreement; and

WHEREAS, the Auction Procedures require the participation of one or more Broker-Dealers;

NOW, THEREFORE, the Auction Agent, as agent for the Trustee, BD, for the benefit of the Existing Owners and the Potential Owners of the Bonds, and the Company agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Terms Defined by Reference to the Loan and Trust Agreement. Capitalized terms not defined herein shall have the respective meanings specified in the Loan and Trust Agreement, including Exhibit C thereto.

Section 1.2. Terms Defined Herein. As used herein and in the exhibits hereto, the following terms shall have the following meanings, unless the context otherwise requires.

"Authorized Officers" shall mean each Vice President, Assistant Vice President, and Assistant Treasurer of the Auction Agent assigned to the Dealing and Trading Group of its Corporate Trust Services Division and every other officer or employee of the Auction Agent designated as an *"Authorized Officer"* for purposes hereof in a communication to BD.

"BD Officer" shall mean each officer or employee of BD designated as a *"BD Officer"* for purposes of this Broker-Dealer Agreement in a communication to the Auction Agent.

"Broker-Dealer Agreement" shall mean this Broker-Dealer Agreement and any substantially similar agreement between the Auction Agent and a Broker-Dealer relating to the Bonds.

"Broker-Dealer Fee Rate" shall be the per annum rate provided in the first paragraph of Section 2.5(a) of the Broker-Dealer Agreement.

"Settlement Procedures" shall mean the Settlement Procedures for the Bonds and shall be substantially in the form attached hereto as *Exhibit A.*

Section 1.3. Rules of Construction. Unless the context or rules indicate another or different meaning or intent, the following rules shall apply to the construction of this Broker-Dealer Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for the convenience of reference and shall not constitute a part of this Broker-Dealer Agreement nor shall they affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," "hereby" and "hereunder" and other words of similar import refer to this Broker-Dealer Agreement as a whole and not to any particular section, subsection or subdivision.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of Bonds shall refer to beneficial ownership interests in Bonds unless the context clearly requires otherwise.

Section 1.4. Warranties of BD. BD hereby represents and warrants that this Broker-Dealer Agreement has been duly authorized, executed and delivered by BD and that, assuming the due authorization, execution and delivery hereof by the Auction Agent, this

Broker-Dealer Agreement constitutes a valid and binding agreement of BD, enforceable against it in accordance with its terms.

ARTICLE II

THE AUCTION

Section 2.1. Purpose; Incorporation by Reference of Auction Procedures and Settlement Procedures. (a) The Auction Procedures will be followed by the Auction Agent for the purpose of determining the Auction Mode Rate for each Auction Period after the initial Auction Period. Each periodic implementation of such procedures is hereinafter referred to as an *"Auction."*

(b) All of the provisions contained in the Auction Procedures and the Settlement Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part of this Broker-Dealer Agreement to the same extent as if such provisions were fully set forth herein.

(c) BD agrees to act as, and assumes the obligations of, and limitations and restrictions placed upon, a Broker-Dealer under this Broker-Dealer Agreement. BD understands that other Persons meeting the requirements specified in the definition of "Broker-Dealer" contained in the Loan and Trust Agreement may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions. BD agrees to handle customer orders in accordance with its duties under applicable securities laws and rules.

(d) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Company may, however, by notice to BD and all other Broker-Dealers, prohibit all of the Broker-Dealers from submitting Bids in Auctions for their own accounts, provided that Broker-Dealers may continue to submit Hold Orders and Sell Orders. Notwithstanding the foregoing, if BD is an affiliate of the Company it may not submit Bids to purchase Bonds in Auctions for its own account, except that if any such affiliated Broker-Dealer holds Bonds for its own account, it must submit a Sell Order on the next Auction Date with respect to such Bonds. The Auction Agent shall have no duty or liability with respect to monitoring or enforcing the provisions of this Section 2.1(d).

(e) BD may decline to participate in an Auction for the Bonds at any time without any liability to the Company or the Auction Agent, even if it is the sole Broker-Dealer for the Bonds, if it determines, in its reasonable judgment, that it is impractical or inadvisable to attempt to Auction the Bonds for any reason, including, without limitation, (i) a pending or proposed change in applicable tax laws, (ii) a pending or proposed change in applicable law that would cause the Bonds to not be exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended (the *"1933 Act"*) or the Securities Exchange Act of 1934, as amended, (iii) a pending or proposed change in applicable law that would cause the Loan and Trust Agreement or instruments of the general character of the Loan and Trust Agreement to not be exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended, (iv) any material adverse change in the financial condition of the Company

and its subsidiaries, taken as a whole, (v) any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis, (vi) any decrease in the rating of the Bonds by Moody's or S&P, (vii) an imposition of material restrictions on the trading of the Bonds or similar obligations, (viii) the occurrence of any adverse change in national or international financial, political or economic conditions, (ix) the suspension or limitation of trading securities generally on the New York Stock Exchange or the establishment of minimum prices on such Exchange, (x) the declaration of a general moratorium on commercial banking activities by either Federal or New York State authorities or the occurrence of a material disruption in commercial banking or securities settlement or clearance services in the United States or (xi) any amendment or supplement to the Offering Document or Disclosure Statement pursuant to Section 4.1 of this Broker-Dealer Agreement.

Section 2.2. Preparation for Each Auction. (a) On each Auction Date, the Auction Agent shall determine the All Hold Rate and the Reference Rate and the components thereof. Not later than 9:30 A.M. on each Auction Date, the Auction Agent shall advise the Trustee, the Company and the Broker-Dealers by facsimile or other electronic communication acceptable to the parties, of the All Hold Rate and the Reference Rate.

(b) On the date hereof and from time to time thereafter as the Auction Agent may request, BD may, but is not required to, provide the Auction Agent with a list, substantially in the form of *Exhibit E* hereto, of the names of its customers that it believes are Existing Owners of Bonds and the principal amount of Bonds held by each of such customers. The Auction Agent shall not disclose any such information so provided to any Person other than the Trustee, the Authority, the Company or BD except as otherwise required by law. For the avoidance of doubt, the word "Person" as used in the preceding sentence shall include each Broker-Dealer other than BD.

(c) Not later than 3:00 P.M. on the Record Date preceding each Auction Date, the Auction Agent shall notify BD of any change in the aggregate principal amount of Bonds, as of the opening of business on such Record Date, by delivering a notice to BD by telecopy or other electronic communication acceptable to the parties.

Section 2.3. Auction Schedule; Method of Submission of Orders. (a) The Auction Agent shall conduct Auctions for the Bonds in accordance with the schedule set forth below. Such schedule may be changed at any time by the Auction Agent at the written direction of the Company to reflect then currently accepted market practices for similar auctions. The Auction Agent shall give written notice of any such change to BD, the Authority, the Company and the Trustee, which notice shall be given prior to the close of business on the Business Day next preceding the first Auction Date on which any such change shall be effective. Notwithstanding the foregoing, the Auction Agent will follow the Bond Market Association's Market Practice U.S. Holiday Recommendations for shortened trading days for the bond markets (the *"BMA Recommendation"*) unless the Auction Agent is instructed otherwise. In the event of a BMA Recommendation on an Auction Date, the Submission Deadline will be 11:30 A.M. instead of 1:00 P.M., and as a result, the notice of Auction results will occur at an earlier time.

TIME	EVENT
By 9:30 A.M	Auction Agent advises the Broker-Dealers of the All Hold Rate and the Reference Rate, as set forth in Section 2.2(a) hereof.
9:30 A.M. - 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period)	Auction Agent assembles information communicated to it by Broker-Dealers as provided in Section 2.03 of Exhibit C of the Loan and Trust Agreement. Submission Deadline is 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period).
As soon as practical after 1:00 P.M. and by no later than 3:00 P.M. (by 11:30 A.M. in the case of a daily Auction Period)	Auction Agent makes determinations pursuant to Section 2.04 of Exhibit C of the Loan and Trust Agreement.
By approximately 3:00 P.M. but not later than the close of business (by 12:00 noon in the case of a daily Auction Period)	Submitted Bids and Submitted Sell Orders are accepted and rejected and Bonds allocated as provided in Section 2.05 of Exhibit C of the Loan and Trust Agreement. Auction Agent gives notice of the auction results as set forth in Section 2.4(a) hereof.

(b) BD agrees, for the purpose of implementing the Auctions (and thereby achieving the lowest possible interest rate on the Bonds), to contact Potential Owners, including Persons that are not Existing Owners, prior to the Submission Deadline on each Auction Date to determine the principal amount of Bonds, if any, that each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum requested by such Potential Owner. BD further agrees, upon request, to deliver a copy of the Auction Procedures and other relevant documents prepared by the Authority and the Company for the purpose of disclosure to Potential Owners relating to the Bonds to each Potential Owner prior to such Potential Owner's participation in any Auction.

(c) In each Auction in which BD submits one or more Orders, BD shall submit a separate Order to the Auction Agent for each Potential Owner or Existing Owner on whose behalf BD is submitting an Order and shall not net the Orders of different Potential Owners or Existing Owners on whose behalf BD is submitting Orders. Each Order shall be in writing in substantially the form attached hereto as *Exhibit B* or in such other form as may be submitted by the Broker-Dealer.

(d) BD may deliver to the Auction Agent (i) a written notice, substantially in the form attached hereto as *Exhibit C* of transfers of Bonds made through BD by an Existing Owner to another Person other than pursuant to an Auction, and (ii) a written notice, substantially in the form attached hereto as *Exhibit D* of the failure of any Bonds to be transferred to or by any Person that purchased or sold Bonds through BD pursuant to an Auction. The Auction Agent is not required to accept any such notice specified in this Subsection (d) for an Auction if it is received by it after 3:00 P.M. on the Business Day preceding such Auction.

Section 2.4. Notices. (a) On each Auction Date, the Auction Agent shall notify BD by telephone or other electronic communication acceptable to the parties of the results of the Auction as set forth in paragraph (a) of the Settlement Procedures. As soon as reasonably practicable thereafter, the Auction Agent shall notify BD, if so requested, in writing of the disposition of all Orders submitted by BD in the Auction held on such Auction Date.

(b) The Auction Agent shall notify BD of any change in the Auction schedule set forth in Section 2.3(a) hereof.

(c) BD shall notify each Existing Owner or Potential Owner on whose behalf BD has submitted an Order as set forth in paragraph (b) of the Settlement Procedures, and take such other action as is required of BD pursuant to the Settlement Procedures.

(d) The Auction Agent shall deliver to BD after receipt all notices and certificates which the Auction Agent is required to deliver to BD pursuant to Article II of the Auction Agreement at the times and in the manner set forth in the Auction Agreement.

Section 2.5. Compensation. (a) The initial Broker-Dealer Fee Rate shall equal 0.25 of 1% per annum. The Broker-Dealer Fee (as defined in Subsection (b) below) for the Bonds shall be paid by the Company and represents compensation for the services of the Broker-Dealer in facilitating Auctions of the Bonds. The Broker-Dealer Fee Rate may be adjusted from time to time with the approval of the Company upon a written request of the Broker-Dealer delivered to the Company.

(b) While the Bonds are in an Auction Period other than a daily Auction Period, on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount (the *"Broker-Dealer Fee"*) equal to the product of (x) the Broker-Dealer Fee Rate multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date (otherwise than because such Broker-Dealer declined to participate in an Auction based on its determination that, in its reasonable judgment, it is impractical or inadvisable to attempt to

auction the Bonds pursuant to Section 2.1(e) of its Broker-Dealer Agreement), the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the actual number of days in the Auction Period next succeeding such Auction Date and the denominator of which is 360. If the Bonds are in a daily Auction Period, each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) the Broker-Dealer Fee Rate multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period (otherwise than because such Broker-Dealer declined to participate in an Auction based on its determination that, in its reasonable judgment, it is impractical or inadvisable to attempt to auction the Bonds pursuant to Section 2.1(e) of its Broker-Dealer Agreement), the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the number of days in the Auction Period and denominator of which is 360. The Broker-Dealer Fee shall be calculated by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Company and the Trustee by 4:00 P.M. on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Company shall pay to the Trustee the amount due to the Broker-Dealer. By 12:00 noon on each Interest Payment Date, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker-Dealer, and immediately after receipt of such Fee, the Auction Agent shall deliver such Fee to the Broker-Dealer, pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than through an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds, provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" contained in Exhibit C to the Loan and Trust Agreement and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

Section 2.6. Settlement. (a) If any Potential Owner on whose behalf BD has submitted an Order fails to deliver funds with respect to any Auction, BD shall promptly deliver such funds to the party entitled to receive such funds. If any Existing Owner on whose behalf BD has submitted an Order fails to instruct its Agent Member to deliver Bonds subject to such Order against payment therefor, BD shall instruct such Agent Member to deliver such Bonds against payment therefor. The delivery of funds by BD for the purchase of Bonds by a Potential Owner, as provided above, shall not relieve such Potential Owner of any liability to BD for payment for such Bonds. Notwithstanding the foregoing provisions of this Section 2.6(a), any delivery or

nondelivery of Bonds which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the terms of Section 2.3(d) hereof. The Auction Agent shall have no duty or liability with respect to enforcement of this Section 2.6(a).

(b) Neither the Auction Agent, the Trustee, the Company nor the Authority shall have any responsibility or liability with respect to the failure of an Existing Owner, a Potential Owner or its respective Agent Member to deliver Bonds or to pay for Bonds sold or purchased pursuant to the Auction Procedures or otherwise.

Section 2.7. Duties, Responsibilities and Rights of BD. (a) BD is acting solely as agent of the Company and owes no duties, fiduciary or otherwise, to any other Person by reason of this Broker-Dealer Agreement.

(b) No implied duties, fiduciary or otherwise, and no implied covenants or obligations, shall be read into this Broker-Dealer Agreement insofar as BD is concerned.

(c) In the absence of bad faith, willful misconduct or gross negligence on its part, BD shall not be liable for any action taken, suffered or omitted by it in good faith or for any error of judgment made by it in the performance of its duties hereunder, *provided, however,* that BD will not be deemed negligent for any action taken, suffered or omitted by it in accordance with the then current market practices.

(d) BD shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused by, directly or indirectly, circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; or acts of terrorism, it being understood that BD shall use reasonable efforts which are consistent with accepted practices in the broker-dealer industry to resume performance as soon as practicable under the circumstances.

(e) BD may rely conclusively upon, and shall be protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to be genuine. BD shall not be liable for acting in good faith upon any such communication made by telephone, facsimile or other electronic communication acceptable to the parties which BD reasonably believes to have been given by the particular party or parties. To the extent permitted by law, BD may record telephone communications with the Auction Agent, other Broker-Dealers and the Company.

(f) BD may consult with counsel of its choice (provided such selection is made with reasonable care), and the advice of such counsel shall be full and complete authorization and

protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

ARTICLE III

THE AUCTION AGENT

Section 3.1. Duties and Responsibilities of the Auction Agent. (a) The Auction Agent is acting solely as a non-fiduciary agent of the Company and owes no duties, fiduciary or otherwise, to any other person by reason of this Broker-Dealer Agreement, except as expressly set forth herein or in the Auction Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Broker-Dealer Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are expressly set forth herein, or expressly incorporated herein by reference pursuant to Section 2.1(b) hereof, to be performed by it, and no implied covenants or obligations shall be read into this Broker-Dealer Agreement against the Auction Agent.

(c) In the absence of bad faith, willful misconduct or negligence on its part, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts necessary to make such judgment.

(d) The Auction Agent shall: (i) not be required to and shall make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own; (ii) not be obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with indemnity satisfactory to it; and (iii) not be responsible for or liable in any respect on account of the identity, authority or rights of any person executing or delivering or purporting to execute or deliver any document under this Broker-Dealer Agreement unless the responsible officer of the Auction Agent had actual knowledge that such person was not authorized or entitled to execute such document.

(e) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused by, directly or indirectly, circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; or acts of terrorism, it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 3.2. Rights of the Auction Agent. (a) The Auction Agent may rely conclusively upon, and shall be protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to be genuine. The Auction Agent shall not be liable for acting in good faith upon any such communication made by telephone, facsimile or other electronic communication acceptable to the parties which the Auction Agent reasonably believes to have been given by the particular party or parties. To the extent permitted by law, the Auction Agent may record telephone communications with the Broker-Dealers, and each of such Broker-Dealers may record telephone communications with the Auction Agent.

(b) The Auction Agent may consult with counsel of its choice (provided such selection is made with reasonable care), and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(c) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(d) In no event shall the Auction Agent be responsible or liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), regardless of whether the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(e) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder, except as may be required as a result of its own gross negligence, willful misconduct or bad faith.

(f) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the Bonds under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds pursuant to the terms of the Auction Agreement, this Broker-Dealer Agreement, any other Broker-Dealer Agreement, the Loan and Trust Agreement or any other document contemplated by any thereof.

Section 3.3. Auction Agent's Disclaimer. The Auction Agent makes no representations and assumes no responsibility for the validity, accuracy or adequacy of the Auction Agreement, this Broker-Dealer Agreement, the Loan and Trust Agreement or any offering material used in connection with the offer and sale of the Bonds (except as to the validity of the Auction Agent's undertakings hereunder, under any other Broker-Dealer Agreement or under the Auction Agreement and the accuracy of its representations herein, in any other Broker-Dealer Agreement or in the Auction Agreement).

ARTICLE IV

DISCLOSURE; INDEMNIFICATION

Section 4.1. Disclosure. (a) The Company agrees to supply to BD, at the Company's expense, such number of copies of the Official Statement dated January 10, 2006, including the appendices thereto (such Official Statement, as so amended and supplemented, the *"Offering Document"*), as BD shall reasonably request from time to time, and to amend the Offering Document so that the Offering Document will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(b) If BD determines (upon consultation and mutual agreement with the Company) that it is necessary or desirable to use a disclosure statement (other than the Offering Document), relating specifically to the Bonds (a *"Disclosure Statement"*) in connection with the solicitation of Orders for the Bonds, BD will notify the Company, and the Company will provide BD with a Disclosure Statement reasonably satisfactory to BD and its counsel. The Company will supply BD, at the Company's expense, with such number of copies of such Disclosure Statement as BD requests from time to time, and will amend such Disclosure Statement (as well as the documents incorporated by reference therein) so that such Disclosure Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. In connection with the use of any Disclosure Statement by BD in its solicitation of Orders for the Bonds (other than the Offering Document), the Company will furnish to BD such certificates, accountants' letters and opinions of counsel as would be customary in a public offering of tax-exempt securities underwritten by BD. In addition, the Company will, at its own expense, take all steps reasonably requested by BD that BD or its counsel may consider necessary or desirable to effect compliance with applicable federal or state securities laws.

Section 4.2. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless BD, each director, trustee, member, officer, official, partner, agent or employee thereof and each person, if any, who controls BD within the meaning of Section 15 of the 1933 Act against any and all losses, claims, damages, expenses and liabilities (or actions in respect thereof) to which BD may become subject, under federal laws or regulations or otherwise, insofar as such losses, claims, damages, expenses and liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact set forth in the Offering Document or Disclosure Statement, or the omission or alleged omission to state in the Offering Document or Disclosure Statement any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading but the Company shall not be liable in such case (i) to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by BD specifically for use in connection with the preparation of the Offering Document or Disclosure Statement, or (ii) if the person asserting any such loss, claim, damage or liability purchased Bonds from BD, if

delivery to such person of the Offering Document or Disclosure Statement or any amendment or supplement to it would have been a valid defense to the action from which such loss, claim, damage or liability arose and if the same was not delivered to such person by or on behalf of BD. The foregoing indemnity shall include (without limiting the generality of the foregoing), the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, if such settlement is effected with the written consent of the Company, and reimbursement for any legal or other expenses reasonably incurred by BD in connection with investigating, preparing or defending against any litigation commenced or threatened or any claim based upon any such loss, claim, damage, liability or action, as such expenses are incurred.

(b) BD agrees to indemnify and hold harmless the Company, each director, trustee, member, officer, official, partner or employee thereof and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act, to the same extent as the foregoing indemnity from the Company to BD, but only with reference to written information relating to BD furnished by or on behalf of BD specifically for use in connection with the preparation of the Offering Document or Disclosure Statement.

(c) Promptly after receipt by an indemnified party under paragraph (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 4.2, notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 4.2. In case any such action shall be brought against any indemnified party and such party shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of such indemnified party, be counsel to the indemnifying party); provided, however, that if the defendants in any such action include both an indemnified party and an indemnifying party and such indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or in addition to the defense available to the indemnifying party, the indemnified party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defenses of such action on behalf of such indemnified party and the indemnifying party shall pay the legal and other expenses subsequently incurred by any such indemnified party in connection with the defense thereof. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, except as described in the preceding sentence, the indemnifying party shall not be liable to such indemnified party under this Section 4.2 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation incurred at the request of the indemnifying party or such counsel, and shall not be liable to such indemnified party with respect to such action under this Section 4.2 if such indemnified party effects the settlement of such action without the consent of the indemnifying party, but if settled with the consent of the indemnifying party or if there shall be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and

hold harmless the indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 4.2 is unavailable to hold harmless an indemnified party under paragraph (a) or (b) above in respect of any losses, claims, damages, expenses or liabilities (or actions in respect thereof) referred to therein, then the indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, expenses or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party and the indemnified party, respectively, from the offering of the Bonds to which the loss, claim, damage, expense or liability (or action in respect thereof) relates and also to the relative fault of the indemnifying party and the indemnified party, respectively, in connection with the statement or omission which resulted in such losses, claims, damages, expenses or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and BD on the other shall be deemed to be in the same proportion as the total proceeds from the offering of the Bonds (before deducting issuance costs and expenses) received by the Company bear to the total fees received by BD. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact related to information supplied by the Company or BD and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and BD, respectively, agree that it would not be just and equitable if contribution pursuant to this Section 4.2 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4.2. The amount paid or payable by a party as a result of the losses, claims, damages or liabilities referred to above in this Section 4.2 shall be deemed to include any legal or other expenses reasonably incurred by such party (or any director, trustee, member, officer, official, partner, employee or controlling person of any of them) in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 4.2, BD shall not be required to contribute any amount in excess of the amount by which the total price at which the Bonds sold by or through BD exceeds the amount of any damages which BD has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

ARTICLE V

MISCELLANEOUS

Section 5.1. Termination. BD may be removed by the Company, or may resign at any time, upon at least five Business Days' notice thereof, with the Company also providing notice of such removal or resignation to the Trustee and the Auction Agent, *provided, however,* that BD may resign immediately if it determines not to participate in an Auction under the circumstances

described in Section 2.1(e); and *further provided* that the Company may not remove BD unless it has also entered into a Broker-Dealer Agreement with another Broker-Dealer. The Auction Agent, upon the written direction of the Company, may terminate this Broker-Dealer Agreement at any time upon at least 60 days' notice to the other parties hereto; *provided, however,* that if the Broker-Dealer in this Broker-Dealer Agreement is J.P. Morgan Securities Inc., the Auction Agent may not terminate this Broker-Dealer Agreement without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed; and *provided, further,* that this Broker-Dealer Agreement shall terminate upon the resignation or removal of the BD pursuant to this Section 5.1 or termination of the Auction Agreement. The Auction Agent shall be deemed to have resigned from this Broker-Dealer Agreement if the Auction Agreement is terminated.

Section 5.2. Participant. BD is and for the term of this Broker-Dealer Agreement shall remain a member of, a participant in, or an affiliate of such a member or participant in the Securities Depository; and will give the Auction Agent, each other Broker-Dealer, the Authority, the Company and the Trustee two Business Days' notice if it ceases to be so or if it changes its participation or affiliation to a different Securities Depository.

Section 5.3. Communications. Except for (i) communications authorized to be by telephone pursuant to this Broker-Dealer Agreement or the Auction Procedures and (ii) communications in connection with Auctions (other than those expressly required to be in writing) all notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing or other electronic communication acceptable to the parties) and shall be given to such party, addressed to it, at its address or telecopy number set forth below and, where appropriate, reference the particular Auction to which such notice relates:

If to BD addressed:

Morgan Keegan & Company, Inc.
50 North Front Street, 16th Floor
Memphis, Tennessee 38103
Attention: Timothy E. Herburger
Telecopier No.: (901) 579-4363
Telephone No.: (901) 579-4233

If to the Trustee, addressed:

The Bank of New York Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department
Telecopier No.: (904) 645-1997
Telephone No.: (904) 645- 1912

If to the Auction Agent, addressed:

The Bank of New York
101 Barclay Street, 7W
New York, New York 10286
Attention: Dealing and Trading Group - Auction Desk
Telecopier No.: (212) 815-3440
Telephone No.: (212) 815-3450

If to the Authority addressed:

Hillsborough County Industrial Development Authority
c/o Morrison & Mills, P.A.
1200 West Platt Street, Suite 100
Tampa, Florida 33606
Attention: Thomas Morrison, Esq.
Telecopier No.: (813) 258-3209
Telephone No.: (813) 258-3311

If to the Company addressed:

Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601
Attention: Corporate Secretary
Telecopier No.: (813) 228-1328
Telephone No.: (813) 228-1808

or such other address or telecopy number or electronic mail address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopy number specified herein or (ii) if given by any other means, when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer.

Section 5.4. Entire Agreement. This Broker-Dealer Agreement, and the other agreements and instruments executed and delivered in connection with the execution hereof, contain the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof.

Section 5.5. Benefits; Successors and Assigns. This Broker-Dealer Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of the Company, BD and the Auction Agent. Nothing in this Broker-Dealer Agreement, express or implied, shall give to any Person, other than the Company, the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or

claim under this Broker-Dealer Agreement, other than the rights expressly granted to the Authority herein. Additionally, any assignment by the Auction Agent, the Company or BD of its respective rights and obligations under this Broker-Dealer Agreement shall be subject to the approval of each other party to this Broker-Dealer Agreement, each such approval not to be unreasonably withheld.

Section 5.6. Amendment; Waiver. (a) This Broker-Dealer Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto.

(b) Failure of any party to this Broker-Dealer Agreement to exercise any right or remedy hereunder in the event of a breach of this Broker-Dealer Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

Section 5.7. Severability. If any clause, provision or section of this Broker-Dealer Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

Section 5.8. Execution in Counterparts. This Broker-Dealer Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.9. Governing Law. This Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles. Each party hereby consents to the exclusive jurisdiction of a state or federal court situated in New York, New York in connection with any dispute relating to any civil matter arising hereunder, and waives to the fullest extent permitted by law its right to trial by jury or any objection to any such forum as inconvenient.

Section 5.10. No Implied Duties. Nothing contained in this Broker-Dealer Agreement, the Loan and Trust Agreement or the Auction Agreement shall be deemed to imply any duties, covenants or obligations on the part of the Company not otherwise expressly set forth herein or therein.

(The remainder of this page has been intentionally left blank.)

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By: Edgar R. Lago
Name: EDGAR R. LAGO
Title: ASSISTANT VICE PRESIDENT

MORGAN KEEGAN & COMPANY, INC.

By: _____
Name: Stanley L. Livengood
Title: First Vice President

TAMPA ELECTRIC COMPANY

By: _____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By:_____
Name:
Title:

MORGAN KEEGAN & COMPANY, INC.

By:_____
Name: Stanley L. Livengood
Title: First Vice President

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By:_____
Name:
Title:

MORGAN KEEGAN & COMPANY, INC.

By:_____
Name: Stanley L. Livengood
Title: First Vice President

TAMPA ELECTRIC COMPANY

By:_____
Name: Gordon L. Gillette
Title: Senior Vice President - Finance and
Chief Financial Officer

EXHIBIT A

SETTLEMENT PROCEDURES

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic communication acceptable to the parties each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of:

(i) the Auction Mode Rate fixed for the succeeding Auction Period or, in the case of Bonds in a daily Auction Period, the Auction Mode Rate on the Bonds fixed for the current Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such other Broker-Dealers submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's

Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bonds) against receipt of such principal amount of Bonds;

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid of the Auction Mode Rate for the next succeeding Auction Interest Period;

(v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the Auction Date of the next succeeding Auction or, in the case of Bonds in a daily Auction Period, the Auction Mode Rate for the current Auction Period; and

(vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the Auction Date of the next succeeding Auction.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order shall allocate any funds received by it pursuant to subparagraph (b) (ii) above, and any Bonds received by it pursuant to subparagraph (b) (iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders and any Broker-Dealer identified to it by the Auction Agent pursuant to subparagraph (a) (v) above.

(d) On the Business Day after the Auction Date or, in the case of Bonds in a daily Auction Period, on such Auction Date, the Securities Depository shall be instructed to execute the transactions set forth above, debiting and crediting the accounts of the respective Agent Members as necessary to effect the purchase and sale of Bonds as determined in the Auction.

EXHIBIT B

(Submit only one Order on this Order Form)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

The Bank of New York
_____
_____
Attention: _____

_____
Date of Auction

The undersigned Broker-Dealer submits the following Order on behalf of the Bidder listed below:

Bidder places the Order listed below covering the Bonds indicated (complete only one blank):

$_____ Bonds now held by Bidder (an Existing Owner) and subject to this Order, and the Order is a (check one):

_____ Hold Order; or

_____ Bid at rate of %; or

_____ Sell Order.

or

$_____ Bonds not now held by Bidder (a Potential Owner), and the Order is a Bid at a rate of _____%.

Notes:

(1) If submitting more than one Order for one Bidder, use additional Order Forms.

(2) If one or more Orders covering in the aggregate more than the number of Outstanding Bonds held by any Existing Owner are submitted, such Orders shall be considered valid in the order of priority set forth in the Auction Procedures.

(3) A Hold Order may be placed only by an Existing Owner covering a number of Outstanding Bonds not greater than the number of Outstanding Bonds currently held.

(4) Potential Owners may make Bids, each of which must specify a rate. If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate specified.

(5) Bids may contain no more than three figures to the right of the decimal point.

(6) An Order must be submitted in integral multiples of $25,000.

Name of Broker-Dealer:_____

By_____

EXHIBIT C

(To be used only for transfers of Bonds made
other than pursuant to an Auction)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

TRANSFER FORM

The Bank of New York
_____
_____
Attention:_____

_____, ____

Check I, II or III

_____ I. We are the Existing Owner named below.

_____ II. We are the Agent Member for such Existing Owner.

_____ III. We are a Broker-Dealer for such Existing Owner.

We hereby notify you that the Existing Owner named below has transferred:

$_____ Bonds* to _____

Complete either I or II

I. Corporate Name of Existing Owner:

By:_____
Printed Name: _____
Title:_____

II. Corporate Name of Existing Owner:

_____
Name of Agent Member or Broker-Dealer
Submitting this notice:

_____
By:_____
Printed Name: _____
Title: _____

*Bonds may only be transferred in integral multiples of $25,000.

EXHIBIT D

(To be used for failure to deliver Bonds
sold pursuant to an Auction)

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

NOTICE OF FAILURE TO DELIVER

The Bank of New York
_____
_____
Attention:_____

_____, ____

Complete either I or II

I. We are a Broker-Dealer for _____ (the *"Purchaser"*), who was to purchase $_____ Bonds* in the Auction held on _____.

II. We are a Broker-Dealer for _____ (the *"Seller"*), who was to sell $_____ Bonds* in the Auction held on _____.

We hereby notify you that (check one).

_____ The Seller failed to deliver such Bonds to us.

_____ The Purchaser failed to make payment to us upon delivery of such Bonds.

_____ The following Broker-Dealer failed to deliver to us such Bonds.

_____ The following Broker-Dealer failed to make payment to us upon delivery of such Bonds.

Name of failing Broker-Dealer: _____

(Name of Broker-Dealer submitting this notice)

By: _____
Printed Name:
Title:

*Bonds may only be transferred in integral multiples of $25,000.

EXHIBIT E

TO BROKER-DEALER AGREEMENT

LISTING OF EXISTING OWNERS OF BONDS

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006

The Bank of New York
_____
_____
Attention:_____

The undersigned Broker-Dealer hereby provides the names and related principal amounts of each of its customers that it believes is an Existing Owner of Bonds:

Name of Existing Owner	Principal Amount of Bonds

Name of Broker-Dealer:

_____
By:_____
Name:
Title:

NEW ISSUE BOOK-ENTRY ONLY

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1954, as amended, and Title XIII of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that under Florida Statutes §159.31, as in effect on the date of this Official Statement, the Bonds, their transfer and the income therefrom will be free from taxation in the State of Florida, except for taxes imposed by Chapter 220, Florida Statutes, as amended, on interest, income or profits on debt obligations owned by corporations. See "TAX EXEMPTION" herein.

$85,950,000
HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(Florida)
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006 (Non-AMT)*

Dated: Date of Delivery **Due: December 1, 2034**

The Bonds will be limited obligations of the Hillsborough County Industrial Development Authority (the "Authority") and are payable solely from the payments to be made under a Loan and Trust Agreement (the "Agreement") among

TAMPA ELECTRIC COMPANY

(the "Company"), the Authority and The Bank of New York Trust Company, N.A., as Trustee.

Regularly scheduled payments of the principal of, and interest on, the Bonds when due will be insured by a Financial Guaranty Insurance Policy to be issued by Ambac Assurance Corporation (the "Bond Insurer"), which is more fully described under "BOND INSURANCE."

Ambac

The Bonds will bear interest at an Auction Mode Rate from their date of original issuance and delivery (the "Issue Date") for the period to but not including January 25, 2006 (the "Initial Period"), at a rate established by the Underwriters (as identified below) prior to the Issue Date and thereafter at the Auction Mode Rate for each Auction Period. Interest on the Bonds will be adjusted based upon seven-day Auction Periods. The first Auction Date shall be January 24, 2006, the last Business Day of the Initial Period. Interest for each succeeding seven-day Auction Period will be payable on each successive Wednesday after the Initial Period, subject to certain exceptions described herein. Generally, the Interest Payment Date for an Auction Period will be the Business Day immediately following each Auction Period. The length of the Auction Period with respect to the Bonds may be changed at the option of the Company in accordance with the Agreement to any period having a length of five years or less.

This Official Statement has been prepared solely for use in connection with the initial offering of the Bonds and describes the terms of the Bonds while they bear interest at an Auction Mode Rate. It is not intended to provide any information relating to the Bonds while they bear interest in any other interest rate mode.

Upon satisfaction of certain conditions, the Bonds in the Auction Mode Rate may be converted to a different interest rate determination method as described herein. The Bonds are subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount thereof plus accrued interest to the purchase date, on the effective date of any conversion from the Auction Mode Rate to another interest rate determination method as described herein. The Bonds are also subject to redemption, in whole or in part, as described herein.

The Bonds will be issued as fully registered bonds and will be registered initially in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC acts as a securities depository for the Bonds. During an Auction Period, the Bonds will be issued in denominations of $25,000 and integral multiples thereof. Except under the limited circumstances described herein, Beneficial Owners of book-entry interests in Bonds will not receive certificates representing their interests. Payments of principal or purchase price of and interest on the Bonds will be made through DTC and disbursements of such payments to Beneficial Owners will be the responsibility of DTC and its Participants. See "THE BONDS—Book-Entry Only System." J.P. Morgan Securities Inc., Merrill Lynch & Co. and Morgan Keegan & Company, Inc. will act as Broker-Dealers for the Bonds. The Bank of New York will act as Auction Agent.

PRICE: 100%

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE BONDS WILL NOT CONSTITUTE A DEBT OF THE AUTHORITY, HILLSBOROUGH COUNTY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF UNDER ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER AND SHALL NEVER CONSTITUTE A CHARGE OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF SUCH ENTITIES. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Company by Sheila M. McDevitt, General Counsel to the Company, for the Underwriters by their Counsel, Ropes & Gray LLP, Boston, Massachusetts and for the Authority by its Counsel, Morrison & Mills, P.A., Tampa, Florida. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, or its custodial agent, on or about January 19, 2006.

JPMorgan **Merrill Lynch & Co.** **Morgan Keegan & Company, Inc.**

Dated: January 10, 2006

* Not subject to alternative minimum tax.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Company or the Underwriters to give information or to make representations with respect to the Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the Company, The Depository Trust Company, the Bond Insurer and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Authority. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be used, in whole or in part, for any other purpose. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other government entity or agency will have passed upon the adequacy of this Official Statement or, except for the Authority to the extent described herein, approved the Bonds for sale.

NOTICE TO NEW HAMPSHIRE INVESTORS: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$85,950,000

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(Florida)
POLLUTION CONTROL REVENUE REFUNDING BONDS
(Tampa Electric Company Project)
Series 2006

INTRODUCTORY STATEMENT

This Official Statement of the Hillsborough County Industrial Development Authority (the "Authority"), a public body corporate and politic and a public instrumentality created pursuant to the laws of the State of Florida, sets forth certain information concerning the sale of $85,950,000 aggregate principal amount of the Authority's Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (the "Bonds"), to be dated as of the date stated on the cover page hereof, subject to prior redemption by the Authority or repurchase by Tampa Electric Company, a Florida corporation (the "Company"), as hereinafter described.

The Bonds are being issued to currently refund the Authority's Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 1994 outstanding in the principal amount of $85,950,000 (the "Refunded Bonds"). See "PLAN OF REFINANCING" herein.

The issuance and sale of the Bonds have been authorized by a Resolution adopted by the Authority on January 5, 2006. The Bonds will be issued under and pursuant to a Loan and Trust Agreement, dated as of January 5, 2006 (the "Agreement"), among the Authority, the Company and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). Pursuant to the Agreement, the proceeds of the Bonds will be loaned to the Company. The principal of the loan to be made to the Company under the Agreement and premium, if any, and interest thereon are payable in installments due on the dates, in the amounts and in the manner necessary for the Authority to cause payment to be made to the holders of the Bonds of the principal of and premium, if any, and interest on the Bonds when and as the same shall become due, and will be assigned to the Trustee for such purpose pursuant to the Agreement.

The Bonds initially will bear interest at an Auction Mode Rate. The Initial Period for the Bonds shall be from the Issue Date to, but not including January 25, 2006. Thereafter the Bonds will have a seven-day Auction Period unless changed at the option of the Company, as provided in the Agreement. See "THE BONDS" below and Appendix E—"AUCTION PROCEDURES." The interest rate on the Bonds can be converted from the Auction Mode Rate to a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Interest Rate in accordance with the Agreement, in each case following mandatory tender for purchase upon not less than 15 days' prior written notice to the owners of the Bonds. THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE BONDS AFTER THE DATE, IF ANY, ON WHICH THE BONDS CONVERT TO BEAR INTEREST AT AN INTEREST RATE OTHER THAN AN AUCTION MODE RATE.

The Bonds will be issued in authorized denominations of $25,000 and multiples thereof and will be held by The Depository Trust Company ("DTC"), or its nominee, as securities depository with respect to the Bonds. See "THE BONDS—Book-Entry Only System."

Regularly scheduled payments of principal of, and interest on, the Bonds when due will be insured by a Financial Guaranty Insurance Policy (the "Policy") to be issued by Ambac Assurance Corporation (the "Bond Insurer"). See "BOND INSURANCE" and Appendix F— "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

The Bonds are limited obligations of the Authority, secured solely by a pledge and assignment by the Authority to the Trustee of certain of the Authority's rights under the Agreement, including its right to payments from the Company in amounts sufficient to pay the principal of and premium, if any, and interest on the Bonds.

The Bonds will not be deemed to constitute a debt, liability or obligation of any authority or county, or the State of Florida or any political subdivision thereof, including, without limitation, the Authority or Hillsborough County, Florida. The Authority has no taxing power.

This Official Statement briefly describes the Authority and the Bonds and summarizes certain provisions of the Agreement as well as other matters. The descriptions and summaries herein do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Terms not defined herein shall have the meanings set forth in the respective documents, copies of which may be obtained prior to the issuance of the Bonds from the Underwriters whose names appear on the cover page hereof and thereafter from the Company. Information concerning the Company is included in Appendix A attached hereto.

THE AUTHORITY

The Authority is a public body corporate and politic and a public instrumentality created pursuant to the laws of the State of Florida. The Authority was created under the constitution of the State of Florida and Part III of Chapter 159, Florida Statutes, as amended, a Resolution of the Board of County Commissioners of Hillsborough County, Florida adopted October 29, 1971, as amended and supplemented, and other provisions of law (collectively, the "Act"). Under the Act, the Authority is authorized to issue its revenue bonds or other debt obligations for the purpose of financing and refinancing projects for public purposes and for the purpose of fostering the economic development of Hillsborough County, Florida.

THE AUTHORITY IS ACTING AS A CONDUIT ISSUER WITH RESPECT TO THE BONDS, AND THE BONDS, TOGETHER WITH INTEREST AND PREMIUM, IF ANY, THEREON, SHALL CONSTITUTE LIMITED NONRECOURSE OBLIGATIONS OF THE AUTHORITY, SHALL NEVER CONSTITUTE A GENERAL OBLIGATION OF THE AUTHORITY, AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE AUTHORITY, HILLSBOROUGH COUNTY, FLORIDA OR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF OR A CHARGE AGAINST THE GENERAL CREDIT OR THE TAXING POWER OF ANY OF THEM. THE AUTHORITY HAS NO TAXING POWER. THE BONDS AND THE INTEREST AND PREMIUM, IF ANY, THEREON SHALL BE PAYABLE SOLELY FROM THE FUNDS PAYABLE BY THE COMPANY UNDER THE AGREEMENT.

The Authority has not participated in the preparation of this Official Statement, other than this section, and makes no representation with respect to the accuracy or completeness of any of the material contained in this Official Statement. The Authority is not responsible for providing any purchaser of the Bonds with any information relating to the Bonds or the Agreement or any of the parties or transactions referred to in this Official Statement or for the accuracy or completeness of any such information obtained by any purchaser.

Disclosure Required by Section 517.051(1), Florida Statutes

Rule 69W-400.003, Rules of Government Securities, promulgated by the Florida Department of Banking and Finance, Division of Securities, under Section 517.051(1), Florida Statutes ("Rule 69W-400.003"), requires the Authority to disclose every default as to the payment of principal and interest with respect to obligations issued or guaranteed by the Authority after December 31, 1975. Rule 69W-400.003 further provides, however, that if the Authority, in good faith, believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted.

The Bonds do not constitute a general debt, liability or obligation of the Authority, but are instead secured by amounts paid under the Agreement and by other security discussed herein. The Bonds are not being offered on the basis of the financial strength of the Authority. Accordingly, the Authority, in good faith, believes that disclosure of any such default on bonds with respect to which the Authority was merely a conduit issuer and which

are secured solely by payments of the borrower under a loan agreement, lease agreement or installment sale agreement, would not be considered material by a reasonable investor in the Bonds.

BOND INSURANCE

The Bond Insurer has provided the following information for inclusion in this Official Statement. No representation is made by the Authority, the Company or the Underwriters as to the accuracy or completeness of this information.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation ("Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent/Bond Registrar. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments made in connection with the sale of Bonds at Auctions or losses suffered as a result of a Bondholder's inability to sell Bonds.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of Bonds upon tender by a registered owner thereof.

The insurance provided by the Financial Guaranty Insurance Policy is not covered by the Florida Insurance Guaranty Association.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $8,645,000,000 (unaudited) and statutory capital of approximately $5,403,000,000 (unaudited) as of September 30, 2005. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a Bond by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such Bond and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Insurer Parent"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Insurer Parent. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Insurer Parent with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Insurer Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;

2. The Insurer Parent's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;

3. The Insurer Parent's Current Report on Form 8-K dated and filed on April 20, 2005;

4. The Insurer Parent's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005;

5. The Insurer Parent's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;

6. The Insurer Parent's Current Report on Form 8-K dated and filed on July 20, 2005;

7. The Insurer Parent's Current Report on Form 8-K dated July 28, 2005 and filed on August 2, 2005;

8. The Insurer Parent's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2005 and filed on August 9, 2005;

9. The information furnished and deemed to be filed under Item 2.02 contained in the Insurer Parent's Current Report on Form 8-K dated and filed on October 19, 2005; and

10. The Insurer Parent's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2005 and filed on November 9, 2005; and

11. The Insurer Parent's Current Report on Form 8-K dated November 29, 2005 and filed on December 5, 2005.

All documents subsequently filed by the Insurer Parent pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

RIGHTS OF THE BOND INSURER

Notwithstanding anything in the Agreement to the contrary, for so long as the Policy shall be in full force and effect and provided that the Bond Insurer shall not have defaulted and is not continuing to default on its obligations under the Policy, (1) the Bond Insurer shall be deemed to be the sole owner of all Bonds for all purposes of the provisions in the Agreement relating to default by the Company and actions for protection of the Bondholders and (2) the Bond Insurer shall be deemed to be the sole owner of all Bonds at all times for the purpose of giving consent and direction when consent of the Bondholders is required by the Agreement, other than for the purpose of making amendments which pursuant to the Agreement require the unanimous written consent of the affected Bondholders. If the Bond Insurer pays the principal or interest on any Bonds pursuant to the terms of the Policy, the Bond Insurer will be subrogated to all the rights of the owners of such Bonds granted under the Agreement, including the right to receive payment of principal and interest on, the Bonds. The Bond Insurer shall have no rights under the Agreement, other than the rights of subrogation to the extent that it has made payments under the Policy, in the event the Bond Insurer is in default of its payment obligations under the Policy.

THE PROJECT

The Bonds are being issued to currently refund the Refunded Bonds. The Refunded Bonds were issued to refinance certain of the Company's air and water pollution and waste control facilities (collectively, the "Project") located the Company's Hookers Point Station and at unit nos. 1, 2, 3 and 4 of the Company's Big Bend Station and unit nos. 1, 2, 3, 4, 5 and 6 of the Company's F.J. Gannon Station (now known as the H.L. Culbreath Bayside Station), each of which is located in Hillsborough County, Florida (collectively, the "Units").

PLAN OF REFINANCING

The proceeds from the sale of the Bonds will be used, together with funds made available by the Company, to pay the principal of, premium and interest on the Refunded Bonds within 90 days of the issuance of the Bonds. No part of the costs of issuance of the Bonds is to be paid from proceeds of the Bonds.

SECURITY FOR THE BONDS

The Bonds will be limited obligations of the Authority payable solely from the funds payable by the Company under the Agreement. In the Agreement, the Company has agreed to make payments on the dates, in the amounts and in the manner necessary to pay the principal of and premium, if any, and interest on the Bonds when and as the same shall become due. The Authority has pledged and assigned to the Trustee, as security for the payment of the principal of and premium, if any, and interest on the Bonds, its rights under the Agreement, including its rights to the funds payable by the Company under the Agreement, except its rights to payment of certain costs and expenses and to indemnification.

Payments to the Bondholders in respect of principal of and interest on the Bonds will be further secured by a financial guaranty insurance policy issued by the Bond Insurer. The Policy guarantees the scheduled payment of principal of and interest on the Bonds which shall be otherwise unpaid by reason of non-payment by the Company of its obligation under the Agreement. The Policy does not insure payments due with respect to the Bonds by reason of redemption or acceleration. The insurance policy is non-cancelable by the Bond Insurer. See "BOND INSURANCE" herein and Appendix F—"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" for more information and a discussion of the limitations of such insurance.

Although the Company has not elected to do so, it may in the future elect to provide additional credit enhancement for the Bonds which may include a series of First Mortgage Bonds (the "First Mortgage Bonds") under its Indenture of Mortgage, dated as of August 1, 1946 (the "First Mortgage"), in such amounts and maturities and bearing such rates of interest as shall coincide with the principal and interest becoming due on the Bonds, all as further described in Appendix B – "SUMMARY OF THE LOAN AND TRUST AGREEMENT - Pledge of First Mortgage Bonds."

The Bonds, together with interest and premium, if any, thereon, will not be deemed to constitute a debt, liability or obligation of any authority or county of the State of Florida or any political subdivision thereof, including, without limitation, the Authority and Hillsborough County. Neither any authority or county nor the State of Florida or any political subdivision thereof, including, without limitation, the Authority and Hillsborough County, Florida, is obligated to pay the principal of the Bonds or the interest or premium, if any, thereon, except from the funds payable by the Company under the Agreement, and neither the general faith and credit nor the taxing power of any authority or county of the State of Florida or any political subdivision thereof, including, without limitation, the Authority or Hillsborough County, is pledged for the payment of the principal of, premium, if any, or interest on the Bonds.

THE BONDS

This Official Statement does not provide any information regarding the Bonds after the date, if any, on which the Bonds convert to bear interest, as permitted by the Agreement, at an interest rate other than an Auction Mode Rate. Bonds are subject to mandatory tender in the event of any such conversion. See "Tender—Mandatory Tender."

General

The Bonds will be dated as of the date of the initial authentication and delivery thereof and will mature on December 1, 2034. The Bonds initially will bear interest at an Auction Mode Rate commencing on the date of the issuance of the Bonds, subject to conversion to other interest rate periods as described herein.

Interest on the Bonds will be payable on each Interest Payment Date at the rate per annum determined as hereinafter described. Such interest rate may not exceed the lesser of 14% per annum and the maximum rate permitted by the laws of the State of Florida (the "Maximum Interest Rate"). The Bonds will bear interest from the Issue Date for the Initial Period at a rate established prior to that date by the Underwriters as the minimum rate required to sell the Bonds for delivery on the Issue Date at a price of par. The Initial Period for the Bonds shall be from the Issue Date to but not including January 25, 2006. Following the Initial Period, the Bonds will bear interest for seven-day Auction Periods (unless changed at the option of the Company pursuant to the terms of the Agreement as described in "—Conversion from One Auction Period to Another"). The Bonds may also be converted to a Daily Rate, Weekly Rate, Commercial Paper Rate or Long-Term Interest Rate Mode.

Upon a conversion from an Auction Mode Rate to a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Interest Rate, the Bonds will be subject to mandatory tender on any such Conversion Date at a price equal to 100% of the principal amount thereof, plus accrued interest; provided, however, that such mandatory tender price is payable solely from the proceeds of the remarketing of such Bonds, and if all such Bonds are not remarketed, such mandatory tender will be cancelled with the effect described under "—Conversion from Auction Mode Rate Determination Method." The Policy is not available to pay such mandatory tender price. The first Auction Date shall be the last Business Day of the Initial Period. Interest will be payable on each Interest Payment Date. Interest on the Bonds in an Auction Period of 180 days or less will be payable on the applicable Interest Payment Date as herein described computed on the basis of actual days over 360, and in an Auction Period greater than 180 days, shall be payable on the applicable Interest Payment Date as herein described and computed on the basis of a 360-day year of twelve 30-day months.

THIS OFFICIAL STATEMENT DESCRIBES THE TERMS AND CONDITIONS OF THE BONDS ONLY WHILE THEY BEAR INTEREST AT AN AUCTION MODE RATE.

Beneficial interests in the Bonds will initially be issued pursuant to a Book-Entry Only System ("Book-Entry Only System") maintained by DTC, as described below under the caption "—Book-Entry Only System." Under the Agreement, the Trustee and the Authority, at the direction of the Company and with the consent of the Remarketing Agent, may appoint a successor securities depository to DTC. (DTC, together with any such successor securities depository, is hereinafter referred to as the "Securities Depository"). The following information is subject in its entirety to the provisions described below under the caption "—Book-Entry Only System" while the Bonds are in the Book-Entry Only System.

Form and Denomination of Bonds; Payments on the Bonds

General

The Bonds will be issued only as fully registered bonds, without coupons, in denominations of $25,000 or any integral multiple thereof (an "Authorized Denomination"). The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC acts as securities depository for the Bonds and individual purchases of Bonds may be made in book-entry form only. So long as the Bonds are in book-entry only form, purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of such Bonds, as nominee of DTC, references herein to the bondholders or registered owners or holder shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined below) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable to Cede & Co., as nominee for DTC, which will, in turn, remit such amounts to the DTC Participants (as defined below) for subsequent disbursement to the Beneficial Owners. See "—Book-Entry Only System."

The Bank of New York Trust Company, N.A. has been appointed as Trustee under the Agreement. The designated office of the Trustee is located at 10161 Centurion Parkway, Jacksonville, Florida 32256.

Neither the Authority nor the Trustee shall be required to make any transfer or exchange of any Bond during the ten Business Days prior to the mailing of a notice of Bonds selected for redemption or, with respect to a

Bond, after such Bond or any portion thereof has been selected for redemption. Registration of transfers and exchanges shall be made without charge to the bondholders, except that any required taxes or other governmental charges shall be paid by the bondholder requesting registration of transfer or exchange.

Interest

During any Auction Period, interest shall be payable to the registered holder of the Bonds as of the Record Date (as defined below) by check mailed by first-class mail on the Interest Payment Date to such holder's registered address. A holder of $1,000,000 or more in principal amount of Bonds may be paid interest by wire transfer in immediately available funds to an account in the continental United States if the holder makes a written request of the Trustee (in form satisfactory to the Trustee) at least two Business Days before the Record Date specifying the account address. The notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. When the Bonds are held in book-entry only form, such payments will be made to DTC as record owner. See "—Book-Entry Only System."

The Interest Payment Date, except as otherwise provided in Appendix E, with respect to the Bonds in an Auction Period is the Business Day immediately following each Auction Period, and, in addition, for an Auction Period of 92 days or more, each 13th Wednesday after the first day of such Auction Period or the next Business Day if such Wednesday is not a Business Day. The Record Date for the Bonds bearing interest at an Auction Mode Rate is the second Business Day immediately preceding an Interest Payment Date.

Auction Agent

The Trustee and the Company will enter into the Auction Agreement initially with The Bank of New York pursuant to which The Bank of New York as agent for the Company, shall perform the duties of Auction Agent. The Auction Agreement will provide, among other things, that the Auction Agent will determine the Auction Mode Rate for each Auction in accordance with the Auction Procedures set forth in Appendix E hereto. The Company and its affiliates maintain banking relationships with The Bank of New York and its affiliates serve as trustee under various indentures with, or for the benefit of, the Company and its affiliates.

Auction Date

Auctions for the Bonds will take place on January 24, 2006 and every Tuesday thereafter while the Bonds are in a seven-day Auction Period. The length of the Auction Period may be changed in accordance with the Agreement. An Auction to determine the interest rate with respect to the Bonds for each next succeeding Auction Period will be held (i) on each Business Day while such Bonds are in a one-day Auction Period and (ii) if the Bonds are in an Auction Period of any other length, on the Business Day next preceding each Interest Payment Date for such Bonds; provided, that if the Bonds are in an Auction Period of 92 days or more, the Auction shall be held on the last Business Day in such Auction Period.

Orders by Existing Owners and Potential Owners

The procedure for submitting orders prior to the Submission Deadline on each Auction Date is described in the Auction Procedures set forth in Appendix E, as are the particulars with regard to the determination of the Auction Mode Rate and the allocation of the Bonds bearing interest at an Auction Mode Rate (collectively, the "Auction Procedures").

Amendment of Auction Procedures

During any Auction Period, the provisions of the Agreement concerning the Auction Procedures, including, without limitation, the relevant definitions, may be amended by obtaining the consent of the owners of all the Bonds bearing interest at an Auction Mode Rate and the Bond Insurer. All owners of Bonds affected by an amendment will be deemed to have consented thereto if, on the first Auction Date occurring at least 20 days after the Trustee mailed notice to such owners, (i) the Auction Mode Rate determined for such date is the Winning Bid Rate and (ii) there is delivered to the Company and the Trustee a Favorable Opinion of Tax Counsel with respect to such

amendment. A "Favorable Opinion of Tax Counsel" is an opinion by counsel of nationally recognized standing in matters relating to the exclusion of interest from gross income on obligations issued by or on behalf of states and their political subdivisions to the effect that the action proposed to be taken is permitted under the Act and by the Agreement and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds. These amendments could adversely affect a holder and may become effective without the actual consent of a holder.

Conversion from Auction Mode Rate Determination Method

At the option of the Company, the Bonds may be converted to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Interest Rate. On the Conversion Date applicable to the Bonds, the Bonds shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The purchase price of the Bonds so tendered is payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all such Bonds, the Bonds will not be subject to mandatory tender and will be returned to their owners. If the preceding Auction Period was a period of one year or less, the new Auction Period shall be seven days (or if the seventh day is not followed by a Business Day, then the new Auction Period shall be extended to the next succeeding day which is followed by a Business Day), and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period. If the preceding Auction Period was a period of greater than one year, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth above, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended, which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate. It is currently anticipated that, should any of the Bonds be converted to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Interest Rate, a new reoffering memorandum or reoffering circular will be distributed describing the Bonds while they bear interest at any such interest rate.

Conversion from One Auction Period to Another

During any Auction Period, the Company may, from time to time, on an Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds. In the event of a failed conversion to another Auction Period due to the lack of Sufficient Clearing Bids (as defined in Appendix E) in accordance with the Agreement or the Company's failure to deliver or confirm a Favorable Opinion of Tax Counsel, if required, the Auction Period and interest rate for the Bonds will be determined as follows: If the preceding Auction Period was a period of one year or less, the Auction Period shall be seven days (or if the seventh day is not followed by a Business Day, then to the next succeeding day which is followed by a Business Day), and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period. If the preceding Auction Period was a period of greater than one year, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth above, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

Special Considerations Relating to the Bonds Bearing Interest at an Auction Mode Rate

The Auction Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 90 days' notice, or 45 days' notice if it has not been paid, to the Authority, the Company and the Trustee and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fee has not been paid. The Broker-Dealer Agreement provides that the Broker-Dealer thereunder may resign upon five Business Days' notice or immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Bonds will be determined as follows: (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period will be the same as the preceding Auction Period and the Auction Mode Rate for the new Auction Period will be the same as the Auction Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the new Auction Period will be a seven-day Auction Period and the Auction Mode Rate for the new Auction Period will be the same as the Auction Mode Rate for the preceding Auction Period. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

Initially, J.P. Morgan Securities Inc., Merrill Lynch & Co. and Morgan Keegan & Company, Inc. are the only Broker-Dealers. The Company may retain other Broker-Dealers from time to time or terminate any Broker-Dealer upon not less than five Business Days' notice. Each Broker-Dealer Agreement provides that a Broker-Dealer may submit Orders in Auctions for its own account. Each initial Broker-Dealer routinely submits orders in auctions generally for which it serves as a broker-dealer. In the Broker-Dealer Agreements, each Broker-Dealer agrees to handle customer orders in accordance with its duties under applicable securities laws and rules. If a Broker-Dealer submits an Order for its own account in any Auction, it is likely to have an advantage over other Bidders in that it would have knowledge of other Orders placed through it in that Auction. The Broker-Dealer, however, would not have knowledge of other Orders submitted by other Broker-Dealers (if any) in that Auction. As a result of bidding by the Broker-Dealer in an Auction, the Auction Mode Rate may be higher or lower than the rate that would have prevailed had the Broker-Dealer not bid. The Broker-Dealer may also bid in an Auction in order to prevent what would otherwise be (a) a failed Auction, (b) an "all-hold" Auction (if it holds Bonds for its own account), or (c) the implementation of an Auction Mode Rate that the Broker-Dealer believes, in its sole judgment, does not reflect the market for such securities at the time of the Auction. Each Broker-Dealer may, but is not obligated to, advise Beneficial Owners of the Bonds that the rate that will apply in an "all hold" Auction is often a lower rate than would apply if Beneficial Owners submit bids, and such advice, if given, may facilitate the submission of bids by existing Beneficial Owners that would avoid the occurrence of an "all hold" Auction. Each Broker-Dealer may, but is not obligated to, encourage additional or revised investor bidding in order to prevent an "all-hold" Auction.

Each Broker-Dealer has advised the Authority and the Company that such Broker-Dealer and various other broker-dealers and other firms that participate in the auction rate securities market received letters from the staff of the Securities and Exchange Commission (the "SEC") in the spring of 2004. The letters requested that each of these firms voluntarily conduct an investigation regarding its respective practices and procedures in that market. Pursuant to these requests, each Broker-Dealer conducted its own voluntary review and reported its findings to the SEC staff. Each Broker-Dealer is engaged in discussions with the SEC staff concerning this inquiry. None of the Broker-Dealers, the Authority or the Company can predict the ultimate outcome of the inquiry or how that outcome will affect the market for or interest rate on the Bonds or the Auctions.

During an Auction Period, a Beneficial Owner of a Bond may sell, transfer or dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures (see Appendix E—Auction Procedures) or through a Broker-Dealer. The ability to sell a Bond in an Auction may be adversely affected if there are not sufficient buyers willing to purchase all the Bonds at a rate equal to or less than the Maximum Interest Rate. Each Broker-Dealer has advised the Company that it intends initially to make a market in the Bonds between Auctions; however, none of the Broker-Dealers is obligated to make or maintain such markets, and no assurance can be given that secondary markets therefor will develop or be maintained. Each Broker-Dealer may, in its own discretion, decide to sell the Bonds in the secondary market to investors at any time and at any price, including at prices equivalent to, below, or above the par value of the Bonds.

A Beneficial Owner may not be able to sell some or all of its Bonds at an Auction if the Auction fails. An Auction will fail if there are more Bonds offered for sale than there are Potential Owners for those Bonds. Also, if a Beneficial Owner places an order to retain Bonds at an Auction only at a specified rate, and that specified rate exceeds the rate set at the Auction, the Beneficial Owner will not retain its Bonds. Finally, if a Beneficial Owner submits a hold order (an order at an Auction to retain Bonds without regard to the rate set at the Auction) and the Auction sets a below-market rate, such Beneficial Owner may receive a below-market rate of return on its Bonds.

As noted above, if there are more Bonds offered for sale than there are buyers for those Bonds in any Auction, the Auction will fail and a Beneficial Owner may not be able to sell some or all of its Bonds at that time. The relative buying and selling interest of market participants in the Bonds and in the auction rate securities market as a whole will vary over time, and such variations may be affected by, among other things, news relating to the issuer or obligor with respect to the auction rate securities, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the tax treatment accorded the auction rate securities, the accounting treatment accorded auction rate securities, including recent clarifications of U.S. generally accepted accounting principles relating to the treatment of auction rate securities, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally. Investor demand for auction rate securities may shift in response to any one or more of those circumstances or the occurrence of other similar events. Any such shift in investor demand may be short-lived or could continue for an extended period of time.

Changes to the Auction Periods and Auction Dates do not require the amendment of the Auction Procedures and thus may be made without the consent of any Beneficial Owner of Bonds.

See the Auction Procedures, attached to this Official Statement as Appendix E, for a more extensive discussion of the provisions applicable to the Bonds while bearing interest at the Auction Mode Rate.

Determination Methods

Pursuant to the Agreement, the Bonds may bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Interest Rate or Auction Mode Rate. The Bonds shall initially bear interest at an Auction Mode Rate, or, upon conversion as described above under "—Conversion from Auction Mode Rate Determination Method," at another interest rate as provided by the Agreement.

THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE BONDS AFTER THE DATE, IF ANY, ON WHICH THE BONDS CONVERT TO BEAR INTEREST AT AN INTEREST RATE OTHER THAN AN AUCTION MODE RATE.

Tender

Optional Tender

While the Bonds bear interest at an Auction Mode Rate, the Bonds are not subject to optional tender.

Mandatory Tender

The Bonds are subject to mandatory tender upon 15 days' written notice to each bondholder at a purchase price equal to 100% of the principal amount of the Bonds, plus accrued interest, on the effective date of any change from the Auction Mode Rate. The purchase price of the Bonds is payable solely from the remarketing proceeds, if any, of such Bonds. The Policy is not available to pay such mandatory tender price. See "—Conversion from Auction Mode Rate Determination Method."

Redemption of Bonds

The Bonds are subject to redemption as described below:

Extraordinary Optional Redemption. The Bonds are subject to extraordinary redemption at any time as a whole at the option of the Company on any date selected by the Company, but not less than 45 nor more than 180 days after the Company shall have given notice of its exercise of the right to prepay the Bonds, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date if:

(i) in the opinion of the Company, the continued operation by the Company of all or substantially all of the Units comprising the Project is impracticable, uneconomical or undesirable due to (A) the imposition of taxes or other liabilities or burdens not being imposed as of the date of the Bonds, (B) changes in technology or in the economic availability of raw materials or operating supplies or equipment or (C) destruction of or damage to all or a substantial portion of the Units; provided, however, that the Company may not exercise its right to redeem the Bonds for reasons described in this clause (i) if any portion of the redemption price is to be paid from the proceeds of tax-exempt bonds;

(ii) all or substantially all of the Units have been condemned or taken by eminent domain;

(iii) the operation by the Company of all or substantially all of the Units shall have been enjoined and the Company shall have been prevented from carrying on normal operations at the Units for a period of six months or more; or

(iv) in the event the First Mortgage Bonds have been issued, all or substantially all the mortgaged and pledged property constituting bondable property which at the time shall be subject to the lien of the First Mortgage as a first lien shall be released from the lien of the First Mortgage pursuant to the provisions thereof, and available moneys in the hands of the trustee or trustees at the time serving as such under the First Mortgage, including any moneys deposited by the Company available for the purpose, are sufficient to redeem all the first mortgage bonds of all series issued pursuant to the First Mortgage at the redemption prices (together with accrued interest to the date of redemption) specified therein applicable to the redemption thereof upon the happening of such event.

Special Mandatory Redemption Upon Taxability. The Bonds are subject to special mandatory redemption prior to maturity at any time, as a whole or in part (and if in part, by lot or other customary means) if such partial redemption will preserve the exclusion of interest on the remaining Bonds outstanding from gross income for federal income tax purposes at a redemption price equal to the principal amount thereof, plus interest accrued to the redemption date, without premium, in the event that the interest payable on any Bond has become subject to federal income tax in accordance with the Agreement. Any such redemption shall be made not later than 180 days from the date of such determination.

Optional Redemption. During any Auction Period, the Bonds may be redeemed in whole or in part (and if in part, in an Authorized Denomination) at the option of the Company (upon written direction of the Company delivered to the Authority, the Trustee and the Bond Insurer) on the Business Day immediately succeeding any Auction Date at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Purchase in Lieu of Redemption. When Bonds are called for redemption as described above under "— Optional Redemption," the Company may purchase some or all of the Bonds called for redemption if it (or the Remarketing Agent) gives written notice to the Trustee, the Remarketing Agent, the Auction Agent, each Broker-Dealer and the Bond Insurer not later than the day before the redemption date that it wishes to purchase the principal amount of Bonds specified in the notice, at a purchase price equal to the redemption price. On the date specified as the redemption date, the Trustee will be furnished sufficient remarketing proceeds (or other funds provided by the Company as permitted under the Agreement) in sufficient time for the Trustee to make the purchase on the redemption date. Any such purchase of Bonds by the Company will not be deemed to be a payment or redemption

of the Bonds or any portion thereof and will not operate to extinguish or discharge the indebtedness evidenced by the Bonds so purchased.

Notice of Redemption. Whenever Bonds are to be redeemed, the Trustee shall give notice of redemption by mailing a copy of the redemption notice to the registered owner of each Bond to be redeemed, at least 30 days prior to the redemption date, as provided in the Agreement. Unless moneys sufficient to pay the redemption price have been received by the Trustee prior to the giving of notice of redemption, the notice may state that such redemption is conditional upon receipt of such moneys.

Selection of Bonds for Redemption. If less than all of the Bonds are to be redeemed, the portion of the Bonds to be redeemed will be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee; provided, however, that so long as DTC or its nominee is the Bondholder with respect to such Bonds, the particular portions of the Bonds to be redeemed shall be selected by DTC in such manner as DTC may determine.

During the period that DTC or the DTC nominee is the registered holder of the Bonds, the Trustee will not be responsible for mailing notices of redemption, or other notices described herein, to the Beneficial Owners of the Bonds. See "—Book-Entry Only System."

Book-Entry Only System

DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended ("1934 Act"). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC' s participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on such record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated bonds will be required to be printed and delivered.

In the event that the book-entry system is discontinued, the principal or redemption price of and interest on the Bonds will be payable in the manner described above, and the Bonds may be transferred or exchanged for one or more Bonds in different Authorized Denominations upon surrender thereof at the principal corporate trust office of the Trustee by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Bonds to be transferred or exchanged, the Trustee shall record the transfer or exchange in the registration books and shall authenticate and deliver the new Bonds appropriately registered and in appropriate Authorized Denominations.

Under the Agreement, payments made by the Trustee to DTC or its nominee will satisfy the Authority's and the Company's obligations under the Agreement to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Authority or the Trustee to be, and will not have any rights as, owners of Bonds under the Agreement.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Underwriters, the Company and the Trustee believe to be reliable, but the Underwriters, the Company and the Trustee take no responsibility for the accuracy thereof.

None of the Authority, the Underwriters, the Company, the Insurer, the Trustee or any agent for payment on or registration of transfer or exchange of any Bond will have any responsibility or obligation to Direct Participants, Indirect Participants or the persons for whom they act as nominees with respect to the accuracy of the records of DTC, its nominee or any Direct Participant with respect to any ownership interest in the Bonds, or payments to, or the providing of notice for, Direct Participants, Indirect Participants, or Beneficial Owners or other action taken by DTC, or its nominee, Cede & Co., as the sole owners of the Bonds.

THE TRUSTEE

The Bank of New York, an affiliate of The Bank of New York Trust Company, N.A., the Trustee, is a depository for part of the Company's funds and participates as a lender in the Company's revolving credit facility.

TAX EXEMPTION

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended (the "Code"), and Title XIII of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

Title XIII of the Tax Reform Act of 1986 and Section 103 of the Code impose various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Authority and the Company have covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants. Certain requirements and procedures contained or referred to in the Agreement, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, or any regulatory or administrative development with respect to existing law, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Under existing Florida law, Florida Statutes §159.31, the Bonds, their transfer and the income therefrom (including any profit on the sale thereof) are free from taxation by the State, or any local unit, political subdivision or instrumentality thereof, except for taxes imposed by Chapter 220, Florida Statutes, as amended, on interest, income or profits on debt obligations by corporations.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds, and the Authority will not provide any such information. The Company has undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Authority shall have no liability to the Bondholders or any other person with respect to such disclosures.

The Company has covenanted for the benefit of Bondholders to provide certain financial information and operating data relating to the Company for the prior fiscal year by not later than May 31 of each year beginning May 31, 2006 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the Company to be material. The Annual Report will be filed on behalf of the Company with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State Repository if such repository is established. The notices of material events will be filed on behalf of the Company with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in Appendix D - "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC").

The Company is a reporting company under the Securities Exchange Act of 1934 and it files regular reports with the SEC. In addition, the Company is subject to continuing disclosure requirements under an existing continuing disclosure agreement. The Company has previously complied with the filing requirements under such prior continuing disclosure agreement.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Group and Fitch Ratings are expected to assign their municipal bond ratings of "Aaa", "AAA" and "AAA", respectively, to the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Bond Insurer.

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they might not be revised downward or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of the ratings might have an adverse effect on the market price of the Bonds.

UNDERWRITING

J.P. Morgan Securities Inc., Merrill Lynch & Co. and Morgan Keegan & Company, Inc., as Underwriters, have agreed, subject to certain terms and conditions, to purchase the Bonds from the Authority at a price equal to 100% of the principal amount thereof. The Company has agreed to pay $322,312.50 (excluding expenses) to the Underwriters as compensation and to reimburse the Underwriters for their reasonable expenses. The Underwriters are committed to purchase all of the Bonds if any are purchased.

The Company has agreed to indemnify the Underwriters and the Authority against certain liabilities, including liabilities under the federal securities laws, in connection with certain portions of this Official Statement, including Appendix A hereto.

The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing any of the Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

In the ordinary course of their respective businesses, the Underwriters and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with the Company.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, as Bond Counsel. Sheila M. McDevitt, General Counsel for the Company, will pass upon certain legal matters for the Company. Certain legal matters will be passed upon for the Underwriters by Ropes & Gray LLP, Boston, Massachusetts, Counsel for the Underwriters, and for the Authority by Morrison & Mills, P.A., Tampa, Florida, Counsel for the Authority. Edwards Angell Palmer & Dodge LLP acted as counsel for the Company in connection with this offering and acts as counsel from time to time in matters for the Company and certain of its affiliates. Ropes & Gray LLP acts as counsel from time to time in matters for the Company and certain of its affiliates.

This Official Statement has been duly authorized, executed and delivered by the Authority.

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By: ***/s/ Mike Luetgert***
Chairman

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APPENDIX A
TAMPA ELECTRIC COMPANY[1]

Tampa Electric, a division of Tampa Electric Company (the "Company"), provides electric energy and related services to over 625,000 residential, commercial and industrial customers in its West Central Florida service area covering approximately 2,000 square miles, including the City of Tampa and the surrounding areas. Tampa Electric has a total net winter generating capacity of 4,421 megawatts in operation. Peoples Gas System, a division of the Company, is Florida's leading provider of natural gas. With a presence in most of Florida's major metropolitan areas, it serves over 314,000 residential and commercial customers. Annual natural gas throughput (the amount of gas delivered to its customers, including transportation-only service) in 2004 was 1.1 billion therms.

The Company is a subsidiary of TECO Energy, Inc., a Florida corporation, the common stock of which is traded on the New York Stock Exchange.

The principal executive offices of the Company are located at TECO Plaza, 702 North Franklin Street, Tampa, Florida 33602, telephone (813) 228-1111.

AVAILABLE INFORMATION

The Company is subject to the reporting requirements of the Securities Exchange Act of 1934 (the "1934 Act") and files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information can be inspected and copied at the public reference room maintained by the Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference room. The Company's filings with the Commission are also available to the public on the Commission's website at http://www.sec.gov. Copies of the Company's reports on Forms 10-K, 10-Q and 8-K filed by the Company with the Commission are filed jointly with similar reports filed by TECO Energy, Inc. and thus are also available on TECO Energy, Inc.'s website at www.tecoenergy.com. TECO Energy, Inc.'s website is not part of this Official Statement.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company hereby incorporates by reference the reports listed below, which the Company has filed with the Commission, and all documents hereafter filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act prior to the termination of the offering made by the Official Statement:

1. Annual Report on Form 10-K for the fiscal year ended December 31, 2004 filed with the Commission on March 15, 2005.

2. Quarterly Reports on Form 10-Q for the quarter ended March 31, 2005 filed with the Commission on May 9, 2005, for the quarter ended June 30, 2005 filed with the Commission on August 9, 2005 and for the quarter ended September 30, 2005 filed with the Commission on November 9, 2005.

3. Current Reports on Form 8-K filed with the Commission on January 12, 2005, April 6, 2005 and October 11, 2005.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Official Statement has been delivered, at the written request of such person, a copy of any or all of the documents referred to above that have been or may be incorporated in this Appendix by reference, other than exhibits to such documents. Written requests for such copies should be directed to Director of Investor Relations, Tampa Electric Company, P.O. Box 111, Tampa, Florida 33601.

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[1] The information contained in Appendix A to this Official Statement has been obtained from Tampa Electric Company and speaks as of January 10, 2006. The Authority and the Underwriters make no representation as to the accuracy and completeness of the information contained in this Appendix.

The data contained in this Appendix is furnished solely to provide limited information regarding the Company and does not purport to be comprehensive. Such data is qualified in its entirety by reference to the detailed information and financial statements appearing in the documents incorporated herein by reference and, therefore, should be read together therewith.

You should rely only on the information contained or incorporated by reference in this Appendix. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Appendix and the documents incorporated by reference in this Appendix is accurate only as of the dates of the Official Statement or those documents incorporated by reference. The Company's business, financial condition, results of operations and prospects may have changed since those dates.

INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

The financial statements of the Company included in its Annual Report on Form 10-K for the year ended December 31, 2004, incorporated herein by reference, have been audited by PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, as set forth in their report dated March 1, 2005, which report is included therein.

APPENDIX B
SUMMARY OF THE LOAN AND TRUST AGREEMENT

The following is a summary of certain provisions of the Agreement relating to the Bonds, not including some of the provisions summarized in the Official Statement describing the Bonds.

Payments by the Company

On the date on which a payment of principal of or interest is due, the Company shall pay to the Trustee for deposit in the Bond Fund an amount equal to such payment less the amount, if any, in the Bond Fund and available therefor.

The payments to be made under the foregoing paragraph shall be appropriately adjusted to reflect the date of issue of Bonds, accrued interest deposited in the Bond Fund, if any, and any purchase or redemption of Bonds so that there will be available on each payment date in the Bond Fund the amount necessary to pay the interest and principal due or coming due on the Bonds and so that accrued interest will be applied to the installments of interest to which it is applicable.

At any time when any principal of the Bonds is overdue, the Company shall also have a continuing obligation to pay to the Trustee for deposit in the Bond Fund an amount equal to interest on the overdue principal but the installment payments required as described above shall not otherwise bear interest. Redemption premiums shall not bear interest.

Payments by the Company to the Trustee for deposit in the Bond Fund under the Agreement shall discharge the obligation of the Company to the extent of such payments; provided, that if any moneys are invested in accordance with the Agreement and a loss results therefrom so that there are insufficient funds to pay principal and interest on the Bonds when due, the Company shall supply the deficiency.

Within thirty (30) days after notice, the Company shall also pay all expenditures (except general administrative expenses or overhead) reasonably incurred by the Authority by reason of the Agreement and the reasonable fees and expenses of the Trustee and any paying agent, tender agent or registrar.

Obligation Absolute

The Company's obligation to make payments of principal, interest and premium, if any, is absolute and unconditional to the extent permitted by law, and the Company (1) will not suspend or discontinue payments, (2) will perform and observe all of its other agreements contained in the Agreement, (3) will not knowingly take or authorize or permit, to the extent such action is within the control of the Company, any action with respect to the Project, the proceeds of the Bonds or any insurance, condemnation or other proceeds derived directly or indirectly in connection with the Project, which will result in the loss of the exclusion of interest on the Bonds from federal gross income, and (4) except as permitted in the Agreement, will not terminate the Agreement for any reason including, without limiting the generality of the foregoing, the occurrence of any act or circumstance that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Florida or any political subdivision of either of them, any failure of the Authority or the Trustee to perform or observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement, or arising out of any indebtedness or liability at any time owing to the Company by the Authority or the Trustee.

Pledge of First Mortgage Bonds

Although the Company has not yet elected to do so, in order to provide collateral security for the Company's obligations to make payment of installments, the Company may elect to issue and deliver to the Trustee a series of First Mortgage Bonds, registered in the name of the Trustee, which shall have the same stated rate or rates of interest prior to maturity, payable at the same times, and which shall become due in the same principal amount or

amounts, either by redemption, through operation of a sinking fund or by maturity, on the same date or dates, as the Bonds. The First Mortgage Bonds shall be held subject to the terms and provisions of the Agreement and the First Mortgage.

To exercise this election, the Company shall, not less than 14 days prior to the proposed date of delivery of the First Mortgage Bonds, (1) give to the Authority, the Trustee and the nationally recognized securities rating agencies which then rate the Bonds written notice that designates the date on which such First Mortgage Bonds will be delivered, and (2) deliver to the Trustee and the Authority a written opinion of Tax Counsel to the effect that such election and the delivery of such First Mortgage Bonds will not cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

If First Mortgage Bonds have been delivered to the Trustee as required by the terms of the Insurance Agreement, and under the conditions of the Insurance Agreement the Company is entitled to the release of the First Mortgage Bonds, upon delivery to the Trustee of a written consent of the Bond Insurer confirming that the First Mortgage Bonds may be released, the obligation of the Company to make payments with respect to the principal, premium, if any, and interest on the First Mortgage Bonds shall be satisfied and discharged, and the Trustee shall release and surrender the First Mortgage Bonds to the Company.

Indemnification

The Company has agreed to indemnify the Authority, the Trustee, any paying agent, tender agent and registrar and each of their respective members, directors, officers, employers, agents and attorneys (collectively, the "Indemnified Persons") against claims arising out of the construction or operation of the pollution control facilities financed with the proceeds of the Refunded Bonds or the proceeds of the bonds refunded by the Refunded Bonds (the "Project") and to pay or bond and discharge and indemnify and hold harmless each Indemnified Person from and against (1) any lien or charge upon payments by the Company to or for the account of the Authority and (2) any taxes, assessments, impositions and other charges of any federal, state or municipal government or political body in respect of the Project. If any such claim is asserted, or any such lien or charge upon payments, or charges are sought to be imposed, the applicable Indemnified Person shall give prompt notice to the Company, and the Company shall pay the same or bond and assume the defense thereof, with full power to contest, litigate, compromise or settle the same in its reasonable discretion. The Company shall also protect and hold each Indemnified Person harmless against any claim or liability arising from the Agreement, the bond resolution, the issuance of the Bonds and all transactions pertaining thereto, including but not limited to any loss or damage to property or any injury to or death of any person that may be occasioned by any cause pertaining to the Project or to the use thereof, in excess of any insurance proceeds available to the Authority in connection with the Project. Such indemnification shall include reasonable expenses and attorney's fees and expenses incurred by any Indemnified Person in connection therewith. Nothing contained in the Agreement shall require the Company to indemnify an Indemnified Person for any claim or liability resulting from the willfully wrongful acts or gross negligence of any Indemnified Person.

Assignment; Merger

Under certain conditions, the Company may assign its interest in the Agreement and lease or sell the Project, in whole or in part, without the consent of the Authority or the Trustee. No such assignment, lease or sale will operate to relieve the Company from its primary liability for its obligations under the Agreement, including, its obligation to make the payments of principal of, premium, if any, and interest on the Bonds or to make payments with respect to the purchase of Bonds.

The Company may consolidate with or merge into, or sell or otherwise transfer all or substantially all of its assets to, another corporation, partnership, including a limited partnership and limited liability partnership, joint venture, association, company, limited liability company, joint-stock company or business trust (each, a "Corporation") organized and existing under the laws of the United States of America or of one of the states of the United States or the District of Columbia or of a foreign jurisdiction which consents to the jurisdiction of the courts of the United States or the courts of one of the states of the United States if the surviving, resulting or transferee entity, if not the Company, expressly assumes by an agreement supplemental to the Agreement, all obligations of the Company under the Agreement.

Pledge and Security

Pursuant to the Agreement, the Authority has assigned and pledged to the Trustee all payments by the Company under the Agreement to secure the payment of the principal of and premium, if any, and interest on the Bonds. The Authority has also pledged and assigned to the Trustee all its other rights and interests under the Agreement (other than its rights to indemnification and reimbursement of expenses contained in the Agreement).

Deposit of Bond Proceeds

The proceeds of the sale of the Bonds shall be deposited first to the Bond Fund in an amount equal to the accrued interest, if any, paid by the purchasers of the Bonds, then the remaining balance to the Refunding Fund for the redemption of the Refunded Bonds.

Investments

The moneys in the Funds under the Agreement will, at the specific written direction of the Company, be invested in securities or obligations specified in the Agreement. All income or other gain from such investments will be credited, and any loss will be charged, to the particular fund from which the investments were made.

Establishment of Funds

The following funds shall be established and maintained with the Trustee for the account of the Company, to be held in trust and applied subject to the provisions of the Agreement:

Bond Fund;
Refunding Fund; and
First Mortgage Bond Fund

Bond Fund

The moneys and investments held in the Bond Fund shall be applied, except as otherwise provided, solely to the payment of the principal of, redemption premiums, if any, and interest on the Bonds.

Refunding Fund

The moneys and investments held in the Refunding Fund shall be applied, except as otherwise provided, solely to the redemption of the Refunded Bonds.

First Mortgage Bond Fund

All payments, if any, made on the First Mortgage Bonds shall be deposited to the First Mortgage Bond Fund. Any funds in the First Mortgage Bond Fund shall be applied first to any amounts which the Company may be required to pay to the Trustee or the Paying Agent, as appropriate, for deposit in the Bond Fund, pending such application, shall be subject to a lien and charge in favor of the holders of the Bonds.

Application of Moneys – Priorities

As contemplated by and provided for in the Agreement, funds drawn under the Financial Guaranty Insurance Policy will be used only for the payment of principal of and interest on the Bonds, as provided in the Financial Guaranty Insurance Policy. If the Trustee collects any money pursuant to the provisions of the Agreement relating to default and limitations of liability, or if any moneys shall be on deposit in the Bond Fund at the time of the acceleration of the Bonds or shall be deposited into the Bond Fund as a result of such an acceleration, it shall pay out such moneys in the following order: first, to the Trustee for amounts to which it is entitled (provided, that if such money constitutes proceeds from the Financial Guaranty Insurance Policy, the Trustee shall only use such proceeds to pay the holders of the Bonds); second, to holders for amounts due and unpaid on the Bonds for

principal, premium and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal, premium and interest, respectively; third, to the Bond Insurer to the extent it certifies that moneys are owed to it under the Insurance Agreement between the Company and the Bond Insurer; and fourth, to the Company. The Trustee may fix a payment date for any payment to the Bondholders.

Events of Default

If any of the following events occur, it constitutes an "Event of Default" under the Agreement; provided that, in determining whether an Event of Default has occurred under paragraph (a) or (b), no effect shall be given to payments made on the Bonds pursuant to the Financial Guaranty Insurance Policy:

(a) Default in the due and punctual payment of interest on any Bond;

(b) Default in the due and punctual payment of the principal of, or premium, if any, on any Bond, whether at the stated maturity thereof, redemption thereof, or upon the acceleration thereof;

(c) Default in the due and punctual payment of the purchase price of any Bond required to be purchased in accordance with its terms;

(d) First Mortgage Bonds shall have been delivered in connection with the Bonds and a "default" as defined in the First Mortgage shall have occurred and be continuing;

(e) A trustee, receiver, custodian or similar official or agent shall be appointed for the Company or for any substantial part of its property and such trustee or receiver shall not be discharged within sixty (60) days;

(f) The Company shall commence a voluntary case under the federal bankruptcy laws, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property;

(g) The Company shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty (60) days; or

(h) An "Event of Default" as defined in the Insurance Agreement shall have occurred and be continuing;

(j) The Company or the Authority shall fail to observe or perform in any material way any covenant, condition, agreement or provision contained in the Bonds or in the Agreement on the part of the Company or the Authority to be performed other than those set forth in clause (a), (b), (c), (d), (e), (f), (g) or (h) of this section, and such failure shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Company and the Authority by the Trustee, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the holders of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds then outstanding, unless the Trustee and Bondholders of a principal amount of Bonds not less than the principal amount of the Bonds the Bondholders of which requested such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided however, that the Trustee and the Bondholders of such principal amount of Bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority or the Company on behalf of the Authority within such period and is being diligently pursued.

Remedies

Upon the occurrence and continuance of any Event of Default described in clause (a), (b), (c), (d), (e), (h) or (j) under "Events of Default" above, and further upon the condition that if any First Mortgage Bonds shall have

been delivered, all first mortgage bonds outstanding under the First Mortgage shall have become immediately due and payable in accordance with the terms of the First Mortgage, the Trustee may, with the consent of the Bond Insurer and, at the direction of the Bond Insurer or the Bondholders of not less than 25% in principal amount of the Bonds then outstanding with the consent of the Bond Insurer shall, by written notice to the Authority, the Bond Insurer and to the Company declare the Bonds to be immediately due and payable, whereupon, and upon the occurrence of an Event of Default as specified in clause (f) or (g) under "Events of Default" above without any further notice or action by the Trustee or the Authority, the Bonds shall, without further action, become and be immediately due and payable, any provisions of the Agreement or the Bonds to the contrary notwithstanding, and the Trustee shall give notice of acceleration to the Authority, and shall give notice thereof by mail to the Bondholders.

The provisions described in the preceding paragraph, however, are subject to the condition that if, after the principal of the Bonds shall have been so declared to be due and payable, and before any judgment or decree for the payment of moneys due shall have been obtained or entered as the Agreement provides, the Company or the Authority shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all the Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum specified in the Agreement) and such amounts as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee and any paying agent, tender agent and registrar, and all Events of Default under the Agreement other than nonpayment of the principal of Bonds which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Authority and the Company, and shall give notice thereof to the Bondholders; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon; provided, however, that if any First Mortgage Bonds shall have been delivered in connection with the Bonds, any waiver of "default" under the First Mortgage and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under the Agreement and a rescission and annulment of the consequences thereof, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Authority and the Company, and notice to the Bondholders in the same manner as a notice of redemption; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or Event of Default or impair any right or remedy consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal of and premium, if any, or interest on the Bonds or to enforce the performance of any provision of the Bonds or the Agreement. Notwithstanding anything to the contrary set forth in the Agreement, upon the occurrence and continuance of an Event of Default, so long as the Financial Guaranty Insurance Policy is in full force and effect and the Bond Insurer is not in default thereunder, the Bond Insurer shall be deemed to be the sole owner of all the Bonds with respect to the remedies and granting of waivers in the Agreement and shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Agreement, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Agreement, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of default.

Defeasance

If and when the whole amount of the principal, or Redemption Price and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Agreement by the Company on behalf of the Authority, including all fees and expenses of the Trustee and the Authority, then and in that case, the Agreement and the lien created by the Agreement shall be discharged and satisfied and the Authority shall be released from the covenants, agreements and obligations contained in the Agreement, and the Trustee shall assign and transfer to or upon the order of the Company all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and shall execute such documents as may be reasonably required by the Authority and the Company in this regard.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, all the covenants and promises in such Bonds and in the Agreement required or contemplated to be kept, performed and observed by the Authority (or by the Company on behalf of the Authority) or on its part on or prior to that time, then the Agreement shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Agreement and such lien and all covenants, agreements and other obligations under the Agreement shall cease, terminate, become void and be completely discharged as to such Bonds.

Notwithstanding anything in the Agreement to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Financial Guaranty Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by and the assignment and pledge of the Revenues and Funds and all rights to receive them and all covenants, agreements and other obligations under the Agreement to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Removal of Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, the Authority, the Company, the Remarketing Agent, the Auction Agent, each Broker-Dealer, and the Bond Insurer and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding. In addition, provided that no Event of Default, or event or circumstance which with the passage of time or the giving of notice could become an Event of Default, has occurred and is continuing, the Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Authority, the Trustee, the Remarketing Agent, the Auction Agent, each Broker-Dealer, the Bond Insurer and the Bondholders and signed by the Company, such removal to be effective only upon the acceptance of such appointment by a qualified successor Trustee. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the Trustee being removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee.

In addition, the Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth in the Agreement. Notwithstanding any other provision of the Agreement, no removal, resignation or termination of the Trustee or any paying agent shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

Supplemental Agreements

The Agreement may be modified or amended by supplemental agreements without consent of or notice to the Bondholders for any of the following purposes:

(i) to cure any ambiguity, defect or omission in the Agreement, or otherwise amend the Agreement, in such manner as shall not in the opinion of the Trustee impair the security of the Agreement;

(j) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(k) (i) to evidence any succession to the Authority and the assumption by its successor of the covenants, agreements and obligations of the Authority under the Agreement and the Bonds, (ii) to add additional covenants of the Authority, or (iii) to surrender any right or power in the Agreement conferred upon the Authority;

(l) to subject to the Agreement additional revenues, properties or collateral, which may be accomplished by, among other things, entering into instruments with the Company and/or other persons providing for further security, covenants, limitations or restrictions for the benefit of the Bonds;

(m) to modify, amend or supplement the Agreement or any Agreement supplemental to the Agreement in such manner as may be required to permit the qualification of the Agreement and thereof under the Trust

Agreement Act of 1939 or any similar federal statute hereafter in effect, and to add to the Agreement or any Agreement supplemental to the Agreement such other terms, conditions and provisions as may be required by said Trust Agreement Act of 1939 or similar federal statute;

(n) to amend any provision pertaining to matters under Federal income tax laws, including Section 148(f) of the Code;

(o) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Agreement regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(p) to increase or decrease the number of days specified for the giving of notices pertaining to mandatory tender and to make corresponding changes to the period for notice of mandatory tender of the Bonds; provided that no decreases in any such number of days shall become effective except while the Bonds bear interest at a Daily Rate or a Weekly Rate and until 30 days after the Trustee has given notice to the owners of the Bonds;

(q) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book Entry System for the Bonds;

(r) to evidence the succession of a new Trustee or the appointment by the Trustee or the Authority of a co trustee;

(s) to make any change related to the Bonds that does not materially adversely affect the rights of any Bondholder;

(t) prior to, or concurrently with, the conversion of the Bonds to an Auction Rate Period, to make any change appropriate or necessary with respect to the procedures, definitions or provisions related to the Auction Mode Rate in order to provide for or facilitate the marketability of Bonds in the Auction Mode Rate; and

(u) to make any other changes to the Agreement that take effect as to any or all remarketed Bonds following a mandatory tender.

Exclusive of supplemental agreements entered into for the purposes described in the preceding paragraphs, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds outstanding shall have the right, from time to time, to consent to and approve the execution by the Company, the Authority and the Trustee of such other agreement or agreements supplemental to the Agreement as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of terms or provisions contained in the Agreement or in any agreement supplemental to the Agreement; provided, however, that nothing in the Agreement contained shall permit, or be construed as permitting (i) without the consent of the holder of the affected Bond an extension of the maturity of the principal of or the interest on any Bond issued under the Agreement, or a reduction in the principal amount of, or redemption premium on, any Bond or the rate or rates of interest thereon, or (ii) without the consent of the holders of all Bonds outstanding a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental agreement.

Rights of the Bond Insurer

Notwithstanding anything in the Agreement to the contrary, for so long as the Financial Guaranty Insurance Policy shall be in full force and effect and provided that the Bond Insurer shall not have defaulted and is not continuing to default on its obligations under the Financial Guaranty Insurance Policy, (1) the Bond Insurer shall be deemed to be the sole owner of all Bonds for all purposes of the provisions in the Agreement relating to default by the Company and actions for protection of the Bondholders and (2) the Bond Insurer shall be deemed to be the sole owner of all Bonds at all times for the purpose of giving consent and direction when consent of the Bondholders is required by the Agreement, other than for the purpose of making amendments which pursuant to the Agreement require the unanimous written consent of the affected Bondholders. Provided that the Bond Insurer has not failed to

make a payment under the Financial Guaranty Insurance Policy, the following provisions shall apply with respect to the Bonds:

Consent of the Bond Insurer. Any provision of the Agreement expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer under the Agreement without the prior written consent of the Bond Insurer.

Consent of the Bond Insurer in lieu of Bondholder Consent. Unless otherwise provided in this section, the Bond Insurer's consent shall be required in lieu of Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental agreement or any amendment, supplement or change to or modification of the Agreement (ii) removal of the Trustee and selection and appointment of any successor trustee or paying agent, if any; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

Consent of the Bond Insurer in the Event of Insolvency. In the event of any reorganization or liquidation of the Company, the Bond Insurer shall have the right to vote on behalf of all Bondholders who hold the Bond Insurer-insured Bonds with respect to any plan of reorganization or liquidation for the Company absent a default by the Bond Insurer under the applicable Financial Guaranty Insurance Policy insuring such Bonds.

Consent of the Bond Insurer Upon Default. Anything in the Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Agreement, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Agreement, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of default.

Acceleration Rights. Upon the occurrence of an Event of Default, the Trustee may, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer or 25% of the Bondholders with the consent of the Bond Insurer, by written notice to the Company and the Bond Insurer, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Agreement or in the Bonds to the contrary notwithstanding.

Certain Information to be given to the Bond Insurer. The Bond Insurer shall have the right to direct an accounting at the Company's expense, and the Company's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default under the Agreement; *provided, however,* that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

Trustee Related Provisions.

(i) The Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth in the Agreement.

(ii) The Bond Insurer shall receive prior written notice of any Trustee or any paying agent resignation.

(iii) Every successor Trustee appointed pursuant to the Agreement shall be acceptable to the Bond Insurer. No paying agent shall be appointed pursuant to the Agreement unless the Bond Insurer approves such appointment in writing.

(iv) Notwithstanding any other provision of the Agreement, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Agreement, the Trustee shall consider the effect on the Bondholders as if there were no Financial Guaranty Insurance Policy.

(v) Notwithstanding any other provision of the Agreement, no removal, resignation or termination of the Trustee or any paying agent shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

The Bond Insurer As Third Party Beneficiary. To the extent that the Agreement confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Agreement, the Bond Insurer is explicitly recognized as being a third-party beneficiary under the Agreement and may enforce any such right, remedy or claim conferred, given or granted under the Agreement.

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APPENDIX C
PROPOSED OPINION OF BOND COUNSEL

Letterhead of Edwards Angell Palmer & Dodge LLP

January __, 2006

Hillsborough County Industrial
Development Authority
c/o Thomas K. Morrison
Morrison & Mills, P.A.
1200 West Platt, Suite 100
Tampa, Florida 33606

J.P. Morgan Securities Inc.,
as representative of the Underwriters
270 Park Avenue, 48th Floor
New York, New York 10017

The Bank of New York Trust
Company, N.A., as Trustee
10161 Centurion Parkway
Jacksonville, Florida 32256

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006 (the "Bonds")

We have acted as bond counsel in connection with the issuance by the Hillsborough County Industrial Development Authority (the "Authority") of the above-captioned Bonds. In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including the Loan and Trust Agreement dated as of January 5, 2006 (the "Agreement") among the Authority, Tampa Electric Company (the "Company") and The Bank of New York Trust Company, N.A., as Trustee (the "Trustee"). Terms not defined herein shall have the same meanings as set forth in the Agreement.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Authority and the Company contained in the Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the Company and others, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to the Agreement. Under the Agreement, the Company has agreed to make payments sufficient to pay when due the principal of, purchase price of and premium (if any) and interest on the Bonds. Such payments and other moneys payable to the Authority or the Trustee under the Agreement, including proceeds derived from any security provided thereunder (collectively, the "Revenues"), and the rights of the Authority under the Agreement to receive the same (excluding, however, certain administrative fees, indemnification and reimbursements), are pledged and assigned by the Authority to the Trustee as security for the Bonds. The Bonds are payable solely from the Revenues. The Bonds do not constitute a general obligation of the Authority nor are they a debt or pledge of the faith and credit of the State of Florida. Reference is hereby made to the Agreement and the Agreement for detailed statements of the rights and obligations (and limitations on liability, as the case may be) of the Authority, the Company, the Trustee and the owners of the Bonds.

We express no opinion with respect to compliance by the Company with applicable legal requirements in connection with the acquisition, construction, equipping, leasing or operation of the Project, or with the Agreement.

Reference is made to opinion of even date of Sheila M. McDevitt, Esq., counsel to the Company, with respect to, among other matters, the corporate existence of the Company, the power of the Company to carry out the Project being refinanced in part by the Bonds, the power of the Company to enter into and perform its obligations under the Agreement, and the authorization, execution and delivery of the Agreement by the Company.

Based on the foregoing, we are of the opinion that:

1. The Authority is a validly existing public body corporate and politic created under Florida Statutes §159.45, with all necessary power and authority to enter into and perform its obligations under the Agreement, the Purchase Contract and the Bonds.

2. The Agreement has been duly authorized, executed and delivered by the Authority and is a valid and binding obligation of the Authority enforceable against the Authority.

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special limited obligations of the Authority, payable solely from the Revenues.

4. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes, assuming continued compliance with certain covenants, and assuming the continued use of the Project as air or water pollution control facilities under the Code (as defined herein). In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion as to the status of interest on any Bond during any period while it is being held by a person who is a "substantial user" of the Project or a "related person" within the meaning of the Internal Revenue Code of 1954, as amended (the "Code"). Further, the Code and Title XIII of the Tax Reform Act of 1986 establishes certain requirements that must be continuously satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to remain excluded from gross income for federal income tax purposes. These requirements include restrictions on the use, expenditure and investment of bond proceeds and the payment of rebates, or penalties in lieu of rebate, to the United States. Failure to comply with these requirements may cause interest on the Bonds to become included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Company, and, to the extent necessary, the Authority have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under Florida Statutes §159.31, the Bonds, their transfer, and the income therefrom (including any profit on the sale thereof) will be free from taxation by the State of Florida or any local unit, political subdivision or instrumentality thereof, except for taxes imposed by Chapter 220, Florida Statutes, as amended, on interest, income or profits on debt obligations owned by corporations.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

APPENDIX D
FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Tampa Electric Company (the "Company") and The Bank of New York Trust Company, N.A. (the "Trustee") in connection with the issuance of $85,950,000 Hillsborough County Industrial Development Authority (Florida) Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (the "Bonds"). The Bonds are being issued and the proceeds thereof loaned to the Company pursuant to the Loan and Trust Agreement dated as of January 5, 2006 (the "Agreement") among the Hillsborough County Industrial Development Authority (the "Issuer"), the Company and the Trustee. The Company and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Company and the Trustee for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule. The Company and the Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Owner of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Company pursuant to, and as described in, Section 3 of this Disclosure Agreement.

"Dissemination Agent" shall mean the Company, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Company and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"State Repository" shall mean any public or private repository or entity designated by the State of Florida as a state information repository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

"Transmission Agent" shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each Repository. The current Transmission Agent is listed on Exhibit A attached hereto.

SECTION 3. Provision of Annual Reports.

(a) The Company shall, or shall cause the Dissemination Agent to, not later than May 31 of each year, commencing May 31, 2006, provide to each Repository a copy of the Company's Annual Report on Form 10-K for each fiscal year filed with the SEC (or any successor form adopted by the SEC) containing audited financial statements of the Company (or attaching thereto the annual report to shareholders if such information is incorporated by reference in such Form 10-K from such annual report). In the event that the Company no longer files such reports with the SEC under the Securities Exchange Act of 1934, as amended, it will deliver to each Repository within the time set forth in this paragraph, a copy of its audited financial statements, prepared in accordance with generally accepted accounting principles and operating data (within the meaning of the Rule), of the type incorporated by reference in the Official Statement dated January 10, 2006 with respect to the Bonds. The deliveries described in this paragraph may be accomplished by delivery of an instrument incorporating by reference material on file with the SEC. Not later than fifteen (15) business days prior to said date, the Company shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Company may be submitted, when available, separately from the balance of the Annual Report. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and the Company shall provide the audited financial statements as soon as practicable after the audited financial statements become available.

(b) If by fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Company, the Issuer and the Dissemination Agent and notify them that the Trustee has not received the Annual Report.

(c) If an Annual Report has not been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit B.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any (insofar as determinations regarding National Repositories are concerned, the Dissemination Agent or the Company, as applicable, may rely conclusively on the list of National Repositories maintained by the SEC); and

(ii) file a report with the Company, the Issuer and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Reporting of Material Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, to the extent known by the Company as applicable:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.

(vii) Modifications to rights of the security holders.

(viii) Bond calls.

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the securities.

(xi) Rating changes.

(b) Whenever the Company obtains knowledge of the occurrence of a Listed Event, if such Listed Event is material under applicable federal securities laws, the Company shall promptly report the occurrence pursuant to subsection (d).

(c) If such Listed Event is not material the Company shall not report the occurrence pursuant to subsection (d).

(d) If the Company has concluded that it must report the occurrence of a Listed Event to comply with the Rule, the Company shall, or shall cause the Dissemination Agent to, file a notice of such occurrence with the Repositories, the Trustee and the Issuer.

SECTION 5. Termination of Reporting Obligation. The Company's obligations under this Disclosure Agreement shall terminate upon the defeasance in accordance with the terms of the Agreement, prior redemption or payment in full of all of the Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Company and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Company's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Company and the original Company shall have no further responsibility hereunder.

SECTION 6. Dissemination Agent. The Company may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Company shall be the Dissemination Agent.

SECTION 7. Alternate Methods for Reporting. The Company may satisfy its obligation to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Company and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Company) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel, which may include bond counsel to the Issuer, expert in federal securities laws acceptable to both the Company and the Trustee to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Company and the Trustee may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Company or of the type of business conducted by the Company, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) (i) the Trustee receives an opinion of counsel, which may include bond counsel to the Issuer, expert in federal securities laws and acceptable to the

Trustee to the effect that, the amendment does not materially impair the interests of the Owners of Bonds or (ii) the amendment is consented to by the Owners of Bonds as though it were an amendment to the Agreement pursuant to Section 1202 of the Agreement. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

If the amendment pertains to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Company to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Company from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Company chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Company shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Company or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of Owners of Bonds representing at least 25% in aggregate principal amount of Outstanding Bonds, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Company or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Owner of Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Company or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Company or the Trustee to comply with this Disclosure Agreement shall be an action for specific performance of the defaulting party's obligations hereunder and not for money damages in any amount.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Agreement. The Dissemination Agent (if other than the Company) shall have only such duties as are specifically set forth in this Disclosure Agreement. The Company agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Company under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institution covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

SECTION 12. Obligations of Trustee. The Company and the Trustee hereby agree that the Trustee has no obligations hereunder to provide the Annual Report or any other information or any notices of the occurrence of Listed Events, regardless of whether the Trustee has actual knowledge thereof, to any person listed herein or otherwise; provided however, that the foregoing shall not limit in any respect the obligations of the Trustee under Section 3(b) hereof. The Trustee is a party hereto in order to allow the Trustee to enforce the Company's duties herein for the benefit of the Owners of the Bonds.

SECTION 13. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Company under this Disclosure Agreement shall obligate the Company to file any information regarding matters other than those specifically described in Section 4 hereof, nor shall any such filing constitute a representation by the Company or raise any inference that no other material events have occurred with respect to the Company or the Bonds or that all material information regarding the Company or the Bonds has been disclosed. The Company shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Company, the Trustee, the Dissemination Agent, and the Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Notices. Unless otherwise expressly provided, all notices to the Issuer, the Company, the Trustee, and the Dissemination Agent shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during a Business Day to such parties at the address specified in Section 1301 of the Agreement or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice.

SECTION 17. Governing Law. This instrument shall be governed by the laws of the State of Florida.

IN WITNESS WHEREOF, the parties have caused this Disclosure Agreement to be duly executed all as of the date hereof.

Date: January __, 2006

TAMPA ELECTRIC COMPANY

By:_____
Title:

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Trustee

By:_____
Title:

EXHIBIT A
NATIONAL REPOSITORIES

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
Fax: 212-771-7390
http://www.ftid.com
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

Transmission Agent

Disclosure USA
P.O. Box 684667
Austin, Texas 78768-4667
www.DisclosureUSA.org

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Hillsborough County Industrial Development Authority

Name of Issue: Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006
Date of Issuance: January __, 2006

NOTICE IS HEREBY GIVEN that the Company has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated January __, 2006 between the Company and the Trustee. The Company anticipates that the Annual Report will be filed by _____.

Dated:_____

TAMPA ELECTRIC COMPANY

cc: The Bank of New York Trust Company, N.A., as Trustee

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APPENDIX E
AUCTION PROCEDURES

The following is a summary of the Auction Procedures set forth in Exhibit C to the Agreement.

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ARTICLE I

DEFINITIONS

In addition to the words and terms elsewhere defined in this Official Statement, the following words and terms as used in this Appendix E and elsewhere in this Official Statement have the following meanings with respect to Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent.

"*Agent Member*" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"*All Hold Rate*" means, as of any Auction Date, 65% of the Reference Rate in effect on such Auction Date.

"*Auction*" means each periodic implementation of the Auction Procedures.

"*Auction Agent*" means the auctioneer appointed in accordance with Section 3.01 or 3.02 of this Appendix E.

"*Auction Agreement*" means an agreement among the Company, the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Appendix E with respect to the Bonds while bearing interest at an Auction Mode Rate, as such agreement may from time to time be amended or supplemented.

"*Auction Date*" means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Period, each Business Day, (ii) if the Bonds are in an Auction Period of 92 or more days, the last Business Day in such Auction Period and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); *provided, however*, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and *provided, further*, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Bonds is January 24, 2006.

"*Auction Mode Rate*" means the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Appendix E; *provided, however*, in no event may the Auction Mode Rate exceed the Maximum Interest Rate.

"*Auction Period*" means any period from one day to five years during which the Bonds bear interest at a single Auction Mode Rate, as established pursuant to the Agreement.

"*Auction Procedures*" means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this Appendix E.

"*Auction Rate*" means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, *provided, however*, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Interest Rate.

"*Authorized Denominations*" means $25,000 and integral multiples thereof, notwithstanding anything else in the Agreement to the contrary, so long as the Bonds bear interest at an Auction Mode Rate.

"*Available Bonds*" means on each Auction Date, the aggregate principal amount of Bonds that are not the subject of Submitted Hold Orders.

"*Bid*" has the meaning specified in subsection (a) of Section 2.02 of this Appendix E.

"*Bidder*" means each Existing Owner and Potential Owner who places an Order.

"*Broker-Dealer*" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Appendix E, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company, and that is a party to a Broker-Dealer Agreement with the Company and the Auction Agent.

"*Broker-Dealer Agreement*" means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Appendix E, as such agreement may from to time be amended or supplemented.

"*Business Day*" shall mean any day other than a Saturday or Sunday or other than a day on which commercial banks located in all of the cities in which the designated offices of the Trustee and each Broker-Dealer and the Principal Office of the Auction Agent are located are authorized by law or regulation to close or on which the New York Stock Exchange is closed.

"*Conversion Date*" means the date on which the Bonds begin to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Interest Rate.

"*Existing Owner*" means a Person who is listed from time to time as the beneficial owner of Bonds in the records of the Auction Agent.

"*Failed Auction*" means an Auction for which there were not Sufficient Clearing Bids.

"*Hold Order*" has the meaning specified in subsection (a) of Section 2.02 of this Appendix E.

"*Initial Period*" means the period from the date of original issuance of the Bonds to, but not including, January 25, 2006.

"*Interest Payment Date*" with respect to Bonds bearing interest at Auction Mode Rates, means January 25, 2006, and thereafter (a) when used with respect to any Auction Period of less than 92 days (other than a daily Auction Period), the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to an Auction Period of 92 or more days, each 13th Wednesday after the first day of such Auction Period or the next Business Day if such Wednesday is not a Business Day and on the Business Day immediately following such Auction Period, (d) each Conversion Date and (e) the Maturity Date.

"*Maximum Interest Rate*" means (i) 14% on the date hereof and (ii) to the extent the maximum rate permitted by applicable law shall become less than 14%, then the maximum rate permitted by applicable law.

"*Order*" means a Hold Order, Bid or Sell Order.

"*Potential Owner*" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

"*Principal Office*" means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Trustee and each Broker-Dealer.

"*Rating Agencies*" means Fitch, Moody's and S&P.

"*Reference Rate*" shall have the meaning specified in Section 2.07 of this Appendix E.

"*Securities Depository*" means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"*Sell Order*" has the meaning specified in subsection (a) of Section 2.02 of this Appendix E.

"*Submission Deadline*" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"*Submitted Bid*" has the meaning specified in subsection (b) of Section 2.04 of this Appendix E.

"*Submitted Hold Order*" has the meaning specified in subsection (b) of Section 2.04 of this Appendix E.

"*Submitted Order*" has the meaning specified in subsection (b) of Section 2.04 of this Appendix E.

"*Submitted Sell Order*" has the meaning specified in subsection (b) of Section 2.04 of this Appendix E.

"*Successful Auction*" means an Auction for which there were Sufficient Clearing Bids.

"*Sufficient Clearing Bids*" means an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Interest Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Interest Rate.

"*Winning Bid Rate*" means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate, subject to the All Hold Rate, would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

ARTICLE II

AUCTION PROCEDURES

Section 2.01. General Procedures. While the Bonds bear interest at the Auction Mode Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding each Auction Rate Period commencing after the ownership of the Bonds is no longer maintained in the Book-Entry System pursuant to the Agreement). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in this Appendix E.

Section 2.02. Orders by Existing Owners and Potential Owners. (a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a "*Hold Order*," an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "*Bid*," and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "*Sell Order*."

(b) (i) Subject to the provisions of Section 2.03 of this Appendix E, a Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as set forth in subsection (a)(v) of Section 2.05 of this Appendix E if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as set forth in subsection (b)(iv) of Section 2.05 of this Appendix E if such specified rate shall be higher than the Maximum Interest Rate and Sufficient Clearing Bids do not exist.

(ii) Subject to the provisions of Section 2.03 of this Appendix E, a Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (b)(iv) of Section 2.05 of this Appendix E if Sufficient Clearing Bids do not exist.

(iii) Subject to the provisions of Section 2.03 of this Appendix E, a Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (a)(vi) of Section 2.05 of this Appendix E if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not $25,000 or an integral multiple thereof shall be rounded down to the nearest $25,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee of an occurrence of an Event of Default resulting from the failure to pay the principal or interest on any Bond when due followed by the failure of the Bond Insurer to pay a proper claim under the Policy related to the Bonds, but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Event of Default or failure by the Bond Insurer to pay has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.03. Submission of Orders by Broker-Dealers to Auction Agent. (a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, with respect to each Order:

(i) the aggregate principal amount of Bonds, if any, that are the subject of such Order;

(ii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iii) to the extent such Bidder is a Potential Owner, the rate and amount specified in such Potential Owner's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner, and if the aggregate principal amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds held by such Existing Owner, the aggregate principal amount of Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of outstanding Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the aggregate principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) of this paragraph (ii), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) of this subsection (d);

(C) subject to clause (A) of this paragraph (ii), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount

of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) of this subsection (d); and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner at the rate specified therein; and

(iii) all Sell Orders shall be considered valid Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) of this subsection (d) and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) of this subsection (d).

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) None of the Authority, the Company, the Trustee, the Remarketing Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(g) Notwithstanding Section 2.02(b)(iii), a Bid may be revoked or amended prior to the Submission Deadline.

Section 2.04. Determination of Auction Mode Rate. (a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the All Hold Rate and the Reference Rate.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "*Submitted Hold Order*," a "*Submitted Bid*" or a "*Submitted Sell Order*," as the case may be, and collectively as a "*Submitted Order*") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) of this Section 2.04, the Auction Agent shall advise the Trustee and the Company by telex, facsimile or other electronic transmission of the Auction Rate for the next succeeding Auction Period and the Trustee shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period, and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the new Auction Period will be a seven-day Auction Period and

the Auction Mode Rate for the new Auction Period will be the same as the Auction Mode Rate for the preceding Auction Period. In the event an Auction Period is extended as set forth in clause (i) or (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

(e) In the event the Auction Procedures are suspended as provided in Section 2.02(c)(iv) of this Appendix E, the Auction Rate for the period from the date of such suspension until the next succeeding regularly scheduled Auction Period shall be the Maximum Interest Rate.

(f) In the event of a failed conversion from a Auction Mode Rate Determination Method to another Determination Method or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period or a failure to deliver a required Favorable Opinion of Tax Counsel, (i) if the preceding Auction Period was a period of one year or less, the new Auction Period shall be seven days (or if the seventh day is not followed by a Business Day then the new Auction Period shall be extended to the next succeeding day which is followed by a Business Day), and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than one year, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (i) or (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended, which new Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

(g) If the Bonds are not rated, the interest rate for the next Auction Period shall be the Maximum Interest Rate. If the Bonds are no longer maintained in book entry only form by the Securities Depository, the Auction Mode Rate shall be the interest rate for the preceding Auction Period. In both cases, the Auction Period shall be a seven day Auction Period.

Section 2.05. Allocation of Bonds. (a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted, and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in paragraph (i) of this subsection (a) or of Submitted Bids described in paragraphs (iii) and (iv) of this subsection (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in paragraph (i) of this subsection (a) or of Submitted Bids described in paragraph (iii), (iv) or (v) of this subsection (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Interest Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Interest Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Interest Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Bonds outstanding subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Interest Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) of this Section 2.05, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of $25,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of $25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) of this Section 2.05, any Potential Owner would be required to purchase less than $25,000 in principal amount of Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal

amount of Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of $25,000, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Section 2.06. Notice of Auction Rate. (a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following:

(i) the Auction Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.07. Reference Rate. (a) The Reference Rate on any Auction Date with respect to Bonds in any Auction Period of 35 days or less shall be the offered rate for deposits in U.S. dollars for a one-month period (LIBOR) which appears on the MoneyLine Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market. The Reference Rate with respect to Bonds in any Auction Period of more than 35 days shall be the rate on Treasury securities having a maturity which most closely approximates the length of the Auction Period, as last published in *The Wall Street Journal*. If either rate is unavailable, the Reference Rate shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

(b) If for any reason on any Auction Date the Reference Rate shall not be determined as hereinabove provided in this Section, the Reference Rate shall be the Reference Rate for the Auction Period ending on such Auction Date.

(c) The determination of the Reference Rate as provided herein shall be conclusive and binding upon the Authority, the Company, the Trustee, the Remarketing Agent, the Broker-Dealers, the Auction Agent and the Owners and Beneficial Owners of the Bonds.

Section 2.08. Miscellaneous Provisions Regarding Auctions. (a) In this Appendix E, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of the Agreement concerning the Auction Procedures and the definitions contained therein and described in this Appendix E, including without limitation the definitions of All Hold Rate, Interest Payment Date, Reference Rate and Auction Mode Rate, may be amended pursuant to the Agreement by obtaining the consent of the Bond Insurer and the owners of all Bonds bearing interest at a Auction Mode Rate, as follows. If, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the Bonds as required by the Agreement, (i) the Auction Mode Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Company and the Trustee an Opinion of Tax Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Bonds affected by such amendment.

(c) During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the

case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Existing Owner of such Bonds to that Broker-Dealer or another customer of that Broker Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this Section 2.08 if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. Changes in Auction Period or Auction Date. (a) Changes in Auction Period.

(i) During any Auction Rate Period, the Company, may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Company shall initiate the change in the length of the Auction Period by giving seven days' prior written notice to the Trustee, the Auction Agent, the Authority, the Broker-Dealers and the Securities Depository. If the change is from an Auction Period of one year or less to an Auction Period longer than one year, or vice versa, the Company shall also provide the Trustee with a Favorable Opinion of Tax Counsel as to such change in the Auction Period.

(ii) The change in the length of the Auction Period shall not be effective unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iii) The change in length of the Auction Period shall take effect only if (A) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period and (B) if the Favorable Opinion of Tax Counsel as to such change in the Auction Period, if required, is confirmed on the effective date of such change. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the conditions referred to in the first sentence of this paragraph (iii) are not met, the Trustee shall notify the Auction Agent and then (C) if the preceding Auction Period was a period of one year or less, the new Auction Period shall be seven days (or if the seventh day is not followed by a Business Day then the new Auction Period shall be extended to the succeeding day which is followed by a Business Day), and the Auction Mode Rate for the new Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (D) if the preceding Auction Period was a period of greater than one year, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day, then the Auction Period shall be extended to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (C) or (D) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period

as extended, which new Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Mode Rate shall be extended for more than 35 days. If, at the end of 35 days, the Auction Agent fails to calculate or provide the Auction Mode Rate, the Auction Mode Rate shall be the Maximum Interest Rate.

(iv) On the conversion date of the Bonds selected for conversion from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, at the written direction of the Company, shall specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Company shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Authority, the Auction Agent, the Broker-Dealers and the Securities Depository.

ARTICLE III

AUCTION AGENT

Section 3.01. Auction Agent. (a) The Auction Agent shall be appointed by the Company to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Authority and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02. Qualifications of Auction Agent; Resignation; Removal.

The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $30,000,000 or (b) a member of NASD having a capitalization of at least $30,000,000 and, in either case, authorized by law to perform all the duties and obligations imposed upon it by the Agreement and a member of or a participant in the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Agreement by giving at least 90 days notice to the Company, the Authority and the Trustee. The Auction Agent may be removed at any time by the Company by written notice, delivered to the Auction Agent, the Authority and the Trustee. Upon any such resignation or

removal, the Company shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Company. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Company, the Authority and the Trustee even if a successor Auction Agent has not been appointed.

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Robert J. Genader
President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill
Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

SPECIMEN

Ambac

Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

SPECIMEN

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President

Secretary

Authorized Representative

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In the ordinary course of their respective businesses, the Underwriters and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with the Company.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, as Bond Counsel. Sheila M. McDevitt, General Counsel for the Company, will pass upon certain legal matters for the Company. Certain legal matters will be passed upon for the Underwriters by Ropes & Gray LLP, Boston, Massachusetts, Counsel for the Underwriters, and for the Authority by Morrison & Mills, P.A., Tampa, Florida, Counsel for the Authority. Edwards Angell Palmer & Dodge LLP acted as counsel for the Company in connection with this offering and acts as counsel from time to time in matters for the Company and certain of its affiliates. Ropes & Gray LLP acts as counsel from time to time in matters for the Company and certain of its affiliates.

This Official Statement has been duly authorized, executed and delivered by the Authority.

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By: _____
Chairman

$85,950,000
HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
POLLUTION CONTROL REVENUE REFUNDING BONDS
(TAMPA ELECTRIC COMPANY PROJECT),
SERIES 2006

BOND PURCHASE AGREEMENT

January 18, 2006

On the basis of the representations, warranties and covenants contained in the Representation Letter (hereinafter defined) and in this Bond Purchase Agreement (the "Purchase Contract") and upon the terms and conditions contained in this Purchase Contract, J.P. Morgan Securities Inc., Merrill Lynch & Co. and Morgan Keegan & Company, Inc. (collectively the "Underwriters") hereby offer to purchase from the Hillsborough County Industrial Development Authority (Florida) (the "Authority") $85,950,000 aggregate principal amount of the Authority's Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (the "Bonds"), to be issued under and pursuant to a Loan and Trust Agreement to be dated as of January 5, 2006 (the "Agreement") among the Authority, Tampa Electric Company, a Florida corporation (the "Company"), and The Bank of New York Trust Company, N.A., as trustee (the "Trustee") for the purpose of refinancing certain pollution control facilities of the Company located in Hillsborough County, Florida (the "Project"). Capitalized terms used herein but not defined herein shall have the meaning assigned thereto in the Agreement.

This offer is made subject to your mutual acceptance and approval on or before 5:00 P.M., New York, New York time, on the date hereof.

SECTION 1. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE AUTHORITY. The Authority hereby represents and warrants to, and covenants and agrees with, each Underwriter and the Company that:

(a) The Authority is a public body corporate and politic, established, validly existing and in good standing as a public instrumentality under the laws of the State of Florida (the "State"). The Authority is authorized by the provisions of Part III of Chapter 159, Florida statutes, as amended (the "Act"), among other things, (i) to offer, issue, sell and deliver the Bonds, for the purpose of refunding the Refunded Bonds, (ii) to advance the proceeds of the Bonds to the Company, to be applied in accordance with the Agreement, to refund, pay and discharge the Refunded Bonds, (iii) to assign and pledge (with certain exceptions) its rights and interests under the Agreement as security for the payment of the principal of, premium, if any, and interest on the Bonds and to provide such other security for the Bonds as is set forth in the Agreement or as is contemplated herein, (iv) to enter into and perform its obligations under this Purchase Contract, the Bonds, the Agreement and any other instrument or agreement to which the Authority is a party and which has been executed in connection with the transactions contemplated by the foregoing documents in order to accomplish the foregoing transactions, *provided* that the Bonds are not and shall never become general obligations, debts or liabilities of

the Authority, but shall be payable solely and only in the manner and from the sources specified in the Agreement.

(b) The Authority has the full legal right, power and authority (i) to adopt the Bond Resolution, (ii) to execute and deliver this Purchase Contract and the Agreement, (iii) to offer, issue, sell and deliver the Bonds to the Underwriters as provided herein and (iv) to carry out and consummate all transactions contemplated by each of the aforesaid documents, and the Authority has complied with all provisions of the Constitution and laws of the State of Florida, including the Act, in all matters relating to such transactions, and any procedural rules of the Authority pertaining to the issuance and the sale of the Bonds. No (1) laws, rules or regulations applicable to the Authority, (2) laws, rules or regulations proposed or enacted by any governmental body, agency or department of the State of Florida, or (3) judgments, rulings or orders directly pertaining to the Authority issued by any court or administrative body prohibit or would have the effect of prohibiting the Authority from effecting the transactions contemplated hereby on the Closing Date.

(c) The information relating to the Authority under the caption "THE AUTHORITY" contained in the Official Statement dated January 10, 2006 (the "Official Statement"), which term includes Appendices A, B, C, D, E and F thereto (the "Appendices") and all documents incorporated in Appendix A by reference (such Appendix A and the documents incorporated therein by reference being herein referred to, collectively, as "Appendix A"), and any amendment or supplement to the Official Statement that may be authorized for use by the Authority with respect to the Bonds, at all times from the respective date thereof to and including the Termination of the Disclosure Period (as defined below), is, and as of the Closing Time (as defined below) will be, true and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances at the time made or deemed to be made, not misleading. During such period (not to exceed 90 days after the Closing Date, as hereinafter defined) as the Underwriters believe delivery of the Official Statement is necessary or desirable in connection with sales of the Bonds by the Underwriters or a dealer, if any event shall occur as a result of which, in the Underwriters' judgment, it is necessary to amend or supplement the Official Statement in order to make the statements therein, in the light of the circumstances at the time of delivery of the Official Statement to a purchaser, not misleading, the Authority will cooperate, at the Underwriters' request, in the preparation of either amendments or supplements to the Official Statement so that the statements in the Official Statement under the caption "THE AUTHORITY" as so amended or supplemented will not, in the light of the circumstances at the time of delivery of the Official Statement to a purchaser, be misleading. The end of the period (not to exceed 90 days after the Closing Date, as hereinafter defined) in which the Underwriters believe delivery of the Official Statement is necessary or desirable in connection with sales of the Bonds by the Underwriters or a dealer shall be referred to herein as the "Termination of the Disclosure Period".

(d) Except as provided herein, the Authority has duly authorized all action necessary to be taken by it or on its behalf for: (i) the offering, issuance, execution, sale and delivery of the Bonds upon the terms set forth herein and in the Official Statement; (ii) the use by the Underwriters of the Official Statement (with respect to which the Authority delivered a "deemed final" certificate for purposes of Rule 15c2-12 on or before the date of delivery to the

Underwriters), the approval of the Official Statement and the execution of the Official Statement by the Chairman of the Authority or such other authorized member or employee of the Authority as may be satisfactory to the Underwriters; (iii) the advance of the Bond proceeds in accordance with the Agreement in order to provide funds for the payment and discharge of the Refunded Bonds; (iv) the execution, delivery and acceptance by the Authority of this Purchase Contract and the Agreement (this Purchase Contract, the Bonds and the Agreement being hereinafter referred to, collectively, as the "Authority Documents") and any and all such other agreements and documents as may be required to be executed, delivered and accepted by the Authority in order to carry out, give effect to, and consummate the transactions contemplated by the Official Statement and the Authority Documents; (v) the adoption of the Bond Resolution; and (vi) the carrying out, giving effect to, and consummation of the transactions contemplated by the Authority Documents and by the Official Statement; *provided* that no representation is made with respect to the compliance with the securities or "Blue Sky" laws of the various states of the United States. All consents and approvals necessary to be obtained by the Authority in connection with the foregoing have been received, and the consents or approvals so received are still in force and effect.

(e) The Agreement shall be in the form heretofore submitted to and approved by the Underwriters, with only such changes therein or modifications thereof as the Underwriters, the Company and the Authority shall mutually agree upon. The Bonds, when issued, delivered and paid for as herein and in the Agreement provided, will have been duly authorized and issued by the Authority.

(f) The Bond Resolution has been duly adopted by the Authority, is in full force and effect, and constitutes the legal, valid and binding act of the Authority, and each of the Authority Documents, when executed and delivered, will constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally.

(g) The Bonds have been duly and validly authorized and, when delivered to the Underwriters, the Bonds will have been duly authorized, executed, authenticated, issued and delivered in conformity with the laws of the State, including the Act, and will be entitled to the benefit and security of the Agreement.

(h) The Authority will deposit the proceeds from the sale of the Bonds in accordance with the Agreement.

(i) The adoption of the Bond Resolution, the execution and delivery by the Authority of this Purchase Contract, and the consummation of the transactions contemplated herein or in the other Authority Documents, do not and will not conflict with, or constitute on the part of the Authority a violation of, or a breach of or default under, (i) any statute, indenture, mortgage, commitment, note, or other agreement or instrument to which the Authority is a party or by which it is bound, (ii) any provision of the Constitution of the State or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the Authority (or any of its members or employees in their respective capacities as such) is subject.

(j) Other than the Authority Documents, and certain documents relating to the Refunded Bonds, the Authority has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Project.

(k) There is no action, suit, proceeding, inquiry or investigation pertaining to the Authority, at law or in equity, before or by any court, public board or body, pending or, to the best knowledge of the Authority, threatened, which in any way questions the powers of the Authority referred to in Section 1(b) hereof, or the validity of any proceeding taken by the Authority in connection with the issuance of the Bonds, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Purchase Contract, or of any other document or instrument required or contemplated by this financing, or which, in any way, could adversely affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, this Purchase Contract or the other Authority Documents, or which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes or in any other way questions the status of the Bonds under federal or state income tax laws or regulations; provided, however, that interest on the Bonds being subject to federal alternative minimum tax shall not be deemed to be a breach of this representation.

(l) Any certificate signed by any member or employee of the Authority and delivered to the Underwriters or the Company shall be deemed a representation and warranty by the Authority to the Underwriters or the Company, as the case may be, as to the truth of the statements therein contained.

(m) The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certifications may not be relied upon.

(n) The Authority will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Agreement.

(o) The Authority agrees to cooperate with the Underwriters and Counsel to the Underwriters (as defined below) in any manner the Underwriters reasonably request in connection with the qualification of the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States as the Underwriters may reasonably designate and the determination of the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and the Authority agrees to cooperate in maintaining such qualifications in effect so long as required for the distribution of the Bonds; *provided, however,* that the Authority shall not be required to execute a general consent to local service of process in any state or jurisdiction where it is not now subject nor to waive its governmental or sovereign immunity. It is understood that the Authority is not responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws. The Authority consents to the use of the Authority Documents by the Underwriters in the course of their efforts to qualify the Bonds under the securities or "Blue Sky" laws of the various jurisdictions.

(p) If between the date of this Purchase Contract and the Termination of the Disclosure Period, any event relating to the Authority shall have occurred or shall occur which might or would cause the Official Statement, as then amended or supplemented, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances at the time, not misleading, the Authority shall immediately notify the Underwriters and the Company thereof, and if such event, or any other event which may come to the Underwriters' attention, requires, in the opinion of the Underwriters or the Company, the preparation and publication of a supplement or amendment to the Official Statement as then amended or supplemented, the Authority will supplement or amend the Official Statement as then amended or supplemented in a form and in a manner approved by the Underwriters and the Company and will cooperate in the distribution thereof. The Authority agrees that all amendments or supplements to the Official Statement, including those due to the incorporation by reference therein of documents filed by the Company with the Securities and Exchange Commission (the "SEC"), will be prepared by the Company and, except for amendments or supplements due to incorporation by reference therein of documents filed by the Company with the SEC, will be furnished to the Authority, the Underwriters and Counsel to the Underwriters for review prior to being effected. No amendment or supplement to the Official Statement may be made without the consent of the Authority, except for amendments or supplements due to incorporation by reference therein of documents filed by the Company with the SEC.

(q) The Authority will not knowingly take or omit to take any action, the taking or omitting of which may adversely affect the exclusion from gross income for purposes of federal income tax of the interest on the Bonds under the Internal Revenue Code of 1986, as amended (the "Code").

(r) The Authority has not failed at any time during the five-year period ending on the date hereof to comply with the requirements of any continuing disclosure agreement undertaken or entered into pursuant to Rule 15c2-12.

All representations, warranties and agreements of the Authority shall survive the Closing Date, the sale by the Authority to the Underwriters and the resale by the Underwriters of the Bonds and shall remain operative and in full force and effect regardless of any investigations made by or on the Underwriters' behalf, and shall survive the delivery of the Bonds.

SECTION 2. PURCHASE, SALE AND DELIVERY OF THE BONDS.

(a) On the basis of the representations and warranties contained herein, in the Representation Letter and in the other agreements referred to herein and subject to the terms and conditions herein set forth, at the Closing Time the Authority agrees to sell to the Underwriters, and the Underwriters agree to purchase from the Authority, the Bonds at a purchase price of $85,950,000, such purchase price being 100% of the principal amount thereof. The aggregate principal amount of the Bonds, the date of the Bonds, the maturity date, the initial interest rate and the public offering price of the Bonds are set forth in Schedule A attached hereto. The Bonds shall bear interest at such initial interest rate from the date thereof until, but not including, January 25, 2006, and thereafter bear interest at the Auction Mode Rate for each Auction Period thereafter as provided in the Agreement until such time, if any, as a different interest rate

Determination Method becomes effective under the Agreement. The Underwriters agree to make a bona fide public offering of all the Bonds at a price not in excess of the initial public offering price, as set forth in Schedule A attached hereto. On or before the date of the Closing, the Underwriters shall furnish to the Authority a certificate reasonably acceptable to Edwards Angell Palmer & Dodge LLP signed by J.P. Morgan Securities Inc. on behalf of the Underwriters establishing the issue price of the Bonds for purposes of Section 148 of the Code, stating that it is reasonably expected that the present value of the bond insurance premium to be paid by the Company with respect to the Bonds will be less than the present value of the interest expected to be saved as a result of obtaining the bond insurance, and stating that the Authority, the Company and Edwards Angell Palmer & Dodge LLP may rely on such certification for purposes of determining compliance with Sections 148 and 149 of the Code.

(b) The Bonds shall be issued pursuant to and secured as provided in the Agreement, and the Bonds shall have the maturity and interest rates and be subject to purchase and redemption as set forth in the Agreement and the Official Statement.

(c) Payment for the Bonds shall be made by wire transfer in immediately available funds to the Trustee for the account of the Authority, payment of compensation to the Underwriters shall be made by wire transfer of immediately available funds and the documents hereunder shall be delivered at the offices of Edwards Angell Palmer & Dodge LLP, 111 Huntington Avenue at Prudential Center, Boston, MA 02199-7613 at 9:00 a.m., Boston, Massachusetts time, on January 19, 2006, or such other place or time and date as the Underwriters, the Authority and the Company shall mutually agree upon in writing. The date of such delivery and payment is herein called the "Closing Date," and the hour and date of such delivery and payment is herein called the "Closing Time."

(d) The delivery of the Bonds shall be made in definitive form, bearing a CUSIP number (provided neither the printing of a wrong number on the Bonds nor the failure to print a number thereon shall constitute cause to refuse delivery of the Bonds), as a single typewritten Bond registered initially to Cede & Co., as nominee for The Depository Trust Company ("DTC"), and deposited with the Trustee as custodian for DTC. The Bonds shall be available for examination at the offices of Edwards Angell Palmer & Dodge LLP in Boston, Massachusetts, by the Underwriters on the day prior to the Closing Date. The Closing will be a Fully Automated Securities Transaction (a "FAST Closing") and the Bonds will be held in safe custody by the Trustee, as custodian of DTC.

SECTION 3. CONDITIONS TO THE UNDERWRITERS' OBLIGATIONS. The Underwriters' obligations hereunder shall be subject to the due performance by the Authority of its obligations and agreements to be performed hereunder at or prior to the Closing Time and to the accuracy of and compliance with the representations and warranties of the Authority contained herein, as of the date hereof and as of the Closing Time, and are also subject to the following conditions:

(a) The Bonds, the Agreement, the Auction Agreement dated as of January 5, 2006 (the "Auction Agreement") among the Company, the Trustee and The Bank of New York, as Auction Agent (the "Auction Agent"), the separate Broker-Dealer Agreements (the "Broker-Dealer Agreements") each dated as of January 5, 2006 and among the Company, the Auction

Agent and each of the Underwriters, as Broker-Dealers, the Continuing Disclosure Agreement between the Trustee and the Company to be dated January 5, 2006 (the "Continuing Disclosure Agreement") and this Purchase Contract shall have been duly authorized, issued, executed, authenticated and delivered, as the case may be, in the form heretofore approved by the Underwriters with only such changes therein as the Underwriters, the Authority and the Company shall mutually agree upon.

(b) At the Closing Time, the Underwriters (and the Authority in the case of (i)(A), (B) and (C) below) shall receive:

(i) The opinions, dated as of the Closing Date, and satisfactory in form and substance to the Underwriters and Counsel to the Underwriters of (A) Edwards Angell Palmer & Dodge LLP, Bond Counsel, (B) Sheila M. McDevitt, Counsel to the Company, (C) Morrison & Mills, P.A., Counsel to the Authority, and (D) Ropes & Gray LLP, Counsel to the Underwriters;

(ii) Evidence, reasonably satisfactory to the Underwriters, that the Representation and Indemnity Agreement of even date herewith from the Company to the Authority and the Underwriters (the "Representation Letter"), in the form submitted to and approved by the Underwriters, has been duly authorized, executed and delivered, has not been amended, modified or rescinded and is in full force and effect as of the Closing Time;

(iii) A certificate, reasonably satisfactory to the Underwriters, of the Chairman or Vice Chairman of the Authority, and attested by the Secretary or Assistant Secretary of the Authority or any other duly authorized officer of the Authority reasonably satisfactory to the Underwriters, dated as of the Closing Date, to the effect that: (A) the Authority has duly performed all of its obligations to be performed at or prior to the Closing Time pursuant to this Purchase Contract and that each of the representations and warranties of the Authority contained herein is true and correct as of the Closing Time; (B) the Authority has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Agreement and any and all such other agreements and documents as may be required to be executed, delivered and received by the Authority in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Agreement and the Official Statement; (C) except as described in the Official Statement, to his knowledge no litigation is pending or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds, the Agreement or the existence of the Authority or powers of the Authority to loan the proceeds of the Bonds to the Company to refinance the Refunded Bonds; and (D) the execution and delivery of the Agreement and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby, and the compliance by the Authority with the provisions thereof will not conflict with or constitute on the part of the Authority a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement or other instrument to which the Authority is subject or by which it is or may be bound; provided that no representation or warranty is made as to any securities regulation or registration law of any state or of the United States of America;

(iv) A certificate, reasonably satisfactory in form and substance to the Underwriters and the Authority, of the President or any Vice President and the Secretary or

Assistant Secretary of the Company, dated as of the Closing Date, to the effect that (A) the Company has performed all of its obligations to be performed under the Agreement at or prior to the Closing Time and (B) the Agreement, the Continuing Disclosure Agreement and the Representation Letter have not been amended, modified or rescinded and are in full force and effect, and the representations and warranties contained therein are true and correct in all material respects, as of the Closing Time;

(v) Certification as to arbitrage and other tax matters executed by the Authority and the Company, in form and substance satisfactory to Bond Counsel;

(vi) Executed copies of the Agreement, the Auction Agreement, the Broker-Dealer Agreements and the Continuing Disclosure Agreement;

(vii) A letter on and dated the Closing Date of PricewaterhouseCoopers LLP, satisfactory in form and substance to the Underwriters, (i) confirming that with respect to the Company they are independent public accountants within the meaning of the Securities Act of 1933, as amended ("1933 Act"), and the applicable published rules and regulations of the SEC thereunder and (ii) as of a date not more than five business days prior to the date thereof, covering such other matters as the Underwriters may reasonably request;

(viii) Evidence of authority of the Trustee to act under or pursuant to the Agreement and the Auction Agreement and a certificate of the Trustee as to the due authentication and delivery of the Bonds by the Trustee;

(ix) A certificate of the Auction Agent dated the date of Closing, as to the authority of the Auction Agent to act under or pursuant to the Auction Agreement and the Broker-Dealer Agreements;

(x) A specimen of the Policy together with an opinion of counsel to the Bond Insurer, dated the date of Closing, in form and substance satisfactory to the Underwriter and a certificate of the Bond Insurer in customary form;

(xi) A certified copy of the Bond Resolution;

(xii) Certified copies of all resolutions of the Company relating to the Bonds;

(xiii) A copy of the executed Information Return for Tax-Exempt Private Activity Bond Issues, Form 8038 in proper form for filing with the Internal Revenue Service;

(xiv) Evidence, satisfactory to the Underwriters, that the Bonds have been rated "Aaa", "AAA" and "AAA" by Moody's Investors Service, Inc., Standard & Poor's Ratings Group, a Division of the McGraw-Hill Companies, Inc. and Fitch, Inc., respectively, based on the delivery of the Policy; and

(xv) Such additional certificates and other documents as the Underwriters or Bond Counsel may reasonably request to evidence performance of or

compliance with the provisions of this Purchase Contract and the transactions provided for herein, all such certificates and other documents to be reasonably satisfactory in form and substance to the Underwriters and Bond Counsel.

(c) The Underwriters shall have the right to cancel their obligations hereunder to purchase the Bonds by notifying the Authority and the Company in writing or by telegram of their election to do so between the date hereof and the Closing Time if at any time hereafter and prior to the Closing Time:

(i) (A) legislation shall be enacted by the House of Representatives or the Senate of the Congress of the United States, or recommended by the President of the United States to the Congress of the United States for passage, or favorably reported for passage to either the House of Representatives or the Senate by any committee of either body to which such legislation has been referred for consideration (including amendments, if any, to such legislation so reported if proposed or announced by such committee, its chairman, the conference committee or its chairman); (B) a decision shall be rendered by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States; (C) a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed, which has the purpose or effect of imposing federal income taxation on the interest to be paid on the Bonds; or (D) any other event shall have occurred which results in (1) the imposition of federal income taxation upon revenues or other income of the general character to be derived by the Authority or by any similar body or upon interest received on obligations of the general character of the Bonds, which legislation fails to exempt interest on bonds of the specific character of the Bonds; (2) an increase in the rate or incidence of alternative minimum taxation thereon; or (3) in connection with the ownership of the Bonds, the denial of any deduction or the inclusion in gross income of other income which would otherwise be excluded from gross income for purposes of federal income taxation; and which legislation, decision, ruling, regulation order or event, in the Underwriters' opinion, shall materially adversely affect the marketability of the Bonds or the marketability generally of obligations of the general character of the Bonds;

(ii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or any governmental body, department or agency in the State, or a decision by a court established under Article III of the Constitution of the United States or any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Underwriters, is likely to result in a situation having a material adverse effect on the market price of the Bonds;

(iii) a stop order, ruling, regulation or official statement by, or on behalf of, the SEC shall be issued or made to the effect that the issuance, offering or sale of the Bonds is or would be in violation of any provision of the 1933 Act, or of the Securities Exchange Act of 1934, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act");

(iv) legislation shall be enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court established

under Article III of the Constitution of the United States shall be rendered, or a ruling or regulation by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the 1933 Act or of the Trust Indenture Act;

(v) any event shall have occurred, or information shall have become known, which makes untrue or incorrect, in any material respect, any statement or information contained in the Official Statement, including Appendix A, as in its form on the date hereof, or which is not reflected in such Official Statement, including Appendix A, but should be reflected therein, for the purpose for which the Official Statement, including Appendix A, is to be used to make the statements and information contained therein, in light of the circumstances in which they were made, not misleading in any material respect;

(vi) any rating of the Bonds shall have been downgraded or withdrawn by a national rating service;

(vii) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, with respect to the extension of credit by the Underwriters, or the charge to the net capital requirements of the Underwriters; or

(viii) in the reasonable judgment of the Underwriters, the marketability of the Bonds, or the marketability generally of obligations of the general character of the Bonds, might be materially adversely affected because: (A) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (B) a general banking moratorium shall have been established by federal, New York or Florida authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (C) any outbreak or escalation of any war or major hostilities involving the United States, or any other national or international calamity or emergency shall have occurred, or any conflict involving the armed forces of the United States shall have escalated to such a magnitude as to affect materially and adversely the Underwriters' ability to market the Bonds; (D) trading in securities shall have been suspended or materially limited on the New York Stock Exchange or any setting of minimum or maximum prices for trading on any such exchange or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; or (F) any change in United States or international financial, political or economic conditions, the effect of which is so adverse and material as to make it impractical or inadvisable to proceed with completion of the issuance or the sale of and payment for the Bonds.

SECTION 4. CONDITIONS OF THE AUTHORITY'S OBLIGATIONS. The Authority's obligations hereunder are subject to the performance by the Underwriters of their obligations hereunder and the further condition that at the Closing Time the Authority shall have received the opinions described in Section 3(b)(i) (A), (B) and (C) hereof.

SECTION 5. REPRESENTATIONS AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties and agreements of the Authority shall remain

operative and in full force and effect regardless of any investigations made by or on behalf of the Underwriters, and shall survive delivery of the Bonds to the Underwriters.

SECTION 6. PAYMENT OF EXPENSES.

(a) The Authority and the Underwriters shall be under no obligation to pay, and the Company has separately agreed to pay, all expenses of providing the Bond Counsel opinion required by paragraph 3(b)(i)(A) hereof.

(b) The Authority shall be under no obligation to incur any expenses or to pay any expenses incurred by the Underwriters in connection with the offering and sale of the Bonds.

SECTION 7. TRUTH-IN-BONDING. The Authority is proposing to issue $85,950,000 of debts or obligations for the purpose of refinancing the Refunded Bonds. These debts or obligations are expected to be repaid over a period of approximately 28.867 years. The Bonds are initially issued as variable rate auction bonds and at an assumed estimated true interest cost of 2.67%, the total interest paid over the life of the debt or obligation will be $67,207,678.90. The source of repayment or security for these proposed debts are payments to be made by the Company pursuant to the Agreement. Authorizing these debts or obligations will result in no monies of the Authority not being available to finance other services of the Authority in any year.

The above statements are for informational purposes only and shall not guarantee, affect or control the actual terms and conditions of the Bonds.

SECTION 8. USE OF OFFICIAL STATEMENT; SECURITIES LAWS. The Authority hereby ratifies and confirms its authorization of the use by the Underwriters of, and will cooperate in the preparation of, the Official Statement in connection with the sale of the Bonds. The Authority agrees to provide, or to cause the Company to provide, to the Underwriters copies of the Official Statement in such quantity as the Underwriters have reasonably requested within seven business days of the date hereof (or within such shorter period as the Authority, the Company and the Underwriters may agree), but in no event later than the Closing Date. The Underwriters agree to comply with the applicable provisions of the 1933 Act and any applicable state Blue Sky laws in connection with the offer and sale of the Bonds.

SECTION 9. MEMBERS OF AUTHORITY NOT LIABLE. No covenant, stipulation, representation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, representation, obligation or agreement of any present or future member, agent or employee of the Authority in his individual capacity, and neither the members of the Authority nor any official executing this document shall be subject to any personal liability or accountability by reason of the execution by the Authority or such members hereof.

SECTION 10. NOTICE. Any notice or other communication to be given to the Authority under this Purchase Contract may be given by mailing or delivering the same in writing to the Hillsborough County Industrial Development Authority, c/o Thomas K. Morrison, Morrison & Mills, P.A., 1200 West Platt, Suite 100, Tampa, Florida 33606; and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given

by mailing or delivering the same in writing to J.P. Morgan Securities Inc. at 270 Park Avenue, 48th Floor, New York, New York 10017, Attention: Public Finance.

SECTION 11. APPLICABLE LAW; NONASSIGNABILITY. This Purchase Contract shall be governed by the laws of the State of Florida. This Purchase Contract shall not be assigned by the Authority or by the Underwriters without the prior consent of the other party.

SECTION 12. SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Purchase Contract shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Purchase Contract and shall in no way affect the validity or enforceability of the other provisions of this Purchase Contract or of the rights of the parties hereto.

SECTION 13. EXECUTION OF COUNTERPARTS. This Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(The remainder of this page has been intentionally left blank.)

IN WITNESS WHEREOF the parties have caused this Bond Purchase Agreement to be executed in their respective names by officers duly appointed to do so, and their respective seals to be affixed where appropriate, as of the dates indicated.

J.P. MORGAN SECURITIES INC.

By_____
Title: Vice President

MERRILL LYNCH & CO.

By_____
Title: Vice President

MORGAN KEEGAN & COMPANY, INC.

By_____
Title: First Vice President

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By_____
Title: Chairman

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By_____
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By_____
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By_____
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By_____
Title: Vice President

MERRILL LYNCH & CO.

By_____
Title: Vice President

MORGAN KEEGAN & COMPANY, INC.

By_____
Title: First Vice President

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By M. D. Luetzgert
Title: Chairman

SCHEDULE A

HILLSBOROUGH COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project),
Series 2006

(a) Aggregate principal amount of the Bonds — $85,950,000

(b) Date of the Bonds — January 19, 2006

(c) Date of maturity — December 1, 2034

(d) Initial interest rate — 2.80%

(e) Public offering price — 100%

Morrison & Mills, P.A.

ATTORNEYS AT LAW
1200 WEST PLATT STREET
SUITE 100
TAMPA, FLORIDA 33606

THOMAS K. MORRISON
FREDERICK J. MILLS
KAREN J. PREVATT *
W. GRAY DUNLAP, JR.
KEVIN G. BRICK
SHAUN PURI

TELEPHONE (813) 258-3311
TELECOPIER (813) 258-3209
* LLM IN TAXATION

January 19, 2006

Hillsborough County Industrial
Development Authority
Tampa, Florida 33601

Tampa Electric Company
702 Franklin Street
Tampa, Florida 33602

J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Edwards Angell Palmer & Dodge LLP
111 Huntington Avenue
Boston, Massachusetts 02199

Merrill Lynch & Co.
4 World Financial Center
North Tower, 9th Floor
New York, New York 10080

The Bank of New York Trust Company, N.A.,
as Trustee
10161 Centurion Parkway
Jacksonville, Florida 32256

Morgan Keegan & Company, Inc.
2210 N.W. 40th Terrace, Suite A
Gainesville, Florida 32605

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004

The Bank of New York Trust Company, N.A.,
as Auction Agent
101 Barclay, 7 West
Corporate Trust, Dealing and Trading Unit
New York, New York 10286

Re: $85,950,000 Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006

Ladies and Gentlemen:

As counsel for the Hillsborough County Industrial Development Authority (the "Issuer"), we are authorized to furnish opinions that may be required in connection with the sale and issuance by the Issuer of $85,950,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (the "Bonds") pursuant to a Loan and Trust Agreement dated as of January 5, 2006 (the "Agreement") among the Issuer, The Bank of New York Trust Company, N.A., as trustee (the "Trustee") and Tampa Electric Company (the "Company"). In our capacity as counsel for the Issuer, we have examined the following:

(a) A certified copy of the resolution adopted by the Issuer on January 5, 2006 (the "Resolution") in connection with the issuance by the Issuer of the Bonds pursuant to and under the provisions of the Constitution of the State of Florida, the Florida Industrial Development Financing Act, Parts II and III of Chapter 159, Florida Statutes (the "Act"), a resolution of the Board of

County Commissioners of Hillsborough County, Florida (the "Commissioners") adopted on October 27, 1971, organizing the Hillsborough County Industrial Development Authority (the "Organizing Resolution"), and other applicable provisions of law;

(b) Counterparts of the Agreement, pursuant to and in accordance with the provisions of which the Bonds are issued;

(c) Counterparts of the Bond Purchase Agreement dated January 18, 2006 (the "Bond Purchase Agreement") among the Issuer and J.P. Morgan Securities Inc., Merrill Lynch & Co. and Morgan Keegan & Company, Inc., as purchasers (the "Purchasers");

(d) Counterparts of the Representation and Indemnity Agreement among the Issuer, the Company and the Purchasers; and

(e) Such other public records, documents and proceedings as we have deemed relevant and necessary in rendering this opinion.

In addition to the foregoing, we attended a meeting of the Commissioners held on January 5, 2006, whereat the Commissioners, by motion duly made and seconded adopted by affirmative vote of a majority of the Commissioners present, approved the issuance of the Bonds (the "Approving Motion"), and together with the Organizing Resolution, the "Commissioners' Approvals.

Based on the foregoing, we are of the opinion that:

1. The Issuer is a public body corporate and politic of the State of Florida. Pursuant to the Act, the Issuer is empowered to issue the Bonds and to use the proceeds thereof for the purpose of refunding all of the $85,950,000 aggregate principal amount of the Issuer's Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 1994, and to assign to the Trustee the payments and certain other amounts derived from the Agreement out of which the Bonds are payable.

2. The issuance, execution and delivery of the Bonds by the Issuer and the execution and delivery of the Agreement and the Bond Purchase Agreement, and the performance by the Issuer of its obligations with respect thereto, will not contravene any provisions of Florida law or any judgment, order, decree or regulation of any court or any public or governmental agency or authority of the State of Florida applicable to the Issuer, and will not result in any breach of, or constitute a default under any agreement or instrument to which the Issuer is a party or by which the Issuer is bound.

3. The Issuer has the right and power to adopt the Resolution, and the Resolution has been duly adopted by the Issuer and as of the date hereof is in full force and effect in the form in which adopted.

4. The Commissioners have the right and power to adopt the Commissioners' Approvals, and the Commissioners' Approvals have been duly adopted by the Commissioners and as of the date hereof are in full force and effect in the form in which they were adopted.

5. To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to our

knowledge, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Agreement and the Bond Purchase Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated by the Agreement or the Bond Purchase Agreement.

6. The Issuer has taken the actions that constitute all of the action necessary to duly authorize the issuance and sale of the Bonds and to authorize the transactions contemplated by the Agreement and the Bond Purchase Agreement, and the Bonds have been duly executed and issued and constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms payable solely from the payments made by the Borrower pursuant to the Agreement and other moneys in the funds and accounts held under the Agreement. The Issuer has no taxing power. Neither the general credit of the issuer nor the general credit or taxing power of Hillsborough County, the State of Florida or any political subdivision thereof is pledged for the payment of the principal, premium, if any, or interest on the Bonds.

7. The Agreement and the Bond Purchase Agreement have been duly authorized, executed and delivered by the Issuer, and the Agreement and the Bond Purchase Agreement represent the valid and legally binding agreements of the Issuer enforceable in accordance with their respective terms.

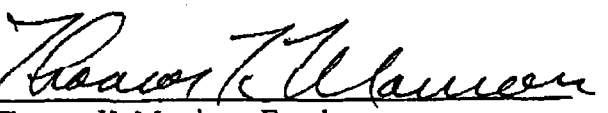
The opinions expressed in this letter are generally qualified as follows:

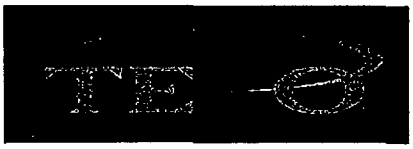
A. The obligations of the Issuer, and the enforceability thereof, with respect to the documents described above are subject, in part, to the provisions of bankruptcy laws of the United States of America and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. Certain of the obligations, and the enforcement thereof, contained in the Agreement and the Bond Purchase Agreement are also subject to general equity principles which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents.

B. All opinions are predicated upon present laws, facts and circumstances, and we assume no affirmative obligations to updated the opinions if such laws, facts or circumstances change after the date of this opinion.

C. We do not express any opinions concerning any law other than the laws of the State of Florida. No opinion is expressed as to the requirements of any federal laws which may govern the issuance, offering and sale of the Bonds, except as specifically set forth in this letter, or which may govern the exclusion from income for federal income tax purposes of the interest on the bonds. No opinion is given regarding the applicability of or compliance with Blue Sky or state securities laws of such jurisdictions as may require compliance therewith in connection with the offer and sale of the Bonds.

Morrison & Mills, P.A.

By: 
Thomas K. Morrison, Esquire



TAMPA ELECTRIC

January 19, 2006

J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Merrill Lynch & Co.
4 World Financial Center
North Tower, 9th Floor
New York, New York 10080

Morgan Keegan & Company, Inc.
2210 N.W. 40th Terrace, Suite A
Gainesville, Florida 32605

Hillsborough County Industrial
Development Authority
Tampa, Florida 33601

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004

The Bank of New York,
as Auction Agent
101 Barclay, 7 West
Corporate Trust, Dealing and Trading Unit
New York, New York 10286

The Bank of New York Trust Company, N.A.,
as Trustee
10161 Centurion Parkway
Jacksonville, Florida 32256

Re: $85,950,000 Hillsborough County Industrial Development Authority (Florida) Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006

Ladies and Gentlemen:

As General Counsel of Tampa Electric Company, a Florida corporation (the "Company"), I have acted as counsel to the Company in connection with the issuance by the Hillsborough County Industrial Development Authority (the "Authority") of $85,950,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (the "Bonds") pursuant to the Loan and Trust Agreement dated as of January 5, 2006 (the "Agreement") among the Company, the Authority and The Bank of New York Trust Company, N.A. as trustee (the "Trustee").

J.P. Morgan Securities, Inc., Merrill Lynch & Co. and Morgan Keegan & Company, Inc. (the "Underwriters") have each acted as Underwriters for the Company in connection with the sale of the Bonds, pursuant to a Bond Purchase Agreement dated January 18, 2006, between the Authority and the Underwriters (the "Purchase Contract"), and each is party to a Broker-Dealer Agreement dated as of January 5, 2006 among The Bank of New York, as Auction Agent (the "Auction Agent"), the Company and the Underwriter party thereto (together, the "Broker-Dealer Agreements").

The Bonds were sold pursuant to the Purchase Contract and on the basis of a Representation and Indemnity Agreement dated January 18, 2006 (the "Representation Letter") among the Company, the Authority and the Underwriters.

Payments of principal and interest on the Bonds are insured by a Financial Guaranty Insurance Policy issued by Ambac Assurance Corporation ("Ambac") pursuant to the Insurance Agreement dated as of January 5, 2006, between Ambac and the Company (the "Insurance Agreement").

In my examination I have assumed the genuineness of all signatures (other than signatures made on behalf of the Company), including endorsements, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies and the authenticity of the originals of such copies. As to facts material to this opinion which I did not independently establish or verify, I have relied upon statements and representations of officers of the Company and other representatives and public officials. Also, with your approval, I have relied as to certain legal matters on advice of other lawyers employed by the Company who are more familiar with such matters.

In rendering the opinions set forth herein, I, or attorneys under my supervision, have examined and relied on originals or copies of the Agreement, the Representation Letter, the Insurance Agreement, the Broker-Dealer Agreements, the Auction Agreement dated as of January 5, 2006 (the "Auction Agreement") between the Company, the Trustee and the Auction Agent, the Continuing Disclosure Agreement dated January 19, 2006 between the Company and the Trustee (the "Continuing Disclosure Agreement," and together with the Agreement, the Representation Letter, the Insurance Agreement, the Broker-Dealer Agreements and the Auction Agreement, the "Company Agreements"), the Purchase Contract and the Official Statement dated January 10, 2006 relating to the Bonds (the "Official Statement") and have also examined the governing documents and corporate records, agreements, certificates of public officials and such other documents and matters of law as I have deemed necessary or appropriate as a basis for the opinions set forth below. As to various questions of fact material to my opinion, I have relied upon the representations made in or pursuant to the Representation Letter and upon certificates of officers of the Company. When used in this opinion, the phrase "to my knowledge" or equivalent words with respect to a matter means that nothing has come to my attention in the course of my representation of the Company which would lead me to question such matter but that, except as expressly stated, I have not made any special investigation with respect thereto.

The opinions are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights generally and (b) any equitable principles limiting the right to obtain specific performance of any obligations. I express no opinion with respect to any provision of the Company Agreements or the Purchase Contract to the extent that such provision purports to exculpate any person thereby or grants rights of indemnification which may violate public policy, and insofar as enforceability of such provision may be limited under state securities laws.

To the extent that the opinions expressed below involve the validity of the Bonds, I have relied with your permission upon the opinions of even date of Morrison & Mills, P.A. and Edwards Angell Palmer & Dodge LLP, copies of which have been delivered to you.

I am a member of The Florida Bar, and I express no opinion as to the laws of any other jurisdiction other than the applicable laws of the State of Florida. For purposes of my opinion as to the enforceability of any of the Company Agreements, I am rendering this opinion as though the laws of the State of Florida governed, notwithstanding the recitations in such instruments that the laws of another jurisdiction govern. I do not express any opinion concerning matters governed by any securities laws of the State of Florida.

Based upon and subject to the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, I am of the opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of Florida, with corporate power and authority to own its properties and conduct its business as described in the Official Statement, and to execute and deliver, and to carry out and perform its obligations under the Company Agreements.

2. The Company Agreements have been duly authorized, executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms.

3. To my knowledge, there is no action, suit, or other proceeding at law or in equity, or any arbitration proceeding, by or before any governmental agency or arbitrator now pending or threatened against or affecting the Company, or any of its assets challenging the execution of the Company Agreements or that if adversely determined could materially and adversely affect the financial condition, assets, or operations of the Company or its ability to perform the transactions contemplated by the Company Agreements and the Purchase Contract.

4. All consents, governmental approvals, licenses or authorizations required to be obtained by the Company before the date hereof for its execution, delivery and performance of the Company Agreements have been obtained and are in full force and effect. To my knowledge there is no proceeding pending or threatened that seeks, or may reasonably be expected, to rescind, terminate, modify, suspend, or withhold any of the consents, approvals, licenses, or authorizations referred to in this paragraph.

5. The execution, delivery and performance by the Company of the Company Agreements do not and will not (a) violate any provision of any law or any governmental rule or regulation or any existing provision of the Restated Articles of Incorporation or Bylaws of the Company, or to the best of my knowledge any existing order, writ, judgment, decree, determination or award of any court, other governmental body, or arbitrator of competent jurisdiction, (b) result in a breach of or constitute a default under any agreement or instrument that is listed as an exhibit to the Company's Form 10-K for the year ended December 31, 2004 or any of the Company's Forms 10-Q or 8-K filed thereafter, or (c) result in or require the creation

or imposition of any lien (except as contemplated by the Agreement) upon or with respect to any of the assets now owned or hereafter acquired by the Company.

I, or attorneys under my supervision, have participated in discussions with officers and other representatives of the Company and representatives of the Underwriters at which discussions the contents of the Official Statement and related matters were discussed and, although I have not independently verified, am not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement (except as hereinafter stated), I advise you that, on the basis of the foregoing, no facts have come to my attention that cause me to believe that the Official Statement, and the documents incorporated therein by reference, taken together as of the date thereof and hereof (except for information therein relating to the tax-exempt status of interest on the Bonds, as to which I express no opinion), contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that I express no comment as to the information regarding Ambac Assurance Corporation, the Financial Guaranty Insurance Policy, The Depository Trust Company, or the financial statements, including the notes thereto and supporting schedules, or other financial information and data contained in the Official Statement.

Very truly yours,

Sheila M. McDevitt
General Counsel

346049.7

ROPES & GRAY LLP
ONE INTERNATIONAL PLACE BOSTON, MA 02110-2624 617-951-7000 F 617-951-7050
BOSTON NEW YORK PALO ALTO SAN FRANCISCO WASHINGTON, DC www.ropesgray.com

January 19, 2006

J.P. Morgan Securities Inc.
270 Park Avenue, 48th Floor
New York, New York 10017

Merrill Lynch & Co.
4 World Financial Center
North Tower, 9th Floor
New York, New York 10080

Morgan Keegan & Company, Inc.
2210 N.W. 40th Terrace, Suite A
Gainesville, Florida 32605

Re: $85,950,000 Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company), Series 2006 (the "Bonds")

Ladies and Gentlemen:

We have acted as your counsel in connection with your purchase from Hillsborough County Industrial Development Authority (the "Authority") of its Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006, in the aggregate principal amount of $85,950,000 (the "Series 2006 Bonds"), pursuant to a Bond Purchase Agreement, dated January 18, 2006 (the "Purchase Contract"), between you and the Authority. The Series 2006 Bonds are to be issued pursuant to a Loan and Trust Agreement dated as of January 5, 2006 (the "Agreement"), among the Authority, Tampa Electric Company (the "Company") and The Bank of New York Trust Company of Florida, N.A., as Trustee, for the purpose of providing funds to refinance certain pollution control facilities of the Company located in Hillsborough County, Florida. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In that connection, we have reviewed the Agreement, the official statement of the Authority, dated January 10, 2006, with respect to the Series 2006 Bonds (the "Official Statement"), the Purchase Contract, certificates of the Authority, the Company and others, the opinions and other documents referred to in Section 3(b) of the Purchase Contract and such other records, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions and conclusions hereinafter expressed.

In such examination we have assumed the genuineness of all signatures on all documents examined by us, the authenticity of all documents submitted to us as originals, and the

conformity to the corresponding originals of all documents submitted to us as copies. As to various questions of fact material to such opinions we have relied upon certifications by directors, officers and representatives of parties to the Authority Documents and other appropriate persons, statements contained in the Official Statement, and the representations and warranties made by the parties in or pursuant to the Purchase Contract and the other Authority Documents.

We are not expressing any opinion or view on the exclusion of interest on the Series 2006 Bonds from gross income for federal income tax purposes, and the due authorization, legality, validity and enforceability of the Agreement and each supplemental agreement to the Agreement.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinions expressed below, we are of the opinion that:

1. No registration of the Series 2006 Bonds under the Securities Act of 1933, as amended, and no qualification of the Agreement under the Trust Indenture Act of 1939, as amended, is required for the offer, sale and delivery of the Series 2006 Bonds to you in the manner contemplated by the Purchase Contract, the Official Statement and the Agreement.

2. The Continuing Disclosure Agreement dated January 19, 2005 between the Company and The Bank of New York Trust Company, N.A. complies as to form in all material respects with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

In the course of the preparation of the Official Statement, we have participated in discussions with your representatives and those of the Authority, the Company, Morrison & Mills, as Counsel to the Authority, Edwards Angell Palmer & Dodge LLP, as Bond Counsel, Holland & Knight, as Company Counsel, and others in which the business and affairs of the Company and the contents of the Official Statement, including the documents incorporated therein, were discussed. On the basis of the information that we have gained in the course of our representation of you in connection with the preparation of the Official Statement and our participation in the discussions referred to above, nothing that has come to our attention has caused us to believe that the Official Statement as of the date thereof contained, or as of the date hereof contains, any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We express no belief, however, as to the information regarding the Depository Trust Company and its book-entry system, information regarding the Authority and Ambac Assurance Corporation, the financial statements, including the notes and schedules thereto, or any other information of a financial, statistical or accounting nature set forth or referred to in the Official Statement or as to any information about the tax status of interest on the Series 2006 Bonds.

We have not independently verified the accuracy, completeness or fairness of the statements made or information contained in the Official Statement, and the limitations inherent in the independent verification of factual matters and the character of the determinations involved in our review are such that we do not assume any responsibility for the accuracy, completeness or fairness of the statements made or the information contained in the Official Statement.

We express no opinion as to the laws of any jurisdiction other than those of the federal laws of the United States of America and the State of New York.

We are furnishing this letter to you pursuant to Section 3(b)(i)(D) of the Purchase Contract solely for your benefit as Underwriters. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person.

Very truly yours,

Ropes & Gray LLP

Ropes & Gray LLP

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340 Fax: 212.509.9190
A member of the Ambac Financial Group, Inc.

Ambac

January 19, 2006

Hillsborough County
Industrial Development Authority
901 East Kenney Boulevard
Tampa, FL 33601

The Bank of New York
Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, FL 32256

Edwards Angell Palmer & Dodge LLP
111 Huntington Avenue
Boston, MA 02199

J.P. Morgan Securities Inc.
270 Park Avenue
New York, NY 10017

Merrill Lynch & Co.
4 World Financial Center
New York, NY 10080

Morgan Keegan & Company, Inc.
2210 N.W. 40th Terrace
Gainesville, FL 32605

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of Ambac Assurance Corporation, a Wisconsin stock insurance corporation ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Financial Guaranty Insurance Policy and Endorsement thereto, effective as of the date hereof (the "Policy"), insuring $85,950,000 in aggregate principal amount of Hillsborough County Industrial Development Authority, Florida (the "Obligor"), Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (Non-AMT), dated their date of delivery (the "Obligations").

In connection with my opinion herein, I have examined the Policy and such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Obligor dated January 10, 2006 relating to the Obligations (the "Official Statement") under the headings "BOND INSURANCE" and "APPENDIX F – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY".

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. Ambac Assurance is a stock insurance corporation duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the State of Florida.

2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy, and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms, except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

Ambac

3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract, agreement or instrument to which Ambac Assurance is a party or by which it is bound or constitute a default under any of the foregoing.

4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.

5. The statements contained in the Official Statement under the heading "BOND INSURANCE", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Financial Group, Inc. (the "Company") and Ambac Assurance, fairly and accurately describe the Company and Ambac Assurance.

6. The form of the Policy contained in the Official Statement under the heading "APPENDIX F – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" is a true and complete copy of the form of the Policy.

The opinions expressed herein are solely for your benefit, and may not be relied upon by any other person.

Very truly yours,

Dwight Kwa
Vice President and
Assistant General Counsel

/kd
24936be

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

January 19, 2006

J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Merrill Lynch & Co.
4 World Financial Center
North Tower, 9th Floor
New York, New York 10080

Morgan Keegan & Company, Inc.
2210 N.W. 40th Terrace, Suite A
Gainesville, Florida 32605

Hillsborough County Industrial
Development Authority
901 E. Kennedy Boulevard
Tampa, FL 33601

The Bank of New York Trust
Company, N.A., as Trustee
10161 Centurion Parkway
Jacksonville, FL 32256

Re: $85,950,000 Hillsborough County Industrial Development Authority Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Hillsborough County Industrial Development Authority (the "Authority") of $85,950,000 aggregate principal amount of the Authority's Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2006 (the "Bonds"). As such counsel we have examined executed copies of the Loan and Trust Agreement dated as of January 5, 2006 (the "Agreement") among Tampa Electric Company (the "Company"), the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the Bond Purchase Agreement dated January 18, 2006 (the "Purchase Contract") among the Authority and J.P. Morgan Securities Inc., Merrill Lynch & Co.

and Morgan Keegan & Company, Inc. (collectively, the "Underwriters") and the Official Statement dated January 10, 2006 relating to the Bonds (the "Official Statement"), and have issued an opinion to the Authority of even date herewith relating to the validity of the Bonds.

We have participated in discussions with officers and other representatives of the Company and representatives of the Underwriters at which the contents of the Official Statement and related matters were discussed and, although we have not independently verified, are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement (except as hereinafter stated), we advise you that, on the basis of the foregoing, no facts have come to our attention that cause us to believe that the Official Statement, and the documents incorporated therein by reference, taken together as of the date thereof and hereof, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that we express no comment as to the information regarding Ambac Assurance Corporation, the Financial Guaranty Insurance Policy, The Depository Trust Company, the information in the Official Statement in the second, third and fourth paragraphs under the caption "The Bonds - Form and Denomination of Bonds; Payment on the Bonds – Special Considerations Relating to the Bonds Bearing Interest at an Auction Mode Rate," or the financial statements, including the notes thereto and supporting schedules, or other financial information and data contained in the Official Statement.

We also have participated in the preparation of the sections in the Official Statement under the captions "Rights of the Bond Insurer," "Security for the Bonds" and "The Bonds" (except under the subheadings "Form and Denomination of Bonds; Payment on the Bonds – Special Considerations Relating to the Bonds Bearing Interest at an Auction Mode Rate" and "Book-Entry Only System") and "Tax Exemption" and of Appendix B (collectively, "such Portions"). Based on the foregoing, we are of the opinion that, the statements in such Portions, insofar as they purport to constitute a summary of the terms of the Bonds and the Agreement, constitute an accurate summary thereof in all material respects; and further that, insofar as they purport to constitute a summary of our approving legal opinion of even date, fairly summarize the matters described therein in all material respects.

Based on the foregoing examination and on such examination of law as we have deemed necessary, we are of the opinion that no registration under the Securities Act of 1933, as amended, or qualification under the Trust Indenture Act of 1939, as amended, is required in connection with the offer and sale of the Bonds or the execution and delivery of the Agreement.

This opinion is furnished to you in connection with the transaction described above and may not be relied on without our prior written consent for any other purpose or by anyone else.

Edwards Angell Palmer & Dodge LLP

EDWARDS ANGELL PALMER & DODGE LLP

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EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

January 19, 2006

Hillsborough County Industrial
Development Authority
c/o Thomas K. Morrison
Morrison & Mills, P.A.
1200 West Platt, Suite 100
Tampa, Florida 33606

J.P. Morgan Securities Inc.
270 Park Avenue, 48th Floor
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Gainesville, Florida 32605

The Bank of New York Trust
Company, N.A., as Trustee
10161 Centurion Parkway
Jacksonville, Florida 32256

$85,950,000
Hillsborough County Industrial Development Authority
Pollution Control Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2006 (the "Bonds")

We have acted as bond counsel in connection with the issuance by the Hillsborough County Industrial Development Authority (the "Authority") of the above-captioned Bonds. In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including the Loan and Trust Agreement dated as of January 5, 2006 (the "Agreement") among the Authority, Tampa Electric Company (the "Company") and The Bank of New York Trust Company, N.A., as Trustee (the "Trustee"). Terms not defined herein shall have the same meanings as set forth in the Agreement.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Authority and the Company contained in the Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the Company and others, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to the Agreement. Under the Agreement, the Company has agreed to make payments sufficient to pay when due the principal of, purchase price of and premium (if any) and interest on the Bonds. Such payments and other moneys payable to the Authority or the Trustee under the Agreement, including proceeds derived from any security provided thereunder (collectively, the "Revenues"), and the rights of the Authority under the Agreement to receive the same (excluding, however, certain administrative fees, indemnification and reimbursements), are pledged and assigned by the Authority to the Trustee as security for the Bonds. The Bonds are payable solely from the Revenues. The Bonds do not constitute a general obligation of the Authority nor are they a debt or pledge of the faith and credit of the State of Florida. Reference is hereby made to the Agreement and the Agreement for detailed statements of the rights and obligations (and limitations on liability, as the case may be) of the Authority, the Company, the Trustee and the owners of the Bonds.

We express no opinion with respect to compliance by the Company with applicable legal requirements in connection with the acquisition, construction, equipping, leasing or operation of the Project, or with the Agreement.

Reference is made to opinion of even date of Sheila M. McDevitt, Esq., counsel to the Company, with respect to, among other matters, the corporate existence of the Company, the power of the Company to carry out the Project being refinanced in part by the Bonds, the power of the Company to enter into and perform its obligations under the Agreement, and the authorization, execution and delivery of the Agreement by the Company.

Based on the foregoing, we are of the opinion that:

1. The Authority is a validly existing public body corporate and politic created under Florida Statutes §159.45, with all necessary power and authority to enter into and perform its obligations under the Agreement, the Purchase Contract and the Bonds.

2. The Agreement has been duly authorized, executed and delivered by the Authority and is a valid and binding obligation of the Authority enforceable against the Authority.

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special limited obligations of the Authority, payable solely from the Revenues.

4. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes, assuming continued compliance with certain covenants, and assuming the continued use of the Project as air or water pollution control facilities under the Code (as defined herein). In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion as to the status of interest on any Bond during any period while it is being held by a person who is a "substantial user" of the Project or a "related person" within the meaning of the Internal Revenue Code of 1954, as amended (the "Code"). Further, the Code and Title XIII of the Tax Reform Act of 1986 establishes certain requirements that must be continuously satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to remain excluded from gross income for federal income tax purposes. These requirements include restrictions on the use, expenditure and investment of bond proceeds and the payment of rebates, or penalties in lieu of rebate, to the United States. Failure to comply with these requirements may cause interest on the Bonds to become included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Company, and, to the extent necessary, the Authority have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under Florida Statutes §159.31, the Bonds, their transfer, and the income therefrom (including any profit on the sale thereof) will be free from taxation by the State of Florida or any local unit, political subdivision or instrumentality thereof, except for taxes imposed by Chapter 220, Florida Statutes, as amended, on interest, income or profits on debt obligations owned by corporations.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or

omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

EDWARDS ANGELL PALMER & DODGE LLP

351814.1

2036 Notes Documents

TAMPA ELECTRIC COMPANY

Issuer

To

THE BANK OF NEW YORK

Trustee

INDENTURE

Dated as of July 1, 1998

TAMPA ELECTRIC COMPANY

Reconciliation and tie between Trust Indenture Act of 1939 and Indenture, dated as of July 1, 1998

Trust Indenture Act Section	Indenture Section
§ 310(a)(1)	609
(a)(2)	609
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	608, 610
§ 311(a)	613(a)
(b)	613(b)
(b)(2)	703(a)(2), 703(b)
§ 312(a)	701, 702(a)
(b)	702(b)
(c)	702(c)
§ 313(a)	703(a)
(b)	703(b)
(c)	703(a), 703(b)
(d)	703(c)
§ 314(a)	704
(b)	Not Applicable
(c)(1)	102
(c)(2)	102
(c)(3)	Not Applicable
(d)	Not Applicable
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§ 315(a)	601(a)
(b)	602, 703(a)(6)
(c)	601(b)
(d)	601(c)
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(e)	514
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(a)(1)(B)	513
(a)(2)	Not Applicable
(b)	508
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INDENTURE, dated as of July 1, 1998, between TAMPA ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of Florida (herein called the "Company"), having its principal executive offices at Teco Plaza, 702 N. Franklin Street, Tampa, Florida 33602 and THE BANK OF NEW YORK, as Trustee (herein called the "Trustee"), having its principal corporate trust office at 101 Barclay, 21st Floor, New York, NY 10286

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as provided in this Indenture.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

ARTICLE ONE
Definitions and Other Provisions of General Application

Section 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; and

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Six, are defined in that Article.

"Act," when used with respect to any Holder, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person.

"Authenticating Agent" means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Securities.

"Board of Directors," when used with reference to the Company, means the board of directors, or any duly authorized committee of the board of directors, of the Company.

"Board Resolution," when used with reference to the Company, means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in the State in which the principal place of business of the Company or the principal corporate trust office of the Trustee or the office of the Trustee at which the Indenture is administered are located are authorized or obligated by law or executive order to close.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Corporation.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its President, its Treasurer or an Assistant Treasurer and delivered to the Trustee.

The term "Control" means the power to direct the management and policies of a Person, directly or through one or more intermediaries, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" shall have meanings correlative to the foregoing.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office, as at the date of this Indenture, is located at 101 Barclay, 21st Floor, New York, NY 10286; Attn: Corporate Trust; except that notices to the Trustee under the Indenture shall be delivered to Towermarc, 2nd Floor, 10161 Centurion Parkway, Jacksonville, Florida 32256; Attn: Corporate Trust.

The term "Counsel" shall mean legal counsel who may be either an employee or officer of or counsel to the Company.

The term "Corporation" includes corporations, partnerships, joint ventures, associations, companies, limited liability companies, joint-stock companies and business trusts.

The term "Defeasance" has the meaning assigned to such term by Section 1302.

"Defaulted Interest" has the meaning specified in Section 307.

"Depositary" means, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depositary by the Company pursuant to Section 301.

"Event of Default" has the meaning specified in Section 501.

"Global Security" means a Security in the form prescribed in Section 204 evidencing all or part of a series of Securities, issued to the Depositary or its nominee for such Series, and registered in the name of such Depositary or nominee.

"Fiscal Year" means with respect to the Company the fiscal year ending December 31 of each year or such other date as the Company may hereafter elect, and with respect to any other Person the calendar year or other annual accounting period of the Person in question.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively. The term "Indenture" shall also include the terms of particular series of Securities established as contemplated by Section 301.

"Interest," when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date," when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Maturity," when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officers' Certificate" means a certificate of the Company signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of Counsel, who may be Counsel for the Company (including an employee or officer of the Company) and who shall be acceptable to the Trustee.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

"Outstanding," when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment or redemption money, U.S. Government Obligations or both in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; *provided* that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made and *provided further*, in the case of payment by Defeasance under Section 1302, that all conditions precedent to the application of such Section shall have been satisfied; and

(iii) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof pursuant to Section 502, (ii) the principal amount of a Security denominated in a foreign currency or currencies shall be the U.S. dollar equivalent, determined on the date of original issuance of such Security, of the principal amount (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent on the date of original issuance of such Security of the amount determined as provided in (i) above) of such Security, and (iii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's independent right so to act with respect to such Securities and that the pledgee is not the

Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Person" means any individual, Corporation, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment," when used with respect to the Securities of any series, means the place or places where the principal of (and premium, if any) and interest on the Securities of that series are payable as specified as contemplated by Section 301 or, if not so specified, the City of New York in the State of New York.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price," when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

"Responsible Officer," when used with respect to the Trustee, means any officer of the Trustee charged with responsibility for the administration of the Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security" and "Securities" have the meaning stated in the first recital of this Indenture and more particularly mean any Security or Securities authenticated and delivered under this Indenture.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity," when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" means a Corporation more than 50% of the outstanding Voting Stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in effect from time to time.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"U.S. Government Obligation" has the meaning set forth in Section 1303.

"Vice President," when used with respect to the Company means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

"Voting Stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency, but shall not include securities convertible into such Voting Stock.

The term "Wholly-Owned Subsidiary" shall mean at any given time any Corporation all of the outstanding securities of which having ordinary voting power (other than securities having such power only by reason of the happening of a contingency), except for directors' qualifying shares, shall at such time be owned by the Company or by one or more Wholly- Owned Subsidiaries or by the Company and one or more Wholly-Owned Subsidiaries.

Section 102. Compliance Certificates and Opinions.

Except as otherwise expressly provided by this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture that requires that the Company comply with any conditions precedent before the Trustee shall take such action, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of any officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, Counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company unless such Counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee, the Company in reliance thereon, whether or not notation of such action is made upon such Security or such other Security.

Section 105. Notices, Etc., to Trustee or Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at Towermarc Plaza, 2nd Floor, 10161 Centurion Parkway, Jacksonville, FL 32256, or at any other address that the Trustee previously furnished in writing to the Person giving such notice, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

Section 106. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of

such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 107. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this Indenture by any of the provisions of the Trust Indenture Act, such required provision shall control.

Section 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 111. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 112. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

Section 113. Legal Holidays.

Except as otherwise provided for in the Securities of any Series, in any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on

the Interest Payment Date or Redemption Date, or at the Stated Maturity, *provided* that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO
Security Forms

Section 201. Forms Generally.

The Securities of each series shall be in substantially the form set forth in this Article, or in such other form as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of such Securities. If the form of Securities of any series of such Securities is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities.

The Trustee's certificates of authentication shall be in substantially the form set forth in this Article.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Section 202. Form of Face of Security.

[Insert any legend required by the Internal Revenue Code and the regulations thereunder.]

CUSIP Number

TAMPA ELECTRIC COMPANY
% Due

No. .... [$].....

TAMPA ELECTRIC COMPANY, a corporation duly organized and existing under the laws of The State of Florida (herein called the "Company," which term includes any successor Corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to ....., or registered assigns, the principal sum of .... Dollars on .... [If the Security is to bear interest prior to Maturity, insert -- , and to pay interest thereon from ..... or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on

..... and ..... in each year, commencing ....., at the rate of ....% per annum, until the principal hereof is paid or made available for payment [If applicable, insert -- , and (to the extent that the payment of such interest shall be legally enforceable) at the rate of ....% per annum on any overdue principal and premium and on any overdue installment of interest] -- or if the Security is to bear interest at a rate subject to adjustment from time to time pursuant to a market index, insert any provisions relating to the index mechanism. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the ..... or ..... (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture].

[If the Security is not to bear interest prior to Maturity, insert -- The principal of this Security shall not bear interest except in the case of a default in payment of principal upon acceleration, upon redemption or at Stated Maturity and in such case the overdue principal of this Security shall bear interest at the rate of ....% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such default in payment to the date payment of such principal has been made or duly provided for. Interest on any overdue principal shall be payable on demand. Any such interest on any overdue principal that is not so paid on demand shall bear interest at the rate of .....% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest shall also be payable on demand.]

Payment of the principal of (and premium, if any) and [if applicable, insert -- any such] interest on this Security will be made at the office or agency of the Company maintained for that purpose in ....., [if applicable, insert -- in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts] [if applicable, insert -- ; *provided, however*, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or, at the option of the Holder hereof, to such other place in the United States of America as the Holder hereof shall designate to the Trustee in writing or, at the option of the Holder hereof, by wire transfer in immediately available funds if such Holder owns Securities of the same series as this Security issued pursuant to the Indenture which pay interest on the same Interest Payment Date and which are in an aggregate principal amount of $5,000,000 or more, *provided* that the Holder shall bear any and all expenses of any such wire transfer] and *provided further* that proper written wiring instructions shall have been received by the Trustee on or prior to the Regular Record Date. [If applicable, insert any foreign currency-related provisions.]

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

TAMPA ELECTRIC COMPANY

By .....
Title:

Section 203. Form of Reverse of Security.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of [.....], 1998 (herein called the "Indenture"), among the Company and The Bank of New York, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the securities of the series designated on the face hereof [, limited in aggregate principal amount to $.....].

[If applicable, insert -- The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, [if applicable, insert -- (1) on ..... in any year commencing with the year ..... and ending with the year .....: through operation of the sinking fund for this series at a Redemption Price equal to 100% of the principal amount, and (2)] at any time [on or after ....., 19..], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before ....., __%, and if redeemed] during the 12-month period beginning ..... of the years indicated,

Year	Redemption Price	Year	Redemption Price

and thereafter at a Redemption Price equal to .....% of the principal amount, together in the case of any such redemption [if applicable, insert -- (whether through operation of the sinking fund or otherwise)] with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[If applicable, insert -- The Securities of this series are subject to redemption upon not less than 30 days' nor more than 60 days' notice by mail, (1) on ..... in any year commencing with the year .... and ending with the year .... through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below, and (2) at any time [on or after .....], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning ..... of the years indicated,

Year	Redemption Price For Redemption Through Operation of the Sinking Fund	Price For Redemption Otherwise Than Through Operation of the Sinking Fund

and thereafter at a Redemption Price equal to .....% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[Notwithstanding the foregoing, the Company may not, prior to ....., redeem any Securities of this series as contemplated by [Clause (2) of] the preceding paragraph as a part of,

or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than .....% per annum.]

[The sinking fund for this series provides for the redemption on ..... in each year beginning with the year ..... and ending with the year ..... of [not less than $..... [("mandatory sinking fund") and not more than $.....] aggregate principal amount of Securities of this series. [The Company may, at its option, in each of the years commencing with the year ..... make an additional payment into the sinking fund not exceeding the mandatory sinking fund payment, to be likewise applied to the redemption of Securities at the principal amount without premium, with interest accrued thereon to the date fixed for redemption.] [Securities of this series acquired or redeemed by the Company otherwise than through [mandatory] sinking fund payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made -- in the inverse order in which they become due.]

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

[The Indenture contains provisions for Defeasance at any time of the entire indebtedness on this Security upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Security.]

[If the Security is not an Original Issue Discount Security, -- If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.]

[If the Security is an Original Issue Discount Security, -- If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amount shall be equal to -- insert formula for determining the amount. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on the Securities of this series shall terminate.]

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected and of the Holders of 66 2/3% in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the

Indenture and certain past defaults under the Indenture and their consequences. To the extent permitted by law, any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons and, except for such Securities issued in book-entry form, only in denominations of [$]..... and any integral multiple of [$]..... As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company or the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

This Security shall be governed by and construed in accordance with the laws of The State of New York.

Section 204. Additional Provisions Required in Global Security.

Any Global Security issued hereunder shall, in addition to the provisions contained in Sections 202 and 203, bear a legend in substantially the following form:

> "This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. This Security is exchangeable for Securities registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture and may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary."

Section 205. Form of Trustee's Certificate of Authentication.

This is one of the Securities of the series designated in or pursuant to the within-mentioned Indenture and referred to therein.

The Bank of New York,
as Trustee

By ..... Date: .....
Authorized Signatory

or,

[Name of Authenticating Agent],
as Authenticating Agent

By ..... Date: .....
Authorized Signatory

ARTICLE THREE
The Securities

Section 301. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution, and (subject to Section 303) set forth or determined as provided in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 306, 906 or 1107 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);

(3) the Person to whom any interest on a Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;

(4) the date or dates on which the principal of the Securities of the series is payable;

(5) the rate or rates (or method for establishing the rate or rates) at which the Securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date for the interest payable on any Interest Payment Date (or method for establishing such date or dates);

(6) the place or places where the principal of (and premium, if any) and interest on Securities of the series shall be payable;

(7) the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company;

(8) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(9) if other than denominations of $1,000 and any integral multiple thereof, the denominations in which Securities of the series shall be issuable;

(10) if other than the full principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

(11) if other than such coin or currency of the United States of America as at the time of payment is legal tender for payment of public or private debts, the currency or currencies (including composite currencies) in which payment of the principal of (and premium, if any) and/or interest on the Securities of such series shall be payable;

(12) if the principal of (and premium, if any) and/or interest on the Securities of such series are to be payable, at the election of the Company or any Holder, in a currency or currencies (including composite currencies) other than that in which the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made;

(13) if the amounts of payments of principal of (and premium, if any) and/or interest on the Securities of such series may be determined with reference to an index, the manner in which such amounts shall be determined;

(14) in the case of Securities of a series the terms of which are not established pursuant to subsection (11), (12) or (13) above, the application, if any, of Section 1302 to the Securities of such series; or, in the case of Securities the terms of which are established pursuant to subsection (11), (12) or (13) above, the adoption and applicability to such Securities of any terms and conditions similar to those contained in Section 1302;

(15) whether the Securities of the series shall be issued in the form of a temporary global Security representing all of the Securities of such series and the terms for exchange of such temporary global Security for definitive Securities of such series;

(16) whether the Securities of the series shall be issued in whole or in part in the form of one or more Global Securities and, in such case, the Depositary for such Global Security or Securities, which Depositary shall be a clearing agency registered under the Securities Exchange Act of 1934, as amended; and

(17) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to interest rates, method for determining interest rates, Interest Payment Dates, Regular Record Dates, redemption terms, Stated Maturity, denomination, date of authentication, currency, any index for determining amounts payable, and except as may otherwise be provided in or pursuant to such Board Resolution and set forth or determined as provided in such Officers' Certificate or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

Section 302. Denominations.

The Securities of each series shall be issuable in registered form without coupons in such denominations as shall be specified as contemplated by Section 301. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of $1,000 and any integral multiple thereof.

Section 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and make available for delivery such Securities. If the form or terms of the Securities of the series have been established in or pursuant to one or more Board Resolutions as permitted by Sections 201 and 301, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon:

(a) a copy of the resolution or resolutions of the Board of Directors in or pursuant to which the terms and form of the Securities were established, certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect as of the date of such certificate, and if the terms and form of such Securities are established by an Officers' Certificate pursuant to general authorization of the Board of Directors, such Officers' Certificate;

(b) an executed supplemental indenture, if any;

(c) an Officers' Certificate and Opinion of Counsel delivered in accordance with Section 102; and

(d) an Opinion of Counsel which shall state:

(1) if the form of any of such Securities has been established by or pursuant to Board Resolution as permitted by Section 201, that such form has been established in conformity with the provisions of this Indenture;

(2) if the terms of any of such Securities have been established by or pursuant to Board Resolution as permitted by Section 301, that such terms have been established in conformity with the provisions of this Indenture; and

(3) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and

similar laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles.

Notwithstanding that such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture would adversely affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner that is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 301 and of the preceding paragraph, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 301 or the Company Order and Opinion of Counsel otherwise required pursuant to such preceding paragraph at or prior to the time of authentication of each Security of such series if such documents are delivered at or prior to the time of authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

Section 304. Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order from the Company, the Trustee shall authenticate and make available for delivery, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any

series the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a like principal amount of definitive Securities of the same series and of like tenor, of authorized denominations. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

Section 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency of the Company in a Place of Payment being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. Unless the Company has appointed an agent other than the Trustee as "Security Registrar", the Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security of any series at the office or agency in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of that series selected for redemption

under Section 1103 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Notwithstanding the foregoing, any Global Security shall be exchangeable pursuant to this Section 305 for Securities registered in the names of Persons other than the Depositary for such Security or its nominee only if (i) such Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when such Depository is requested to be so registered in order to act as Depositary, (ii) the Company executes and delivers to the Trustee a Company Order that such Global Security shall be so exchangeable or (iii) there shall have occurred and be continuing an Event of Default with respect to the Securities. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Securities registered in such names as such Depositary shall direct.

Notwithstanding any other provision in this Indenture, a Global Security may not be transferred except as a whole by the Depositary with respect to such Global Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary.

Section 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of any of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the

Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 307. Payment of Interest; Interest Rights Reserved.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest on any Security that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder entitled to such interest by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a special record date (the "Special Record Date") for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Security.

Section 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be returned to the Company.

Section 310. Computation of Interest.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE FOUR
Satisfaction and Discharge

Section 401. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly

provided for), and the Trustee, on the demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) the Company has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose (A) money in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants or a nationally recognized investment banking firm acceptable to the Company expressed in a written certification thereof delivered to the Trustee, to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or earlier Redemption Date (in the case of Securities that have been, or by an irrevocable instruction delivered by the Company to the Trustee will be, called for redemption), as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

Section 402. Application of Trust Money.

Subject to provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations deposited with the Trustee pursuant to Sections 401 or 1302 and all money received by the Trustee in respect of U.S. Government Obligations deposited with the Trustee pursuant to Sections 401 or 1302, shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may

determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for which payment such money has been deposited with or received by the Trustee as contemplated by Section 401 and Section 1302.

ARTICLE FIVE
Remedies

Section 501. Events of Default.

"Event of Default," wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; or

(3) default in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series and continuance of such default for a period of 30 days; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of series of Securities other than that series), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(6) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any

other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by the Company of an assignment for the benefit of creditors, or the admission by the Company in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(7) any other Event of Default provided with respect to Securities of that series.

Subject to the provisions of Section 601 hereof, the Trustee shall not be deemed to have knowledge of an Event of Default hereunder (except for those described in paragraphs (1) through (3) above) unless a Responsible Officer has received written notice thereof.

Upon receipt by the Trustee of any Notice of Default pursuant to this Section 501 with respect to Securities of a series all or part of which is represented by a Global Security, a record date shall be established for determining Holders of Outstanding Securities of such series entitled to join in such Notice of Default, which record date shall be at the close of business on the day the Trustee receives such Notice of Default. The Holders as of such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such Notice of Default, whether or not such Holders remain Holders after such record date; *provided*, that unless holders of at least 25% in principal amount of the Outstanding Securities of such series, or their proxies, shall have joined in such Notice of Default prior to the day which is 90 days after such record date, such Notice of Default shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new Notice of Default identical to a Notice of Default which has been cancelled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 501.

Section 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default (other than an Event of Default specified in Section 501(5) or 501(6)) with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if any of the Securities of that series are Original Issue Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms thereof) of all of the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable. If an Event of Default specified in Section 501(5) or 501(6) with respect to Securities of any series at the time Outstanding occurs, the principal amount of all the Securities of that series (of, if any Securities

of that series are Original Issue Discount Securities, such portion of the principal amount of such Securities as may be specified by the terms thereof) shall automatically, and without any declaration or other action on the part of the Trustee or any Holder, become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on all Securities of that series,

(B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel;

and

(2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Upon receipt by the Trustee of written notice declaring such an acceleration, or rescission and annulment thereof, with respect to Securities of a series all or part of which is represented by a Global Security, a record date shall be established for determining Holders of Outstanding Securities of such series entitled to join in such notice, which record date shall be at the close of business on the day the Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; *provided*, that unless such declaration of acceleration, or rescission and annulment, as the case may be, shall have become effective by virtue of the requisite percentage having joined in such notice prior to the day which is 90 days after such record date, such notice of declaration of acceleration, or rescission and annulment, as the case may be, shall automatically and without further action by any Holder be cancelled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new written notice of declaration of acceleration, or rescission and annulment thereof, as the case may be, that is identical to a written

notice which has been cancelled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 502.

Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days;

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof; or

(3) default is made in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series and such default continues for a period of 30 days;

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal (and premium, if any) and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue

principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 505. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without

preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, respectively.

Section 507. Limitation on Suits.

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Section 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case,

subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series, *provided* that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, nor subject the Trustee to a material risk of personal liability, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Upon receipt by the Trustee of any written notice directing the time, method or place of conducting any such proceeding or exercising any such trust or power, with respect to Securities of a series all or part of which is represented by a Global Security, a record date shall be established by the Trustee for determining Holders of Outstanding Securities of such series entitled to join in such notice, which record date shall be at the close of business on the day the Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; *provided*, that unless the Holders of a majority in principal amount of the Outstanding Securities of such series shall have joined in such notice prior to the day which is 90 days after such record date, such notice shall automatically and

without further action by any Holder be cancelled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new notice identical to a notice which has been cancelled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 512.

Section 513. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest on any Security of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

The Trustee may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to waive any past default hereunder. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to waive any default hereunder, whether or not such Holders remain Holders after such record date; *provided*, that unless such majority in principal amount shall have waived such default prior to the date which is 90 days after such record date, any such waiver previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Security on or after the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

Section 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX
The Trustee

Section 601. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction, determined as provided in

Section 512, of the Holders of a majority in principal amount of the Outstanding Securities of any series, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(5) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 602. *Notice of Defaults.*

Within 90 days after the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series, as their names and addresses appear in the Security Register, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; *provided, however*, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Securities of such series. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 603. *Certain Rights of Trustee.*

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, or as otherwise expressly provided herein, and any resolution of the Board of Directors of the Company may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any

action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with Counsel and the advice of such Counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) The Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed, upon advice of Counsel, by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

Section 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee or any Authenticating Agent shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 605. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise

deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

Section 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

Section 607. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time such compensation as shall be agreed to in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the compensation and the expenses and disbursements of its agents and Counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify each of the Trustee, or any predecessor Trustee, and each of its officers, directors, employees and agents, for, and to hold it harmless against, any and all losses, liabilities, damages, claims or expenses, including taxes (other than taxes based upon, measured or determined by the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, premium, if any, or interest, if any, on particular Securities.

Section 608. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture. To the extent permitted by such Act, the Trustee shall not be deemed to have a conflicting interest by virtue of being a trustee under this Indenture with respect to Securities of more than one series or a trustee under any other indenture with respect to bonds issued for the benefit of Tampa Electric Company by Hillsborough County Industrial Development Authority and Polk County Industrial Development Authority.

Section 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by Federal or State authority. If such Corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608(a) after written request therefor by the Company or any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or Control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all Securities, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly

situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 611, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of Securities of such series as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

Section 611. Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and

which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that, nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) and (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 612. Merger, Conversion, Consolidation or Succession to Business.

Any Corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such Corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 613. Preferential Collection of Claims.

If and when the Trustee shall be or become a creditor of the Company, the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company.

Section 614. Appointment of Authenticating Agent.

At any time when any of the Securities remain Outstanding, the Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a Corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any Corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any Corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, *provided* such Corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register.

Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

By _____
The Bank of New York, as Trustee

By _____
As Authenticating Agent

By _____
Authorized Signatory

ARTICLE SEVEN
Holders' Lists and Reports by Trustee and Company

Section 701. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not later than 15 days after each Regular Record Date (or, if there is no Regular Record Date relating to a series, semi-annually on dates set forth in the Board Resolution or supplemental indenture with respect to such series), a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

Section 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and privileges of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 702(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

Section 703. Reports by Trustee.

The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted no later than 60 days after May 15 in each calendar year, commencing with the year 1999.

A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when any Securities are listed on any stock exchange.

Section 704. Reports by Company.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; *provided* that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934, as amended, shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

ARTICLE EIGHT
Consolidation, Merger, Conveyance or Transfer

Section 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(1) the Corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety shall be, if a Corporation, a Corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

The Company shall not consolidate with any other Corporation or permit the Company to be merged into any other Corporation, or sell its property and assets as, or substantially as, an entirety except upon the terms and conditions set forth in this Article Eight. Upon any consolidation or merger, or any sale of the property and assets of the Company as, or substantially as, an entirety in accordance with the provisions of this Article Eight, the Corporation formed by such consolidation or into which the Company shall have been merged or the Person to which such sale shall have been made shall succeed to and be substituted for the Company with the same effect as if it had been named herein as a party hereto, and thereafter from time to time such Corporation may exercise each and every right and power of the Company under this Indenture, in the name of the Company or in its own name; and any act or proceeding by any provision of this Indenture required or permitted to be done by any board or officer of the Company may be done with like force and effect by the like board or officer of any Corporation that shall at the time be the successor of the Company hereunder.

The Trustee shall be entitled to receive and may conclusively rely on and shall be protected in relying upon an Opinion of Counsel as conclusive evidence that any such consolidation, merger or sale, and any such assumption of payment and performance complies with the provisions of this Article.

ARTICLE NINE
Supplemental Indentures

Section 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of Securities in uncertificated form or to facilitate the issuance of Securities in global form; or

(5) to change or eliminate any of the provisions of this Indenture, *provided* that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision; or

(6) to secure the Securities pursuant to the requirements of Section 801(3) or Section 1004 or otherwise; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 201 and 301; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series or to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611(b); or

(9) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, *provided*

such action shall not adversely affect the interests of the Holders of Securities of any series in any material respect.

Section 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture and of not less than 66 2/3% in principal amount of the Outstanding Securities of all series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502, or change any Place of Payment where, or the coin or currency in which, any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; *provided, however*, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section and Section 1008, or the deletion of this proviso, in accordance with the requirements of Sections 611(b) and 901(8).

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; *provided*, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 days after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, or immunities or liabilities under this Indenture or otherwise.

Section 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

Section 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and such Securities may be authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE TEN
Covenants

Section 1001. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of (and premium, if any) and interest on the Securities of that series in accordance with the terms of the Securities and this Indenture.

Section 1002. Maintenance of Office or Agency.

The Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 1003. Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its failure so to act.

In the event that the Company appoints one or more Paying Agents for any series of Securities, the Company covenants and agrees to indemnify the Trustee for, and hold the Trustee harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the administration of the duties of the Paying Agent appointed by the Company under this Indenture and to reimburse the Trustee for the reasonable costs and expenses (including Counsel fees) of defending against any such claim or liability.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it will, prior to each due date of the principal of (and premium, if any) or interest on any Securities of that series, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal (and premium, if any) or interest on the Securities of that series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order of the Company direct any Paying Agent to pay to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company in trust for the payment of the principal of (and premium, if any) or interest on any Security of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request or (if then held by the Company) shall be discharged from such trust, subject to any other requirements imposed on the Trustee by applicable law; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however,* that the Trustee or such Paying Agent, before being required to make any such repayment, shall at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 1004. Statement by Officers as to Default.

The Company shall deliver to the Trustee within 30 days after the occurrence thereof written notice of any event which with the giving of notice and the lapse of time or both would become an Event of Default.

The Company shall deliver to the Trustee, within 120 days after the end of each Fiscal Year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions applicable to the Company hereunder, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

ARTICLE ELEVEN
Redemption of Securities

Section 1101. Applicability of Article.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

Section 1102. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of less than all the Securities of like tenor of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

Section 1103. Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities of like tenor of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of like tenor of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of such Securities of a denomination larger than the minimum authorized denomination for such Securities.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

Section 1104. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date unless a shorter period is specified pursuant to Section 301, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) the CUSIP Number of the Securities to be redeemed,

(4) if less than all the Outstanding Securities of like tenor of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Securities to be redeemed,

(5) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(6) the place or places where such Securities are to be surrendered for payment of the Redemption Price, and

(7) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 1105. Deposit of Redemption Price.

Unless the Company has otherwise made an election to have Section 1302 apply to the Securities of any series and has complied with the provisions of Section 1303, on or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the

Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date.

Section 1106. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company or by the Trustee, if the Company has made an election pursuant to Section 1301, at the Redemption Price, together with accrued interest to the Redemption Date; *provided, however*, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 1107. Securities Redeemed in Part.

Any Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute and the Trustee shall authenticate and make available for delivery to the Holder of such Security without service charge, a new Security or Securities of the same series and of like tenor, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered. If a Global Security is so surrendered, such new Security so issued shall be a new Global Security.

ARTICLE TWELVE
Sinking Funds

Section 1201. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 301 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of

Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

Section 1202. Satisfaction of Sinking Fund Payments with Securities.

The Company (1) may deliver Outstanding Securities of a series (other than any previously called for redemption) and (2) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; *provided* that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

Section 1203. Redemption of Securities for Sinking Fund.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 1202 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN
Defeasance

Section 1301. Applicability of Article; Company's Option to Effect Defeasance.

Unless otherwise provided for the Securities of any series pursuant to Section 301, the provisions of Article Thirteen shall be applicable to the Securities of any series, and the Company may at its option by or pursuant to a Board Resolution, at any time, with respect to the Securities of such series, elect to have Section 1302 be applied to the Outstanding Securities of such series upon compliance with the conditions set forth below in this Article Thirteen.

Section 1302. Defeasance and Discharge.

Upon the Company's exercise of the above option applicable to this Section, the Company shall be deemed to have been discharged from its obligations with respect to the Outstanding Securities of such series on the date the conditions set forth below are satisfied (hereinafter, "Defeasance"). For this purpose, such Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities of such series and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of Outstanding Securities of such series to receive, solely from the trust fund described in Section 1303 and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any) and interest on such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 304, 305, 306, 1002, 1003 and 1102, (C) the rights, powers, trusts, duties, and immunities of the Trustee under Sections 305, 306, 307, 309, 402, 607, the last paragraph of Section 1003 and Sections 1104 and 1106, and otherwise the duty of the Trustee to authenticate Securities of such series issued on registration of transfer or exchange and (D) this Article Thirteen. Subject to compliance with this Article Thirteen, the Company may exercise its option under this Section 1302.

Section 1303. Conditions to Defeasance.

The following shall be the conditions to application of Section 1302 to the Outstanding Securities of such series:

(a) the Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 609 who shall agree to comply with the provisions of this Article Thirteen applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the holders of such Securities, (A) money in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants or a nationally reconized investment banking firm acceptable to the Company expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, (i) the principal of (and premium, if any) and each installment of principal of (and premium, if any) and interest on the Outstanding Securities of such series on any Redemption Date, if the Company has irrevocably elected to cause the Outstanding Securities of such series subject to redemption to be redeemed on a specific Redemption Date by giving notice to the Trustee of such election at the time it exercises its option pursuant to Section 1302, or on the Stated Maturity of such principal or installment of principal or interest and (ii) any mandatory sinking fund payments or analogous payments applicable to the Outstanding Securities of such series on the day on which such payments are due and payable in

accordance with the terms of this Indenture and of such Securities. For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a Person Controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

(b) (i) No Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit, and (ii) with respect to a Defeasance and discharge under Section 1302, no such Event of Default or event shall have occurred and be continuing under subsection 501(5) or (6) hereof at any time during the period ending on the 91st day after the date of such deposit or, if longer, ending on the day following the expiration of the longest preference period applicable to the Company in respect of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period); *provided* that in connection with a Defeasance under Section 1302 the Company will be released from its covenant under Section 1004 immediately upon the making of the deposit under subsection (a) without reference to the additional period of time referred to in this subsection (ii); and *provided, further, however*, that if (x) a bank with an investment rating of at least A by each of Standard & Poor's Corporation and Moody's Investors Service, Inc. shall issue in favor of the Trustee, for the benefit of the Holders of the Outstanding Securities to be defeased hereunder, an unsecured letter of credit to guarantee the deposit referred to in subparagraph (a) above and (y) the Company shall provide to the Trustee an Opinion of Counsel (which shall be nationally recognized Counsel experienced in bankruptcy matters) satisfactory to the Trustee to the effect that no payments pursuant to the letter of credit to be made for the benefit of the Holders of the Outstanding Securities to be defeased hereunder would be subject to recapture, as a preference or otherwise, by any trustee in bankruptcy of the Company, then this condition shall be satisfied without regard to the period of time referred to in subsection (ii) above.

(c) Such Defeasance shall not cause the Trustee for the Securities of such series to have a conflicting interest as defined in Section 608 and for purposes of the Trust Indenture Act with respect to any securities of the Company.

(d) Such Defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound.

(e) Such Defeasance shall not cause any Securities of such series then listed on any registered national securities exchange under the Securities Exchange Act of 1934, as amended, to be delisted.

(f) Such Defeasance shall be effected in compliance with any additional terms, conditions or limitations which may be imposed on the Company in connection therewith pursuant to Section 301.

(g) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the Defeasance under Section 1302 have been complied with.

Section 1304. Deposited Money and U.S. Government Obligations to Be Held in Trust; Other Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee -- collectively, for purposes of this Section 1304, the "Trustee") pursuant to Section 1304 in respect of the Outstanding Securities of such series shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own paying agent) as the Trustee may determine, to the Holders of such Securities, of all sums due and to become due thereon in respect of principal (and premium, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 1304 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Securities of such series.

Anything in this Article Thirteen to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1304 which, in the opinion of a nationally recognized firm of independent public accountants or a nationally recognized investment banking firm acceptable to the Company expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent Defeasance or covenant Defeasance.

Section 1305. Reinstatement.

If the Trustee is unable to apply any money in accordance with Section 401 or Section 1302 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application,

the Company's obligations under this Indenture and the Securities of such series shall be revived and reinstated as though no deposit had occurred pursuant to Section 401 or Section 1302 until such time as the Trustee is permitted to apply all such money in accordance with Section 401 or Section 1302; provided, however, that if the Company has made any payment of interest on or principal of (and premium, if any, on) any Securities of such series because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such series of Securities to receive such payment from the money held by the Trustee.

* * * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[The balance of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

TAMPA ELECTRIC COMPANY

By _____
Girard F. Anderson
Chairman of the Board and Chief Executive Officer

[Corporate Seal]

THE BANK OF NEW YORK,
as Trustee

By _____
Name:
Title:

[Corporate Seal]

State of District of Columbia)
) SS.:
County of)

On the 28 day of July, 1998 before me personally came Girard F. Anderson, to me known, who, being by me duly sworn, did depose and say that he is Chairman of the Board and Chief Executive Officer of TAMPA ELECTRIC COMPANY, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

James Roberts
Notary Public

State of New York)
) SS.:
County of New York)

On the _____ day of _____ 1998 before me personally came _____ to me known, who, being by me duly sworn, did depose and say that he/she is _____ of THE BANK OF NEW YORK, one of the corporations described in and which executed the foregoing instrument; that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he/she signed his/her names thereto by like authority.

_____
Notary Public

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

TAMPA ELECTRIC COMPANY

By_____
Girard F. Anderson
Chairman of the Board and Chief Executive Officer

[Corporate Seal]

THE BANK OF NEW YORK,
as Trustee

By_____
Name: M. S. SIGNORETTA
Title: VICE PRESIDENT

[Corporate Seal]

State of)
) SS.:
County of)

On the _____ day of _____, 1998 before me personally came Girard F. Anderson, to me known, who, being by me duly sworn, did depose and say that he is Chairman of the Board and Chief Executive Officer of TAMPA ELECTRIC COMPANY, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

_____
Notary Public

State of New York)
) SS.:
County of New York)

On the 29th day of July 1998 before me personally came N. S. SIGNORETTA to me known, who, being by me duly sworn, did depose and say that he/she is VICE PRESIDENT of THE BANK OF NEW YORK, one of the corporations described in and which executed the foregoing instrument; that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he/she signed his/her names thereto by like authority.

Notary Public

WILLIAM J. CASSELS
Notary Public, State of New York
No. 01CA5027729
Qualified in Bronx County
Certificate Filed in New York County
Commission Expires May 16, 2000

TAMPA ELECTRIC COMPANY

and

THE BANK OF NEW YORK
As Trustee

FIFTH SUPPLEMENTAL INDENTURE

dated as of May 1, 2006

Supplementing the Indenture

dated as of July 1, 1998

$250,000,000

6.55% Notes Due 2036

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EXHIBIT A FORM OF NOTE

EXHIBIT B FORM OF SUPPLEMENTAL COMPANY ORDER

This Fifth Supplemental Indenture, dated as of May 1, 2006, is between Tampa Electric Company, a corporation duly organized and existing under the laws of the State of Florida (hereinafter called the "Company") and having its principal office at TECO Plaza, 702 North Franklin Street, Tampa, Florida 33602, and The Bank of New York, as trustee (hereinafter called the "Trustee") and having its principal corporate trust office at 101 Barclay Street, 11th Floor East, New York, New York 10286.

WITNESSETH:

WHEREAS, the Company and the Trustee entered into an Indenture, dated as of July 1, 1998, as amended by a Third Supplemental Indenture, dated as of June 15, 2001, between the Company and the Trustee (the "Original Indenture"), pursuant to which one or more series of debt of the Company (the "Securities") may be issued from time to time; and

WHEREAS, Section 201 of the Original Indenture permits the terms of any series of Securities to be established in an indenture supplemental to the Original Indenture; and

WHEREAS, Section 901(7) of the Original Indenture provides that a supplemental indenture may be entered into by the Company and the Trustee without the consent of any Holders of the Securities to establish the form and terms of the Securities of any series; and

WHEREAS, the Company has requested the Trustee to join with it in the execution and delivery of this Fifth Supplemental Indenture in order to supplement and amend the Original Indenture by, among other things, establishing the form and terms of a series of Securities to be known as the Company's "6.55% Notes due 2036" (the "Notes"); and

WHEREAS, the Company and the Trustee desire to enter into this Fifth Supplemental Indenture for the purposes set forth in Sections 201 and 901 of the Original Indenture as referred to above; and

WHEREAS, the Company has furnished the Trustee with a Board Resolution authorizing the execution of this Fifth Supplemental Indenture; and

WHEREAS, all things necessary to make this Fifth Supplemental Indenture a valid agreement of the Company and the Trustee and a valid supplement to the Original Indenture have been done,

NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes to be issued hereunder by holders thereof, the Company and the Trustee mutually covenant and agree, for the equal and proportionate benefit of the respective holders from time to time of the Notes, as follows:

ARTICLE ONE

Definitions and Other Provisions of General Application

Section 101. Definitions

All capitalized terms that are used herein and not otherwise defined herein shall have the meanings assigned to them in the Original Indenture. The Original Indenture together with this Fifth Supplemental Indenture are hereinafter sometimes collectively referred to as the "Indenture."

"Business Day" means any day other than a Saturday or Sunday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulations to close in the City of New York.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes; *provided, however*, that if the remaining term of the Notes to be redeemed is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Comparable Treasury Price" means (1) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if an Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Depositary" means The Depository Trust Company or its successor.

"Independent Investment Banker" means any of Citigroup Global Markets Inc., J.P. Morgan Securities Inc. or Morgan Stanley & Co. Incorporated or any of their respective successors, as designated by the Company, or if all of those firms are unwilling or unable to serve as such, an independent investment and banking institution of national standing appointed by the Company.

"Interest Payment Date" means May 15 and November 15 of each year.

"Notes" has the meaning set forth in Section 201 hereof.

"Original Issue Date" means the date upon which the Notes are initially issued by the Company, such date to be set forth on the face of each Note.

"Record Date" means the fifteenth calendar day (whether or not a Business Day) immediately preceding the related Interest Payment Date. The Record Date shall constitute the Regular Record Date for purposes of the Original Indenture.

"Reference Treasury Dealer" means:

(i) Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated, and each of their respective successors; *provided* that, if any such Reference Treasury Dealer ceases to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute another Primary Treasury Dealer; and

(ii) up to two other Primary Treasury Dealers selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to an Independent Investment Banker at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Treasury Rate" means, as of any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second business day immediately preceding that redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Section 102. Section References

Each reference to a particular section set forth in this Fifth Supplemental Indenture shall, unless the context otherwise requires, refer to this Fifth Supplemental Indenture.

ARTICLE TWO

Designation and Terms of the Notes

Section 201. Establishment of Series

There is hereby created a series of Securities to be known and designated as the "6.55% Notes due 2036" (the "Notes"), which shall rank equally with each other and all other unsecured and unsubordinated indebtedness of the Company. For the purposes of the Original Indenture, the Notes shall constitute a single series of Securities.

Section 202. Variations in Terms of the Notes

Subject to the terms and conditions set forth in the Original Indenture and in this Fifth Supplemental Indenture, the terms of any particular Note may vary from the terms of any other Note as contemplated by Section 301 of the Original Indenture, and the terms for a particular Note will be set forth in such Note as delivered to the Trustee or an Authenticating Agent for authentication pursuant to Section 303 of the Original Indenture.

Section 203. Amount and Denominations; the Depositary

(a) The initial principal amount of Notes that may be issued under this Fifth Supplemental Indenture shall be $250,000,000. Additional Notes may be issued under this Fifth Supplemental Indenture in unlimited principal amounts as permitted by the Original Indenture. The authorized denominations of Notes shall be $1,000 or integral multiples of $1,000 in excess thereof.

(b) The Notes shall be issuable only in fully registered form, without coupons, and will initially be registered in the name of the Depositary, or its nominee who is hereby designated as "U.S. Depositary" under the Original Indenture.

Section 204. Stated Maturity

The Stated Maturity of the principal amount of the Notes shall be May 15, 2036.

Section 205. Interest Rates and Interest Payment Dates

(a) *Interest Rate.* The Notes shall bear interest at the annual rate of 6.55% from the Original Issue Date to the date on which the principal shall become due on the Stated Maturity, and if such principal is not fully paid on the Stated Maturity, until such principal is paid in full. Interest on the Notes will be payable semi-annually on each Interest Payment Date, commencing on November 15, 2006. Such interest will be payable to the holder thereof as of the related Record Date.

(b) *Computation of Interest.* The amount of interest payable for any period will be computed on the basis of a year of 360 days consisting of twelve 30-day months. Except for the effect of any adjustment in the Interest Payment Date as provided in the following sentence, the amount of interest payable for any period shorter than a full six-month period for which interest is computed, will be computed on the basis of the actual number of days elapsed in such a 180-day period. If any Interest Payment Date would otherwise be a day that is not a Business Day, the payment required to be made on such Interest Payment Date will be postponed to the next succeeding Business Day, and no interest will accrue on such payment for the period from and after such Interest Payment Date to the date of such payment on the next succeeding Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such Interest Payment Date.

Section 206. Form and Other Terms of the Notes

(a) Attached hereto as Exhibit A is the form of Note, which form is hereby established as the form in which the Notes may be issued and which shall be completed with the series designation, Stated Maturity, interest rate and CUSIP number applicable to the Notes upon such issuance.

(b) Subject to (a) above, any Note may be issued in such other form as may be provided by, or not inconsistent with, the terms of the Original Indenture and this Fifth Supplemental Indenture.

Section 207. Authentication and Delivery.

As provided in and pursuant to Section 303 of the Original Indenture, each time that the Company delivers Notes to the Trustee or Authenticating Agent for authentication after the initial issuance of Notes under this Fifth Supplemental Indenture, the Company shall deliver a Supplemental Company Order in the form of Exhibit B to this Fifth Supplemental Indenture (which form shall be completed upon delivery with the series designation applicable to the Notes) for the authentication and delivery of such Notes and the Trustee or such Authenticating Agent shall authenticate and deliver such Notes.

Section 208. Redemption; No Sinking Fund

(a) The Notes are subject to redemption, in whole or in part, at any time, at the option of the Company, at a redemption price equal to the greater of:

(i) 100% of the principal amount of Notes then outstanding to be redeemed, or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes then outstanding to be redeemed (not including any portion of such payments of interest accrued as of the redemption date) discounted to the redemption date on a semiannual basis (computed based on a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 25 basis points (0.25%), as calculated by an Independent Investment Banker,

plus, in either of the above cases, accrued and unpaid interest thereon to the redemption date.

(b) The Company will mail a notice of redemption at least 30 days but no more than 60 days before the redemption date to each holder of Notes to be redeemed. If the Company elects to partially redeem the Notes, the Trustee will select in a fair and appropriate manner the Notes to be redeemed.

(c) Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption.

(d) The Notes are not entitled to the benefit of any sinking fund or analogous provision.

ARTICLE THREE

Miscellaneous

Section 301. Effect On Original Indenture

The Fifth Supplemental Indenture is a supplement to the Original Indenture. As supplemented by this Fifth Supplemental Indenture, the Original Indenture is in all respects ratified, approved and confirmed, and the Original Indenture and this Fifth Supplemental Indenture shall together constitute one and the same instrument.

Section 302. Counterparts

This Fifth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

Section 303. Recitals

The recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Fifth Supplemental Indenture.

Section 304. Governing Law

This Fifth Supplemental Indenture shall be governed by and construed in accordance with the laws of the jurisdiction that govern the Original Indenture and its construction.

[The balance of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the date and year first written above.

TAMPA ELECTRIC COMPANY

By:_____
Name: Sandra W. Callahan
Title: Vice President – Treasurer and Assistant Secretary

THE BANK OF NEW YORK, AS TRUSTEE

By:_____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the date and year first written above.

TAMPA ELECTRIC COMPANY

By:_____
Name:
Title:

THE BANK OF NEW YORK, AS TRUSTEE

By:_____
Name: VAN K. BROWN
Title: VICE PRESIDENT

Signature Page of Fifth Supplemental Indenture

EXHIBIT A

FORM OF NOTE

CUSIP NO.: _____ PRINCIPAL AMOUNT: $_____

REGISTERED NO. __

TAMPA ELECTRIC COMPANY

6.55% Notes Due 2036

☒ Check this box if the Note is a Global Note.
Applicable if the Note is a Global Note:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), *ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL* INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

This Note is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of Cede & Co., or such other nominee of The Depository Trust Company, a New York corporation, or any successor depositary ("Depositary"), as requested by an authorized representative of the Depositary. This Note is exchangeable for Notes registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture and may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary.

ORIGINAL ISSUE DATE: May 12, 2006

ISSUE PRICE: 99.375% (as a percentage of principal amount)

STATED MATURITY: May 15, 2036

INTEREST RATE: 6.55% per annum.

INTEREST PAYMENT DATES: May 15 and November 15 of each year commencing November 15, 2006.

SPECIFIED CURRENCY: U.S. dollars

AUTHORIZED DENOMINATIONS: N/A (Only applicable if specified currency is other than U.S. dollars)

SINKING FUND: None

YIELD TO MATURITY: N/A

REDEMPTION: Redeemable in whole or in part, at the Company's option, from time to time at the redemption prices described on the reverse of this Note.

DEPOSITARY: The Depository Trust Company, or any successor depository.

TAMPA ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of Florida (herein called the "Company," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum set forth on the face of this Note on the Stated Maturity, upon the presentation and surrender hereof at the principal corporate trust office of The Bank of New York, or its successor in trust (the "Trustee") or such other office as the Trustee has designated in writing, and to pay interest on the unpaid principal balance hereof at a rate per annum (computed based on a 360-day year consisting of twelve 30-day months) equal to the Interest Rate set forth on the face of this Note for the period from the Original Issue Date to, but excluding, the Stated Maturity.

Interest will be payable on the Interest Payment Dates to the Person in whose name this Note is registered at the close of business on the related Record Date, which is the fifteenth calendar day (whether or not a Business Day) immediately preceding the related Interest Payment Date. In each case, payments shall be made in accordance with the provisions hereof, until the principal hereof is paid or duly made available for payment.

Payment of the principal of (and premium, if any) and any such interest on this Note shall be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City of New York in the State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, TAMPA ELECTRIC COMPANY has caused this instrument to be duly executed.

Dated: _____, 2006

TRUSTEE'S CERTIFICATE
OF AUTHENTICATION

This is one of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK,
as Authenticating Agent for the Trustee

By:_____
Authorized signatory

TAMPA ELECTRIC COMPANY

By:_____
Name:
Title:

(REVERSE OF NOTE)

TAMPA ELECTRIC COMPANY

6.55% Notes Due 2036

This Note is one of a duly authorized series of securities of the Company (herein called the "Notes"), issued and to be issued under an Indenture dated as of July 1, 1998, as supplemented by the Fifth Supplemental Indenture, dated as of May 1, 2006 (as such has been or shall be amended or supplemented, the "Indenture"), between the Company and The Bank of New York, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the securities of the series designated on the face hereof, in an initial aggregate principal amount of $_____.

DEFINITIONS

The following terms, as used herein, have the following meanings unless the context or use clearly indicates another or different meaning or intent:

"Business Day" means any day other than a Saturday or Sunday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulations to close in the City of New York.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes; *provided, however*, that if the remaining term of the Notes to be redeemed is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Comparable Treasury Price" means (1) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if an Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Depositary" shall mean The Depository Trust Company or any successor depositary.

"Independent Investment Banker" means any of Citigroup Global Markets Inc., J.P. Morgan Securities, Inc. or Morgan Stanley & Co. Incorporated or any of their respective successors, as designated by the Company, or if all of those firms are unwilling or unable to serve as such, an independent investment and banking institution of national standing appointed by the Company.

"Interest Payment Date" means each of the dates on which interest on this Note is payable, which dates are set forth on the face of this Note.

"Reference Treasury Dealer" means:

(i) Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated, and each of their respective successors; *provided* that, if any such Reference Treasury Dealer ceases to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute another Primary Treasury Dealer; and

(ii) up to two other Primary Treasury Dealers selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to an Independent Investment Banker at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Treasury Rate" means, as of any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second business day immediately preceding that redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

INTEREST RATE

This Note will bear interest at the rate per annum (computed based on a 360-day year consisting of twelve 30-day months) identified on the face of this Note. Except for the effect of any adjustment in the Interest Payment Date as provided in the following sentence, the amount of interest payable for any period shorter than a full six-month period for which interest is computed, will be computed on the basis of the actual number of days elapsed in such a 180-day period. If any Interest Payment Date would otherwise be a day that is not a Business Day, the payment required to be made on such Interest Payment Date will be postponed to the next succeeding Business Day, and no interest will accrue on such payment for the period from and after such Interest Payment Date to the date of such payment on the next succeeding Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such Interest Payment Date.

OPTIONAL REDEMPTION

The Notes are subject to redemption, in whole or in part, at any time, at the option of the Company, at a redemption price equal to the greater of:

(i) 100% of the principal amount of the Notes then outstanding to be redeemed, or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes then outstanding to be redeemed (not including any portion of such payments of interest accrued as of the redemption date) discounted to the redemption date on a semiannual basis (computed based on a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 25 basis points (0.25%), as calculated by an Independent Investment Banker,

plus, in either of the above cases, accrued and unpaid interest thereon to the redemption date.

The Company will mail a notice of redemption at least 30 days but no more than 60 days before the redemption date to each holder of the Notes to be redeemed. If the Company elects to partially redeem the Notes, the Trustee will select in a fair and appropriate manner the Notes to be redeemed.

Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption.

The Notes are not entitled to the benefit of any sinking fund or analogous provision.

TRANSFER OR EXCHANGE

As provided in the Indenture and subject to certain limitations herein and therein set forth, the transfer of this Note is registerable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest on this Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons and, except for such Notes issued in book-entry form, only in denominations of $1,000 and any integral multiple of $1,000. As provided in the Indenture and subject to certain limitations herein and therein set forth, this Note is exchangeable for a like aggregate principal amount of Notes of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company or the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

OTHER PROVISIONS

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected and of the Holders of 66 2/3% in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. To the extent permitted by law, any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	-- as tenants in common	UNIF GIFT MIN ACT--_____ CUSTODIAN_____
TEN ENT	-- as tenants by the entireties	(Cust) (Minor)
JT TEN	-- as joint tenants with right of survivorship and not as tenants in common	Under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

Please Insert Social Security or
Other Identifying Number of Assignee

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

the within Security of TAMPA ELECTRIC COMPANY and does hereby irrevocably constitute and appoint _____ attorney to transfer said Security on the books of the Company, with full power of substitution in the premises.

Dated:_____ _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT B

TAMPA ELECTRIC COMPANY

_____% NOTES DUE 20__

SUPPLEMENTAL COMPANY ORDER

Pursuant to Section 207 of Article Two of the Fifth Supplemental Indenture, dated as of May 1, 2006, to the Indenture, dated as of July 1, 1998, as amended, you are instructed to prepare and authenticate a Note, of the series identified above, in the principal amount of $_____.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____, ____.

TAMPA ELECTRIC COMPANY

By:_____
Name:
Title:

EXECUTION COPY

TAMPA ELECTRIC COMPANY

$250,000,000

6.55 % Notes due 2036

UNDERWRITING AGREEMENT

May 9, 2006

Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013

J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

Ladies and Gentlemen:

Tampa Electric Company, a Florida corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule A hereto (the "Underwriters"), for whom Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated are acting as representatives (the "Representatives"), an aggregate principal amount of $250,000,000 of 6.55% Notes due 2036 (the "Notes"). The Notes will be issued pursuant to an indenture dated as of July 1, 1998 (the "Base Indenture") between the Company and The Bank of New York, as trustee (the "Indenture Trustee"), as heretofore amended and as amended and supplemented by the fifth supplemental indenture dated as of May 1, 2006 (the Base Indenture, as so supplemented and amended, being referred to herein as the "Indenture").

The Company hereby confirms its agreement with the several Underwriters concerning the purchase and sale of the Notes, as follows:

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company represents and warrants to each Underwriter as of the date hereof, the Time of Sale referred to in Section 1(a)(i), and as of the Closing Time referred to in Section 2(b) hereof, and agrees with each Underwriter, as follows:

(i) Compliance with Registration Requirements. The Company meets the requirements for use of Form S-3 under the Securities Act of 1933, as amended (the "1933 Act"). The Company has filed with the Securities and Exchange Commission (the "Commission") an "automatic shelf registration statement" on Form S-3 (File No. 333-132243-01) (including information, if any, deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A, 430B or 430C under the 1933 Act), for the registration under the 1933 Act of the Notes. Such registration statement has been filed with the Commission not earlier than three years prior to the date hereof, meets the requirements set forth in Rule 415(a)(1)(x) under the 1933 Act and complies in all other respects with said Rule, and as amended at the date it became effective, including the exhibits thereto, is hereinafter called the "Registration Statement". The base prospectus filed as part of the Registration Statement, in the form in which it has most recently been filed with the Commission on or prior to the date of this Agreement is hereinafter called the "Basic Prospectus"; any preliminary prospectus, including any preliminary prospectus supplement used in connection with the offer and sale of the Notes, filed with the Commission pursuant to Rule 424(b) is hereinafter called the "Preliminary Prospectus"; the form of the final prospectus relating to the Notes filed with the Commission pursuant to Section 3(a) of this Agreement is hereinafter called the "Prospectus". Any reference herein to the Registration Statement, the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Form S-3 which were filed under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and the rules and regulations of the Commission thereunder (the "1934 Act Regulations"), on or before the date of this Agreement, or the issue date of the Basic Prospectus, any Preliminary Prospectus or the Prospectus, as the case may be; and any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement, the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the filing of any document under the 1934 Act after the date of this Agreement, or the issue date of the Basic Prospectus, any Preliminary Prospectus or the Prospectus, as the case may be, deemed to be incorporated therein by reference. No stop order suspending the effectiveness of the Registration Statement, or any post-effective amendment thereto, or any notice objecting to its use under Rule 401(g)(2), is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

At or prior to 12:45 p.m., on May 9, 2006 (such time and date, the "Time of Sale"), the Company had prepared the following information (collectively, the "Time of

Sale Information"): a Preliminary Prospectus dated May 9, 2006, which shall include the Basic Prospectus, and each "free writing prospectus," as defined pursuant to Rule 405 under the 1933 Act, including the final term sheet prepared and filed pursuant to Section 3(a) hereof, listed on Annex A hereto.

(ii) Preliminary Prospectus. No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, complied in all material respects with the 1933 Act and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in any Preliminary Prospectus.

(iii) Time of Sale Information. The Time of Sale Information, at the Time of Sale did not, and at the Closing Time (as hereinafter defined) will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Time of Sale Information. No statement of material fact included in the Prospectus has been omitted from the Time of Sale Information and no statement of material fact included in the Time of Sale Information that is required to be included in the Prospectus has been omitted therefrom.

(iv) Issuer Free Writing Prospectus. Other than the Preliminary Prospectus and the Prospectus, the Company (including its agents and representatives, other than the Underwriters in their capacity as such) has not made, used, prepared, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any "written communication" (as defined in Rule 405 under the 1933 Act) that constitutes an offer to sell or solicitation of an offer to buy the Notes (each such communication by the Company or its agents and representatives (other than a communication referred to in clause (i) below) an "Issuer Free Writing Prospectus"), other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the 1933 Act or Rule 134 under the 1933 Act or (ii) the documents listed on Annex B hereto and other written communications approved in writing in advance by the Representative. Each such Issuer Free Writing Prospectus complied in all material respects with the 1933 Act, has been filed in accordance with the 1933 Act (to the extent required thereby) and, when taken together with the Preliminary Prospectus accompanying an Issuer Free Writing Prospectus, or delivered prior to delivery of such Issuer Free Writing Prospectus, did not,

and at the Closing Time will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in each such Issuer Free Writing Prospectus in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representative expressly for use in any Issuer Free Writing Prospectus.

(v) Incorporated Documents. The documents incorporated by reference in the Registration Statement, the Prospectus or the Time of Sale Information, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the 1933 Act or the 1934 Act Regulations, as applicable, and none of such documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Registration Statement, the Prospectus or the Time of Sale Information as contemplated by Section 3(e), when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the 1933 Act or the 1934 Act, as applicable, and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and no such documents were filed with the Commission since the Commission's close of business on the business day immediately prior to the date of this Agreement and prior to the execution of this Agreement, except as set forth on Annex B to this Agreement.

(vi) Registration Statement and Prospectus. As of the effective date of the Registration Statement and, in the case of the Prospectus, as of its date, when, prior to the Closing Time, any amendment to the Registration Statement becomes effective (including the filing of any document incorporated by reference in the Registration Statement), when any amendment or supplement to the Prospectus is filed with the Commission and at the Closing Time, (i) the Registration Statement, as then amended as of any such time, the Prospectus, as then amended or supplemented as of any such time, and the Indenture will comply in all material respects with the applicable requirements of the 1933 Act, the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the 1934 Act, and (ii) neither each part of the Registration Statement, as then amended as of such time, nor the Prospectus, as then amended or supplemented as of such time, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that the Company makes no representations or warranties as to (i) that part of the Registration Statement which shall constitute the Statement of Eligibility (Form T-1) under the 1939 Act of the applicable trustees or (ii) the information contained

in or omitted from the Registration Statement or the Prospectus or any amendment thereof or supplement thereto in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for use in the Registration Statement and the Prospectus.

(vii) Status of the Company. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Florida, and has the power and authority to enter into and perform its obligations under this Agreement and the Indenture and to own its property and conduct its business as described in the Prospectus.

(viii) Authorization of Company Agreements. The Notes and the Indenture (collectively, the "Transaction Documents") have each been duly authorized by the Company, and, at the Closing Time, will have been duly executed and delivered by the Company, and, in the case of the Notes, when validly issued by the Company and validly authenticated and delivered by the Indenture Trustee, and, in the case of the Indenture, when validly executed and delivered by the Indenture Trustee, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law); the Indenture has been duly qualified under the 1939 Act; the Notes are entitled to the benefits of the Indenture; and the Transaction Documents will conform in all material respects to the descriptions thereof in the Time of Sale Information and the Prospectus.

(ix) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(x) No Conflicts. The execution, delivery and performance of the Indenture and this Agreement, and the issuance and sale of the Notes and compliance by the Company with the terms and provisions of the Indenture, this Agreement and the Notes will not result in a breach or violation by the Company of any of the terms and provisions of, or constitute a default by the Company under, (A) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or its property, (B) any agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the properties of the Company is subject, except where such breaches, defaults or violations would not have a material adverse effect on the condition, financial or otherwise, or in the results of operations or business affairs of the Company and its subsidiaries, taken as a whole, whether or not arising in the ordinary course of business (a "Material Adverse Effect"); or (C) the charter or by-laws of the Company; and the Company has full power and authority to authorize, issue and sell the Notes as contemplated by this Agreement.

(xi) Absence of Proceedings. Except as disclosed in the Registration Statement, Time of Sale Information and the Prospectus, there are no pending actions, suits or proceedings against or affecting the Company or any of its property that, if determined adversely to the Company, would individually or in the aggregate have a Material Adverse Effect, or would materially and adversely affect the ability of the Company to perform its obligations under this Agreement, or which are otherwise material in the context of the sale of the Notes; and no such actions, suits or proceedings are, to the Company's knowledge, threatened or contemplated.

(xii) No Material Adverse Change in Business. Except as disclosed in the Registration Statement, Time of Sale Information or the Prospectus, since the date of the latest audited financial statements included in the Prospectus or the Time of Sale Information there has been no material adverse change in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole.

(xiii) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Notes hereunder or the consummation of the transactions contemplated by this Agreement, except such as have been already obtained or made or as may be required under the 1933 Act or the rules and regulations of the Commission thereunder (the "1933 Act Regulations") or state securities laws.

(xiv) Qualification. The Company is duly qualified as a foreign corporation in all jurisdictions where it owns or leases substantial real properties or in which the conduct of its business requires qualification as a foreign corporation and in which the failure to so qualify could have a Material Adverse Effect.

(xv) Financial Statements. The financial statements of the Company, together with related notes, incorporated in the Registration Statement, the Time of Sale Information and the Prospectus directly or by reference present fairly, in accordance with generally accepted accounting principles consistently applied (except as stated therein and except the notes to the interim financial statements), the financial position and the results of operations of the Company and its predecessors at the dates and for the respective periods to which they apply.

(xvi) Auditors. PricewaterhouseCoopers LLP, who have certified financial statements of the Company, is an independent registered public accounting firm with respect to the Company within the applicable rules and regulations adopted by the Commission and the Public Accounting Oversight Board (United States) and as required by the 1933 Act and the 1933 Act Regulations.

(xvii) Investment Company Act. The Company is not, and, upon the issuance and sale of the Notes as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus, will not be, an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xviii) Internal Accounting Controls. The Company, together with TECO Energy, Inc. ("TECO Energy") and TECO Energy's direct and indirect subsidiaries, considered as one enterprise, maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (A) transactions are executed in accordance with management's general or specific authorizations; (B) transactions are recorded as necessary to permit preparation of their financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for their assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xix) Disclosure Controls and Procedures. The Company has established and maintains disclosure controls and procedures (as such term is defined in Rules 13a-15 and 15d-14 under the 1934 Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company and each subsidiary is made known to the chief executive officer and chief financial officer of the Company by others within the Company or any subsidiary, and such disclosure controls and procedures are reasonably effective to perform the functions for which they were established subject to the limitations of any such control system; the Company's auditors and the audit committee of the board of directors of the Company have been advised of: (A) any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data; and (B) any fraud, whether or not material, that involves management or other employees who have a role in the Company's internal controls; and, since the date of the most recent evaluation of such disclosure controls and procedures, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(xx) Sarbanes-Oxley Compliance. The Company is in compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith, including Section 402 related to loans and Sections 302 and 906 related to certifications.

(xxi) Status under the 1933 Act. The Company is not an ineligible issuer and is a well-known seasoned issuer, in each case as defined under the 1933 Act, in each case at the times specified in the 1933 Act in connection with the offering of the Notes, without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer. The Company has paid the registration fee for this offering pursuant to Rule 456(b)(1) under the 1933 Act or will pay such fees within the time period required by such rule (without giving effect to the proviso therein) and in any event prior to the Closing Time.

(xxii) Cuba. The Company has complied with all provisions of Section 517.075 of the Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

(xxiii) Officer's Certificates. Any certificate signed by any officer of the Company delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to Underwriters, Closing.

(a) Notes. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter and each Underwriter, severally and not jointly, agrees to purchase from the Company, at the price and with the terms set forth in Schedule B, the principal amount of Notes set forth in Schedule A opposite the name of such Underwriter, plus any additional amount of Notes which such Underwriter may become obligated to purchase pursuant to the provisions of Section 11 hereof.

(b) Payment. Payment of the purchase price for, and delivery of, the Notes shall be made at the offices of the Representatives, or at such other place as shall be agreed upon by the Representatives and the Company at 9:00 A.M. (Eastern time) on the third business day after the date hereof (unless postponed in accordance with the provisions of Section 11), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives and the Company (such time and date of payment and delivery being herein called the "Closing Time").

Payment shall be made by the Representatives to the Company by wire transfer of immediately available funds to a bank account(s) designated by the Company to the Representatives against delivery of the Notes in the form of one or more permanent global securities in definitive form (the "Global Securities") deposited with the Trustee as custodian for The Depository Trust Company ("DTC"), registered in the name of Cede & Co., as nominee for DTC, and to be credited to each Underwriter's account at DTC. Interests in any permanent global securities will be held only in book-entry form through DTC, except in the limited circumstances described in the Prospectus. It is understood that each Underwriter has authorized

the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Notes which it has agreed to purchase.

(c) Registration. The Global Securities will be made available for examination by the Representatives at the office of DTC or its designated custodian at least one business day prior to the Closing Time.

(d) Acknowledgment. The Company acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the offering of the Notes contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company or any other person. Additionally, neither the Representatives nor any other Underwriter is advising the Company or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Company with respect thereto. Any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

SECTION 3. Covenants of the Company. The Company covenants with each Underwriter as follows:

(a) Compliance with Securities Regulations and Commission Requests. Subject to Section 3(b), it will prepare the Prospectus in a form approved by the Representatives and file such Prospectus (pursuant to Rule 424(b) within the time prescribed under Rule 424(b) and Rule 430A, 430B or 430C, as the case may be), prepare a final term sheet containing solely a description of the Notes in a form approved by the Representatives and attached hereto as Annex B, and file such term sheet pursuant to Rule 433(d) under the 1933 Act and all other material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the 1933 Act within the time required by such Rule. The Company will notify the Representatives immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Notes for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any such purposes. It will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule

424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. It will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the withdrawal thereof at the earliest possible moment.

(b) Amendments. It will give the Representatives notice of its intention to file or prepare any amendment to the Registration Statement or any amendment, supplement or revision to the Prospectus or any Issuer Free Writing prospectus, whether pursuant to the 1933 Act, the 1934 Act or otherwise; it will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representatives or counsel for the Underwriters shall reasonably object; provided, however, that the foregoing shall not apply to any of the Company's filings with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the 1934 Act if filed after the completion of the distribution of the Notes.

(c) Delivery of Registration Statements. It has furnished or will deliver to each of the Representatives and counsel for the Underwriters, without charge, one conformed copy of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) and one conformed copy of all consents and certificates of experts, and will also deliver to each of the Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"), except to the extent permitted by Regulation S-T.

(d) Delivery of Prospectuses and Issuer Free Writing Prospectus. It has delivered to each Underwriter, without charge, as many copies of each Preliminary Prospectus and any Issuer Free Writing Prospectus relating to the Notes as such Underwriter reasonably requested, and it hereby consents to the use of such copies for purposes permitted by the 1933 Act. It will furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act (including in circumstances where such requirements may be satisfied pursuant to Rule 172), such number of copies of the Prospectus (as amended or supplemented) and any Issuer Free Writing Prospectus as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto, and any Issuer Free Writing Prospectus furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. It will comply with the 1933 Act and the 1933 Act Regulations and the 1934 Act Regulations so as to permit the completion of the distribution of the Notes as contemplated in this Agreement and in the Prospectus. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales

of the Notes, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to amend the Registration Statement or amend or supplement the Prospectus so that the Prospectus will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, it will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and it will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(f) Blue Sky Qualifications. It will use its best efforts, in cooperation with the Underwriters, to qualify the Notes for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representatives may designate and to maintain such qualifications in effect so long as required to complete the distribution of the Notes; provided, however, that it shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Notes have been so qualified, it will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect so long as required to complete the distribution of the Notes.

(g) Rule 158. It will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Use of Proceeds. It will cause the net proceeds received by it from the sale of the Notes to be used in the manner specified in the Time of Sale Information and the Prospectus under "Use of Proceeds".

(i) Restriction on Sale of Notes. During the period of thirty (30) days following the Closing Time, it will not, without the prior written consent of the Representatives on behalf of the Underwriters, sell or contract to sell or announce the offering of, any securities of the Company with characteristics and terms similar to those of the Notes, except that, no earlier than five (5) days following the Closing Time, the Company may sell or contract to sell or announce the offering of notes with stated maturities of one year or less.

(j) Reporting Requirements. During the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, the Company will file or cause to be filed all

documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

(k) Record Retention. The Company will, pursuant to reasonable procedures developed in good faith, retain copies of each Issuer Free Writing Prospectus that is not filed with the Commission in accordance with Rule 433 under the 1933 Act.

SECTION 4. Additional Agreements.

(a) The Company represents and agrees that, other than the final term sheet prepared and filed pursuant to Section 3(a) hereof and attached hereto as Annex B, without the consent of the Representatives, it has not made and it will not make any offer relating to the Notes that would constitute a "free writing prospectus" as defined in Rule 405 under the 1933 Act.

(b) Each Underwriter hereby represents and agrees that it has not and will not make any offer relating to the Notes that would constitute a free writing prospectus that is required to be filed with the Commission pursuant to Rule 433 under the 1939 Act; provided that Underwriters may use a term sheet substantially in the form of Annex B hereto without the consent of the Company.

SECTION 5. Payment of Expenses.

(a) Expenses. The Company will pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits and the Forms T-1) as originally filed and of each amendment thereto, (ii) the printing and reproduction of this Agreement, the Indenture and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Notes, (iii) the preparation, issuance and delivery of the Notes to the Underwriters, including any transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Notes to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Notes under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith (which fees and disbursements of counsel for the Underwriters shall not exceed $5,000), (vi) the printing and delivery to the Underwriters of copies of each Basic Prospectus, Preliminary Prospectus, Issuer Free Writing Prospectus and of the Prospectus and any amendments or supplements thereto, (vii) the fees and expenses of the Indenture Trustee, including the fees and disbursements of counsel for the trustees in connection with the Indenture and the Notes, (viii) any fees payable in connection with the rating of the Notes, and (ix) the fees and expenses incident to the performance of the Company's other obligations hereunder.

(b) Termination of Agreement. If this Agreement is terminated by the Representatives in accordance with the provisions of Section 6(i) or Section 10(a)(i) hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

SECTION 6. Conditions of Underwriters' Obligations. The obligations of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company contained in Section 1(a) hereof, at and as of the Time of Delivery and the Closing

Time, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the 1933 Act Regulations and in accordance with Section 3(a) hereof; each Issuer Free Writing Prospectus shall have been timely filed with the Commission pursuant to Rule 433; the final term sheet contemplated by Section 3(a) hereof, and any other material required to be filed by the Company pursuant to Rule 433(d) under the Act, shall have been filed with the Commission within the applicable time periods prescribed for such filings by Rule 433; and no stop order suspending the effectiveness of the Registration Statement or any amendment thereto pursuant to Rule 401(g)(2) or pursuant to Section 8A under the 1933 Act, or any notice objecting to its use, shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission.

(b) Opinions of Counsel for the Company. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of (i) Edwards Angell Palmer & Dodge LLP, outside counsel for the Company, to the effect set forth in Exhibit A-1 hereto and (ii) Sheila M. McDevitt, Esq., General Counsel of the Company, to the effect set forth in Exhibit A-2 hereto, each in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters and addressed to the Underwriters. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of Florida and the federal law of the United States, upon the opinions of counsel satisfactory to the Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company, certificates of representatives of the applicable trustees and certificates of public officials. In rendering its opinion, Edwards Angell Palmer & Dodge LLP may rely as to matters of Florida law upon the opinion of Sheila M. McDevitt, Esq.

(c) Opinion of Counsel for Underwriters. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Ropes & Gray LLP, the counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters and addressed to the Underwriters with respect to such matters as the Representatives may reasonably request. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the federal law of the United States and the laws of the State of New York, upon the opinions of counsel satisfactory to the Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company, certificates of representatives of the applicable trustees and certificates of public officials.

(d) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Time of Sale

Information, any material adverse change in the condition, financial or otherwise, or in the results of operations or business affairs of the Company and its subsidiaries, whether or not arising in the ordinary course of business, and the Representatives shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that no stop order suspending the effectiveness of the Registration Statement, or any notice objecting to its use, has been issued and no proceedings for that purpose have been instituted or are pending or are, to the knowledge of such officers, contemplated by the Commission, and, to their knowledge after reasonable investigation, that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, and (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time.

(e) Accountant's Comfort Letter. At the time of the execution of this Agreement, the Representatives shall have received from the Company's independent public accountants a letter dated such date, in form and substance satisfactory to the Representatives, together with signed or reproduced copies of such letter for each of the other Underwriters and addressed to the Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained or incorporated by reference in the Registration Statement, the Time of Sale Information and the Prospectus.

(f) Bring-Down Comfort Letter. At the Closing Time, the Representatives shall have received from the Company's independent public accountants a letter, dated as of the Closing Time, together with signed or reproduced copies of such letter for each of the other Underwriters and addressed to the Underwriters, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (e) of this Section, except that the specified date referred to shall be a date not more than three business days prior to the Closing Time.

(g) Maintenance of Rating. At the Closing Time, the Notes shall be rated by each of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. and Fitch, Inc. as set forth in Schedule B hereto. Since the date of this Agreement, there shall not have occurred a downgrading in the rating assigned to the Notes or any of the Company's debt securities by any "nationally recognized statistical rating agency," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the 1933 Act, and no such organization shall have publicly announced that it has under surveillance or review its rating of the Notes or any of the Company's other debt securities.

(h) Additional Documents. At the Closing Time, counsel for the Underwriters shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Notes as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions contained herein; and all proceedings taken by the Company in connection

with the issuance and sale of the Notes as herein contemplated shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(i) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representatives by notice to the Company at any time at or prior to the Closing Time and such termination shall be without liability of any party to any other party except as provided in Section 5 and except that Sections 1, 7, 8 and 9 shall survive any such termination and remain in full force and effect.

SECTION 7. Indemnification.

(a) Indemnification of Underwriters. The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any Basic Prospectus, Preliminary Prospectus, Issuer Free Writing Prospectus, the Time of Sale Information or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission; provided that (subject to Section 7(d) below) any such settlement is effected with the written consent of the Company (which consent shall not be unreasonably withheld, delayed or conditioned); and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by the Representatives), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives expressly for use in the Registration Statement (or any amendment thereto), the Basic Prospectus, any Preliminary Prospectus, the Time of Sale Information or the Prospectus (or any amendment or supplement thereto). This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Indemnification of the Company, Directors and Officers. Each Underwriter, severally and not jointly, agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), the Basic Prospectus, any Preliminary Prospectus, the Time of Sale

Information or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Underwriter through the Representatives specifically for use in the Registration Statement (or any amendment thereto), the Basic Prospectus, any Preliminary Prospectus, the Time of Sale Information or the Prospectus (or any amendment or supplement thereto).

(c) Actions against Parties, Notification. Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 7, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 7. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided, however, that if the defendants (including impleaded parties) in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded after consultation with counsel that there may be legal defenses available to it or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof (other than the reasonable costs of investigation) unless (i) the indemnified party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) representing the indemnified parties), (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying

party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

SECTION 8. **Contribution.** If the indemnification provided for in Section 7 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Notes pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Notes pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Notes pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate public offering price of the Notes as set forth on such cover.

The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by an Underwriter in writing through the Representatives and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 8 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Notes underwritten by it and distributed to the public were offered to the public exceeds the amount of

any damages which such Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 8, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the principal amount of Notes set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 9. Survival.

The respective indemnities, rights of contribution, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of the Company or the Underwriters pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Notes to the Underwriters and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any of their respective affiliates, officers, directors, employees, representatives, agents or controlling persons.

SECTION 10. Termination of Agreement.

(a) Termination; General. The Representatives may terminate this Agreement, by notice to the Company, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectus, any material adverse change (or event involving a prospective change) in the condition, financial or otherwise, or in the results of operations, or business affairs of the Company, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis the effect of which is such as to make it, in the judgment of the Representatives, impracticable or inadvisable to offer, sell and deliver the Notes, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited (other than to provide for an orderly market), or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental

authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 5 hereof, and provided, further that Sections 1, 7, 8 and 9 shall survive such termination and remain in full force and effect.

SECTION 11. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at Closing Time to purchase the Notes which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such principal amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the aggregate principal amount of the Defaulted Securities does not exceed 10% of the aggregate principal amount of the Notes to be purchased on such date, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the aggregate principal amount of the Defaulted Securities exceeds 10% of the aggregate principal amount of the Notes to be purchased on such date, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement either (i) the Representatives or (ii) the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement, the Time of Sale Information or Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 11.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representatives at the addresses set forth on Schedule B; notices to the Company shall be directed to it at 702 North Franklin Street, Tampa, Florida 33602, Facsimile: (813) 228-1328, Attention: Corporate Secretary.

SECTION 13. **Parties.** This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 7 and 8 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and their respective successors, and said controlling persons and officers, directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Notes from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. **Underwriters' Information.** The parties hereto acknowledge and agree that the only information provided by any Underwriter to the Company through the Representatives specifically for use in the Registration Statement, the Time of Sale Information or Prospectus shall be the statements contained in the third, fourth, seventh and eighth paragraphs, and the third and fourth sentences in the fifth paragraph, under the heading "Underwriting" in the Prospectus.

SECTION 15. **GOVERNING LAW AND TIME.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 16. **Effect of Headings.** The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 17. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement between the Company and the Underwriters.

Very truly yours,

TAMPA ELECTRIC COMPANY

By: _____

Name: Sandra W. Callahan
Title: Vice President-Treasurer and
Assistant Secretary

The foregoing Agreement is hereby confirmed and accepted as of the date first written above.

CITIGROUP GLOBAL MARKETS, INC.

By: _____
Authorized Signatory
Brian Bednarski

J.P. MORGAN SECURITIES INC.

By: _____
Authorized Signatory

MORGAN STANLEY & CO. INCORPORATED

By: _____
Authorized Signatory

For themselves and the other Underwriters named in Schedule A to the foregoing Agreement.

The foregoing Agreement is hereby confirmed and accepted as of the date first written above.

CITIGROUP GLOBAL MARKETS, INC.

By: _____
Authorized Signatory

J.P. MORGAN SECURITIES INC.

By: _____
Authorized Signatory

MORGAN STANLEY & CO. INCORPORATED

By: _____
Authorized Signatory

For themselves and the other Underwriters named in Schedule A to the foregoing Agreement.

The foregoing Agreement is hereby confirmed and accepted as of the date first written above.

CITIGROUP GLOBAL MARKETS, INC.

By: _____
Authorized Signatory

J.P. MORGAN SECURITIES INC.

By: _____
Authorized Signatory

MORGAN STANLEY & CO. INCORPORATED

By: _____
Authorized Signatory

For themselves and the other Underwriters named in Schedule A to the foregoing Agreement.

SCHEDULE A

Underwriter	Principal Amount
Citigroup Global Markets Inc.	$58,333,000
J.P. Morgan Securities Inc.	$58,334,000
Morgan Stanley & Co. Incorporated	$58,333,000
BNP Paribas Securities Corp.	$15,000,000
BNY Capital Markets, Inc.	$15,000,000
HSBC Securities (USA) Inc	$15,000,000
SG Americas Securities, LLC	$15,000,000
Wedbush Morgan Securities Inc.	$15,000,000

SCHEDULE B

Title: 6.55% Notes due 2036
Aggregate Principal Amount: $250,000,000
Interest Rate: 6.55%
Interest Payment Dates: May 15 and November 15
Maturity: May 15, 2036
Redemption Provisions: Make-whole treasury rate plus 25 basis points
Rating: Baa2(Moody's); BBB- (S&P); BBB+ (Fitch)
Price to Public: 99.375% per note; Total: $248,437,500
Purchase Price by Underwriters: 98.5% per note; Total: $246,250,000
Closing: May 12, 2006
Notices: Notices to be given to the Underwriters should be directed to the Representatives as follows:

Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013
Attn: General Counsel

J. P. Morgan Securities Inc.
270 Park Avenue
New York, NY 10017
Attn: High Grade Syndicate Desk- 8th Floor

Morgan Stanley& Co. Incorporated
1585 Broadway
New York, NY 10036
Attn: Investment Grade Fixed Income Syndicate

The respective principal amounts of the Notes to be purchased by each of the Underwriters are set forth opposite their names in Schedule A hereto.

FORM OF OPINION OF EDWARDS ANGELL PALMER & DODGE LLP,
COMPANY COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 6(b)(i)

Capitalized terms used herein shall have the same definitions as set forth in the underwriting agreement (the "Agreement") to which this Exhibit A-1 is attached.

(i) The Company is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus, as amended and supplemented, and to enter into and perform its obligations under each of the Agreement and the Indenture.

(ii) The Agreement has been duly authorized, executed and delivered by the Company.

(iii) The Notes and the Indenture (collectively, the "Transaction Documents") have each been duly authorized, executed and delivered by the Company, and, in the case of the Notes, when validly authenticated and delivered by the Indenture Trustee, and, in the case of the Indenture, when validly executed and delivered by the Indenture Trustee, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law); and the Notes are entitled to the benefits of the Indenture.

(iv) The Registration Statement is an "automatic effective registration statement" as defined in Rule 405 under the 1933 Act that has been filed not more than three years prior to the date of the Agreement; any required filing of the Preliminary Prospectus and the Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and, to the best of our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act, no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the 1933 Act has been issued under the 1933 Act, and no proceedings for that purpose have been instituted or are pending or threatened by the Commission.

(v) The Registration Statement, the Preliminary Prospectus, the Prospectus, excluding in each case the documents incorporated by reference therein, and each amendment or supplement to the Registration Statement and the Prospectus, excluding in each case the documents incorporated by reference therein and the Statements of Eligibility on Form T-1 of the applicable trustees, as of their respective effective or issue dates (other than the financial statements and supporting schedules included therein or omitted therefrom, as to which we express no opinion) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the 1939 Act.

(vi) The documents incorporated by reference in the Time of Sale Information and the Prospectus (other than the financial statements and supporting schedules included therein or omitted therefrom, and the Statements of Eligibility on Form T-1 of the applicable trustees, as to which we express no opinion), when they became effective or were filed with the Commission, or as subsequently amended prior to the date of the Agreement, as the case may be, complied as to form at the time of such effectiveness or filing in all material respects with the requirements of the 1934 Act and the 1934 Act Regulations.

(vii) No filing, registration or qualification with, or authorization, approval consent, license, order, or decree of, any court or governmental authority or agency, domestic or foreign (other than under the 1933 Act and the 1933 Act Regulations and the 1939 Act, which have been obtained or made, or as may be required under the securities or blue sky laws of the various states, as to which we express no opinion) is necessary or required in connection with the due authorization, execution and delivery of this Agreement or the Indenture or for the offering, issuance, sale or delivery of the Notes.

(viii) The execution, delivery and performance by the Company of this Agreement and the Transaction Documents and the consummation of the transactions contemplated in this Agreement and in the Registration Statement (including the issuance and sale of the Notes and the use of the proceeds from the sale of the Notes as described in the Prospectus under the caption "Use of Proceeds") do not and will not, whether with or without the giving of notice or lapse of time or both, (i) constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to any agreement or instrument that is listed as an exhibit to the Company's Form 10-K for the year ended December 31, 2005 or any of the Company's Forms 10-Q or 8-K filed subsequent thereto but on or prior to the date of such opinion, (ii) violate (a), the provisions of the charter or by-laws of the Company, (b) any applicable law, statute, rule or regulation, or (c) any judgment, order, writ or decree, known to us, of any government, government instrumentality or court having jurisdiction over the Company or any of its property, assets or operations.

(ix) The Company is not and, after giving effect to the transactions contemplated by this Agreement, will not be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the 1940 Act.

(x) The Indenture has been duly qualified under the 1939 Act.

(xi) The statements made in the Prospectus under the captions "Description of the Notes" and "Description of Debt Securities of Tampa Electric Company," insofar as such statements purport to constitute a summary of the terms of any of the Transaction Documents, constitute accurate summaries thereof in all material respects.

We have participated in conferences with officers and other representatives of the Company, representatives of the Underwriters and representatives of the independent public accountants for the Company at which conferences the contents of the Registration Statement, Time of Sale Information and the Prospectus and related matters were discussed and, although

we have not independently verified, are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Time of Sale Information or the Prospectus (except as otherwise indicated above), we advise you that, on the basis of the foregoing, no facts have come to our attention that lead us to believe that (i) the Registration Statement or any amendment thereto, at the time such Registration Statement or any such amendment became effective (including the information deemed to be part of the Registration Statement at the time it became effective pursuant to Rule 430A, 430B or 430C under the 1933 Act), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Time of Sale Information, taken as a whole, at the Time of Sale contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) the Prospectus or any amendment or supplement thereto, as of its date or as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that we express no view with respect to the Forms T-1 or the financial statements, including the notes thereto, or any other financial data found in or derived from the internal accounting and other records of the Company set forth or referred to in the Registration Statement, the Time of Sale Information or the Prospectus).

Exhibit A-2

FORM OF OPINION OF SHEILA M. MCDEVITT
GENERAL COUNSEL, TAMPA ELECTRIC COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 6(b)(ii)

Capitalized terms used herein shall have the same definitions as set forth in the underwriting agreement (the "Agreement") to which this Exhibit A-2 is attached.

(i) The Company is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus, as amended and supplemented, and to enter into and perform its obligations under this Agreement and the Indenture.

(ii) The Agreement has been duly authorized, executed and delivered by the Company.

(iii) The Notes and the Indenture (collectively, the "Transaction Documents") have each been duly authorized, executed and delivered by the Company, and, in the case of the Notes, when validly authenticated and delivered by the Indenture Trustee, and. in the case of the Indenture, when validly executed and delivered by the Indenture Trustee, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

(iv) All descriptions in the Registration Statement of written contracts and other documents to which the Company is a party are accurate in all material respects; to the best of my knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, and the descriptions thereof or references thereto are correct in all material respects.

(v) No filing, registration or qualification with, or authorization, approval, consent, license, order, or decree of, any court or governmental authority or agency, domestic or foreign, including the Florida Public Service Commission, (other than under the 1933 Act and the 1933 Act Regulations and the 1939 Act, which have been obtained or made, or as may be required under the securities or blue sky laws of the various states, as to which I express no opinion) is necessary or required in connection with the due authorization, execution and delivery of the Agreement or the Indenture or for the offering, issuance, sale or delivery of the Notes.

(vii) The execution, delivery and performance of the Agreement and the Transaction Documents and the consummation of the transactions contemplated in the Agreement and in the Registration Statement (including the issuance and sale of the Notes and the use of the proceeds from the sale of the Notes as described in the Prospectus under the caption "Use of Proceeds") do not and will not, whether with or without the giving of notice or lapse of time or both, (i) constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to any agreement or instrument that is listed as an exhibit to the Company's Form 10-K for the year ended December 31, 2005 or any of the Company's Forms 10-Q or 8-K filed subsequent thereto, but prior to the date of such opinion, (ii) violate (a), the charter or by-laws of the Company, (b) any applicable law, statute, rule or regulation, or (c) any judgment, order, writ or decree, known to me, of any government, government instrumentality or court having jurisdiction over the Company or any of its properties, assets or operations.

I, or attorneys under my supervision, have participated in conferences with officers and other representatives of the Company, representatives of the Underwriters and representatives of the independent public accountants for the Company at which conferences the contents of the Registration Statement, the Time of Sale Information and the Prospectus and related matters were discussed and, although I have not independently verified, am not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Time of Sale Information or the Prospectus (except as otherwise indicated above), I advise you that, on the basis of the foregoing, no facts have come to my attention that lead me to believe that (i) the Registration Statement or any amendment thereto, at the time such Registration Statement or any such amendment became effective (including the information deemed to be part of the Registration Statement at the time it became effective pursuant to Rule 430A, 430B or 430C under the 1933 Act), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Time of Sale Information, taken as a whole, at the Time of Sale contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) the Prospectus or any amendment or supplement thereto, as of its date or as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make

the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that I express no view with respect to the Forms T-1 or the financial statements, including the notes thereto, or any other financial data found in or derived from the internal accounting and other records of the Company set forth or referred to in the Registration Statement, the Time of Sale Information or the Prospectus).

ANNEX A
Time of Sale Information

I. Final Pricing Term Sheet relating to the Notes.

ANNEX B
Pricing Term Sheet
Filed Pursuant to Rule 433(d)
Registration Statement No. 333-132243
May 9, 2006

Issuer:	Tampa Electric Company
Principal Amount:	$250,000,000
Maturity:	May 15, 2036
Coupon:	6.55%
Initial Price to Public:	99.375% per Note
Yield to maturity:	6.598%
Spread to Benchmark Treasury:	+1.30%
Benchmark Treasury:	February 2031
Benchmark Treasury Yield:	5.298%
Interest Payment Dates:	May 15 and November 15, commencing November 15, 2006
Redemption Provisions:	
Make-whole call	At any time at a discount rate of Treasury plus 25 basis points
Settlement:	T+3; May 12, 2006
Ratings*(Moody's/S&P/Fitch):	Baa2/BBB-/BBB+
CUSIP:	875127 AV 4
Joint Book-running Managers	Citigroup, JPMorgan, Morgan Stanley
Co-Managers	BNP Paribas, BNY Capital Markets, Inc., HSBC, Societe Generale, Wedbush Morgan Securities Inc.

*Note: A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Citigroup Global Markets, Inc. at 1-877-858-5407, J.P. Morgan Securities, Inc. at 212-834-4533 or Morgan Stanley at 1-866-718-1649.

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated May 9, 2006

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated March 7, 2006)

$,000,000

TECO
TAMPA ELECTRIC

Tampa Electric Company

% Notes due 20

The notes will bear interest at the rate of % per year and will mature on May , 20 . We will pay interest on the notes on May and November of each year, beginning on November , 2006. We may redeem some or all of the notes from time to time. The redemption prices are described beginning on page S-8. There is no sinking fund for the notes.

The notes will be unsecured and will rank on parity with our other unsecured and unsubordinated indebtedness and will be effectively subordinated to our secured indebtedness.

Investing in the notes involves risks. See "Risk Factors" beginning on page S-3.

	Per Note	Total
Price to Public[1]	%	$
Underwriting Discounts and Commissions	%	$
Proceeds, before expenses, to Tampa Electric Company[1]	%	$

(1) Plus accrued interest, if any, from May , 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes through the book-entry form facilities of The Depository Trust Company on or about May , 2006.

Joint Book-Running Managers

Citigroup **JPMorgan** **Morgan Stanley**

May , 2006

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with different information. If you receive any other information, you should not rely on it. We and the underwriters are not making an offer of these securities, or soliciting an offer to buy these securities, in any state where the offer or solicitation is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus or the date of the document incorporated by reference.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying prospectus that also is part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or the "SEC," using a "shelf" registration process. Under the shelf process, we may, from time to time, issue and sell to the public any combination of the securities described in the accompanying prospectus up to an indeterminate amount, of which this offering is a part. The first part of this document is the prospectus supplement, which describes the specific terms of the notes we are offering and certain other matters relating to us and our financial condition. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the notes we are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

This prospectus supplement contains forward-looking statements. For a description of these statements and a discussion of the factors that may cause our actual results to differ materially from these statements, see "Cautionary Note Regarding Forward-Looking Statements" in the accompanying prospectus and "Risk Factors" beginning on page S-3.

In this prospectus supplement, "we," "our," "ours" and "us" refers to Tampa Electric Company, unless the context otherwise requires.

SUMMARY

This summary contains basic information that is important to you. The "Description of the Notes" section of this prospectus supplement contains more detailed information about the terms and conditions of the notes.

Tampa Electric Company

Tampa Electric Company is a wholly owned subsidiary of TECO Energy, Inc., or TECO Energy, a holding company with five core businesses, consisting of regulated electric and gas utility operations in Florida and three unregulated businesses. You can read the reports filed by TECO Energy with the SEC for more information regarding its business, operating results and financial condition.

Tampa Electric Company is a public utility company. Its Tampa Electric division, or Tampa Electric, provides retail electric service to more than 645,000 customers in an area of about 2,000 square miles in West Central Florida. Tampa Electric has a net winter system generating capability of 4,423 megawatts.

Peoples Gas System, also a division of Tampa Electric Company, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. With more than 321,000 customers, Peoples Gas System has operations in Florida's major metropolitan areas. Annual natural gas throughput (the amount of gas delivered to its customers, including transportation-only service) in 2005 was 1.1 billion therms.

The Offering

Issuer	Tampa Electric Company.
Notes Offered	$,000,000 aggregate principal amount of % notes due 20 .
Maturity Date	May , 20 .
Interest Rate	The notes will bear interest at % per year from May , 2006 to, but excluding, May , 20 .
Interest Payment Dates	May and November , commencing on November , 2006. Interest payments will be made to the persons in whose names the notes are registered on the 15th calendar day immediately preceding the applicable interest payment date.
Denominations	$1,000 with integral multiples of $1,000.
Optional Redemption	The notes will be redeemable, at our option, in whole or in part at any time, at the redemption prices described in "Description of the Notes—Optional Redemption."
Ranking	The notes will be unsecured and will rank on a parity with our other unsecured and unsubordinated indebtedness and will be effectively subordinated to our secured indebtedness. As of March 31, 2006, we had $315.8 million principal amount of secured indebtedness outstanding.
Use of Proceeds	We will use the net proceeds to repay short-term debt and for general corporate purposes. Pending such uses, we will invest the net proceeds in short-term money market instruments.
Additional Issuances	We may, without the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the notes. Any additional notes having such similar terms, together with the notes, may constitute a single series of notes under the indenture.
Form	The notes will be represented by registered global securities registered in the name of Cede & Co. the partnership nominee of the depositary, The Depository Trust Company, or DTC. Beneficial interests in the notes will be shown on, and transfers will be effected through, records maintained by DTC and its participants.
Trustee	The Bank of New York.
Governing Law	The indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.
Risk Factors	See "Risk Factors" for a discussion of the risk factors you should carefully consider before deciding to invest in the notes.

RISK FACTORS

In deciding whether to purchase the notes, you should consider carefully the following factors that could cause our operating results and financial condition to be materially adversely affected. You should also consider the other factors that could cause the consolidated operating results and financial condition of our parent, TECO Energy, included in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which we file jointly with TECO Energy, as updated by our and TECO Energy's filings with the SEC.

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 or refinance existing debt.

We must meet certain financial tests as defined in the applicable agreements to use our credit facilities; we also have certain restrictive covenants in specific agreements and debt instruments. As of March 31, 2006, 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.

Our financial condition and ability to access capital may be materially adversely affected by ratings downgrades.

Our senior unsecured debt is rated by S&P at BBB- with a stable outlook, by Moody's at Baa2 with a stable 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 Peoples Gas System are able to purchase gas and electricity without providing collateral. If our ratings declined to below investment grade, Tampa Electric and Peoples Gas System could be required to post collateral to support their purchases of gas and electricity.

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 for compliance with our environmental consent decree, generation system additions to support normal customer growth for the next several years, and to improve system reliability. We cannot be sure that our capital expenditures will not exceed the planned amount. 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.

General Business and Operational Risks

General economic conditions may adversely affect our businesses.

Our business is affected by general economic conditions. In particular, the projected growth of our service area and in Florida is important to the realization of our forecasts for annual energy sales growth. An unanticipated downturn in the local area's or in Florida's economy could adversely affect our expected performance.

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 performance.

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

Our businesses are highly regulated, and any changes in regulatory structures could lower revenues or increase costs or competition.

Tampa Electric and Peoples Gas System operate in highly regulated industries. Our 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 Federal Energy Regulatory Commission, or FERC. Changes in regulatory requirements or adverse regulatory actions could have an adverse effect on Tampa Electric's or Peoples Gas System's financial performance by, for example, increasing competition or costs, threatening investment recovery or impacting rate structure.

Our business is sensitive to variations in weather and the effects of extreme weather, and have seasonal variations.

Our business is affected by variations in general weather conditions and unusually severe weather, particularly for our energy sales. We 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.

Peoples Gas System, 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 Peoples Gas System.

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

Tampa Electric and Peoples Gas System 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 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 Peoples Gas System, 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 Peoples Gas System relative to electricity, other forms of energy and other gas suppliers.

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.

Problems with operations could cause us to incur substantial costs.

We are subject to various operational risks, including accidents or equipment failures and operations below expected levels of performance or efficiency. As an operator of power generation facilities, we 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 facilities.

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.

We are currently defending lawsuits in which we could be liable for damages.

Four lawsuits were originally filed in the Circuit Court in Hillsborough County against Tampa Electric in connection with the location of transmission structures and upgrades to a substation in certain residential areas by residents in the areas surrounding the structures and substation. The resident plaintiffs are seeking to remove the poles or to receive monetary damages. The plaintiffs were seeking class action status, which status was denied.

There are now three cases, the Alvarez (substation case), the Shaw, and the Acosta cases (the Jorrison and Acosta were consolidated and are now referred to as the Acosta case). The Jorrison's have dropped their individual claims in the Acosta case and have joined the Shaw case as plaintiffs. The three cases are pending before two separate judges. Tampa Electric's motion to dismiss the claim for injunctive relief (non-monetary relief) was granted in the Alvarez case, and its motion for summary judgment in the Shaw case on the plaintiff's claim for injunctive relief was recently granted on April 19, 2006. Two of Tampa Electric's motions for partial summary judgment in both the Shaw and Acosta cases with respect to property owners not located adjacent to or in close proximity to the poles (Remote Plaintiffs) were granted on January 17, 2006, reconsideration was denied, and the time for filing an appeal has run. The Shaw case has been transferred to the Trial Division (cases expected to have trials lasting two weeks or more), and a trial date of September 11, 2006 has been set. Plaintiffs' counsel in the Acosta case dropped 65 plaintiffs.

We intend to vigorously defend all of these proceedings; however, we cannot predict the ultimate resolution of any of these matters at this time, and there can be no assurance that these matters will not have a material adverse impact on our financial condition or results of operations.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

	Three Months Ended March 31, 2006	Twelve Months Ended March 31, 2006	Year Ended December 31,				
			2005	2004	2003	2002	2001
Ratio of Earnings to Fixed Charges	2.81x	3.46x	3.51x	3.39x	2.68x[1]	4.74x	4.42x

For the purposes of calculating these ratios, earnings consist of income from continuing operations before income taxes, income or loss from equity investments and fixed charges. Fixed charges consist of interest expense on indebtedness, amortization of debt premium, the interest component of rentals and preferred stock dividend requirements. Interest expense includes total interest expense, excluding Allowance for Funds Used During Construction, and an estimate of the interest component of rentals.

(1) Includes the effect of a $79.6 pretax charge recorded in the first quarter of 2003 related to turbine purchase cancellations, the effect of which was to reduce the ratio.

CAPITALIZATION

The following table summarizes the historical capitalization of Tampa Electric Company at March 31, 2006 and its capitalization as adjusted to reflect the issuance and sale of notes contemplated by this prospectus supplement based on estimated net proceeds of $ million and our application of the net proceeds in the manner described in "Use of Proceeds."

	March 31, 2006	
	Actual Amounts	As Adjusted
	($ in millions)	
Cash and cash equivalents	$ 10.4	$—
Short-term debt	150.0	—
Long-term debt due within one year	5.9	—
Long-term debt, less amount due within one year	1,508.7	—
Total debt	1,664.6	—
Common equity	1,655.7	—
Total capitalization	$3,320.3	$—

USE OF PROCEEDS

We estimate that the net proceeds (after deducting underwriting discounts and commissions and estimated offering expenses) from this offering will be approximately $. We expect to use the net proceeds from this offering to repay short-term debt and for general corporate purposes. We will use a portion of the net proceeds from this offering to repay in full the amount currently drawn on our unsecured credit facility. We will use the remaining amount of net proceeds, in lieu of cash from sales of accounts receivable of Tampa Electric Company under our accounts receivable credit facility, to pay operating expenses of Tampa Electric Company, which has the effect of repaying our accounts receivable credit facility as accounts receivable are collected. As of the close of business on May 5, 2006, $40.0 million was drawn on our unsecured credit facility, the interest rate on which as of that date was 5.80%. Also as of that date, $120.0 million was drawn on our accounts receivable credit facility, the interest rate on which as of that date was approximately 4.91%. The amounts drawn on our unsecured credit facility and on our accounts receivable credit facility and the respective interest rates on those amounts, all fluctuate daily; our unsecured credit facility matures October 11, 2010 and our accounts receivable credit facility matures January 4, 2007. Pending such uses, we will invest the net proceeds in short-term money market instruments. Citibank, N.A., JPMorgan Chase Bank and Morgan Stanley Bank, affiliates of the underwriters, are parties to our unsecured credit facility. As a result of our repayment of outstanding amounts under this facility, these affiliates may receive 10% or more of the proceeds of the offering. See "Underwriting."

DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes that we are offering supplements the description of the general terms of the debt securities under the caption "Description of Debt Securities of Tampa Electric Company" in the accompanying prospectus.

The following summaries of certain provisions of the indenture do not purport to be complete, and are subject to, and are qualified in their entirety by reference to, the provisions of the indenture dated as of July 1, 1998, as amended by a third supplemental indenture thereto between us and The Bank of New York, as trustee, and as amended and supplemented by a fifth supplemental indenture thereto between us and The Bank of New York, as trustee, which has been filed with the SEC as an exhibit to the Registration Statement of which the prospectus forms a part, and as amended and supplemented by a fifth supplemental indenture thereto between us and The Bank of New York, as trustee. The indenture provides for the issuance from time to time of various series of debt securities, including the notes.

For purposes of the following description, unless otherwise indicated, a business day is any day that is not a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close.

General

The initial aggregate principal amount of the notes offered under this prospectus is $. The notes will mature on May ,20 .

The notes will bear interest at % per year (computed based on a 360-day year consisting of twelve 30-day months) for the period from May , 2006 to, but excluding, May , 20 . Interest on the notes will be payable semi-annually on May and November of each year, commencing November , 2006. Interest payments will be made to the persons in whose names the notes are registered on the 15th calendar day (whether or not a business day) immediately preceding the related interest payment date.

The notes do not have a sinking fund. We may, without the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms, and the same CUSIP number, as the notes. Any additional notes having such similar terms, together with the notes, may constitute a single series of notes under the indenture.

Ranking

The notes will be our unsubordinated and unsecured obligations and will rank equally in right of payment with all of our other unsubordinated and unsecured indebtedness. The notes will not limit other indebtedness or securities that we or any of our subsidiaries may incur or issue or contain financial or similar restrictions on us or any of our subsidiaries. The notes will be effectively subordinated to our secured indebtedness to the extent of the collateral securing those obligations. Holders of secured indebtedness will have prior claim to those of our assets that constitute their collateral in the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding. As a result, you may receive less, ratably, than holders of secured indebtedness.

Form

The notes will be issued in fully registered form, without coupons, in minimum denominations of $1,000 or integral multiples of $1,000 in excess thereof. The notes will be initially issued as global securities. See "—Book-Entry, Delivery and Form" below for additional information concerning the notes and the book-entry system. The Depository Trust Company, or DTC, will be the depositary with respect to the notes. Settlement of the sale of the notes to the underwriters will be in immediately available funds. The notes will trade in DTC's

Same-Day Funds Settlement System until maturity or earlier redemption, as the case may be, and secondary market trading activity in the notes will therefore settle in immediately available funds. We will make all payments of principal and interest in immediately available funds to DTC in the City of New York.

Optional Redemption

We may redeem all or any part of the notes at our option at any time and from time to time at a redemption price equal to the greater of:

- 100% of the principal amount of the notes then outstanding to be redeemed, or
- the sum of the present values of the remaining scheduled payments of principal and interest on the notes then outstanding to be redeemed (not including any portion of such payments of interest accrued as of the redemption date) discounted to the redemption date on a semiannual basis (computed based on a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus basis points (%), as calculated by an Independent Investment Banker,

plus, in either of the above cases, accrued and unpaid interest thereon to the redemption date.

We will mail a notice of redemption at least 30 days but no more than 60 days before the redemption date to each holder of notes to be redeemed. If we elect to partially redeem the notes, the trustee will select in a fair and appropriate manner the notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes. If the remaining term of the notes to be redeemed is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Comparable Treasury Price" means (1) the average of five Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if an Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means any of Citigroup Global Markets Inc., J.P. Morgan Securities Inc. or Morgan Stanley & Co. Incorporated or any of their respective successors, as designated by us, or if all of those firms are unwilling or unable to serve as such, an independent investment and banking institution of national standing appointed by us.

"Reference Treasury Dealer" means:

- Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and each of their respective successors; provided that if any of them ceases to be a primary U.S. Government securities dealer in New York City (Primary Treasury Dealer), we will substitute another Primary Treasury Dealer; and
- up to two other Primary Treasury Dealers selected by us.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and asked prices

for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to an Independent Investment Banker at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, as of any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second business day immediately proceeding that redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Book-Entry, Delivery and Form

The notes will be issued in global form. Each global note will be deposited on the date of the closing of the sale of the notes with, or on behalf of DTC, and registered in the name of Cede & Co., as DTC's nominee.

DTC is a limited-purpose trust company created to hold securities for its participants and to facilitate the clearance and settlement of transactions in those securities between those participants through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations and other organizations. Access to DTC's system is also available to indirect participants such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

We expect that under procedures established by DTC:

- upon deposit of the global securities, DTC will credit the accounts of participants designated by the underwriters with portions of the principal amount of the global securities; and
- ownership of such interests in the global securities will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global securities).

Investors in the global notes may hold their interests directly through DTC if they are participants in that system, or indirectly through organizations which are participants in that system. All interests in a global note may be subject to the procedures and requirements of DTC. The laws of some states require that some persons take physical delivery in certificated form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to those persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants and some banks, the ability of a person with beneficial interests in a global note to pledge that interest to persons that do not participate in the DTC system, or to take other actions regarding that interest, may be affected by the lack of a physical certificate evidencing those interests.

Except as described below, owners of interests in the global notes will not have notes registered in their name, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders of notes for any purpose.

Payments on the global notes registered in the name of DTC or its nominee will be payable by the trustee to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the trustee will treat the persons in whose names the notes, including the global securities, are registered, as the owners for the purpose of receiving those payments and for any and all other purposes.

Consequently, neither the trustee nor any agent of the trustee has or will have any responsibility or liability for:

- any aspect of DTC's records or any participant's or indirect participant's records relating to, or payments made on account of beneficial ownership interests in the, global security or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global security; or
- any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC's current practice, upon receipt of any payment on securities such as the notes, is to credit the accounts of the relevant participants with the payment on the payment date, in amounts proportionate to their respective holdings in principal amounts of beneficial interests in the relevant security as shown on the records of DTC unless DTC has reason to believe it will not receive payment on the payment date. Payments by the participants and the indirect participants to the beneficial owners of the notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC, the trustee or us. Neither we nor the trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and we and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

DTC will take any action permitted to be taken by a holder of the notes only at the direction of one or more participants to whose account with DTC interests in the global securities are credited and only in respect of such portion of the notes as to which the participant or participants has or have given such direction. However, if there is an event of default, as defined in the indenture, with respect to the notes, DTC reserves the right to exchange the global notes for notes in certificated form and to distribute the notes to its participants.

A global note is exchangeable for notes in registered certificated form if:

- DTC notifies us that it is unwilling or unable to continue as clearing agency for the global notes or has ceased to be a clearing agency registered under the Securities Exchange Act of 1934 and we fail to appoint a successor clearing agency,
- we in our sole discretion elect to cause the issuance of definitive certificated notes, or
- there has occurred and is continuing an event of default under the indenture.

The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be reliable, but we have not independently determined the accuracy thereof. We will not have any responsibility for the performance by DTC or its participants of their obligations under the rules and procedures governing their operations.

The Trustee

The Trustee is The Bank of New York, which maintains banking relationships with us in the ordinary course of business and serves as trustee under other indentures with us and some of our affiliates. The trustee also is a party to our unsecured credit facility. If the trustee acquires any conflicting interest (within the meaning of the Trust Indenture Act), it will be required to eliminate the conflict or resign.

UNDERWRITING

Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated are acting as joint book-running managers of the offering and are acting as representatives of the underwriters named below. Subject to the terms and conditions specified in an underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter the principal amount of the notes set forth opposite the underwriter's name below.

Underwriters	Principal Amount of Notes
Citigroup Global Markets Inc.	$
J.P. Morgan Securities Inc.	
Morgan Stanley & Co. Incorporated	
Total	$

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and other conditions. The underwriters are obligated to purchase all of the notes if they purchase any of the notes.

The underwriters propose to offer the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the notes to dealers at the public offering price less a concession not to exceed 0. % of the principal amount of the notes. The underwriters may allow and the dealers may reallow a concession not to exceed 0. % of the principal amount of the notes on sales to other dealers. After the initial public offering, the representatives may change the public offering price and concessions.

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. The underwriters have advised us that they intend to make a market in the notes after the offering, although they are under no obligation to do so. The underwriters may discontinue any market-making activities at any time without any notice. We can give no assurance as to the liquidity of the trading market for the notes or that a public trading market for the notes will develop. If no active public trading market develops, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on factors such as prevailing interest rates, the market for similar securities and our performance, as well as other factors not listed here.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $.

In connection with the offering, the underwriters, may purchase and sell the notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of notes in excess of the principal amount of notes to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate sort positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the underwriting syndicate, in covering syndicate short positions or making stabilizing purchases, repurchase notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We and the underwriters make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, we and the underwriters make no representation that the underwriters will engage in those types of transactions or that those transactions, once commenced, will not be discontinued without notice.

The underwriters, and some of their affiliates, have performed investment banking, financial advisory, commercial banking and other services for us and our affiliates from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of business, for which they will receive customary fees in connection with these services.

Citibank, N.A., JPMorgan Chase Bank and Morgan Stanley Bank, affiliates of the underwriters, are parties to our unsecured credit facility. As a result of our repayment of outstanding amounts under this facility, these affiliates may receive 10% or more of the proceeds of the offering. Accordingly, this offering is being made in accordance with NASD Rule 2710(h).

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

LEGAL MATTERS

Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts will pass upon the validity of the notes offered hereby. Certain matters will be passed upon for the underwriters by Ropes & Gray LLP.

EXPERTS

The financial statements and financial statement schedules of Tampa Electric Company incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2005 of Tampa Electric Company have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

TECO ENERGY, INC.

Debt Securities
Preferred Stock
Common Stock
Stock Purchase Contracts
Stock Purchase Units
Warrants

TAMPA ELECTRIC COMPANY

Debt Securities

TECO Energy, Inc. may offer from time to time to sell debt securities consisting of debentures, notes or other evidences of indebtedness, preferred stock, common stock, stock purchase contracts, stock purchase units, and warrants or other rights to purchase common stock, preferred stock or debt securities. The debt securities may be senior, pari passu or subordinated to other indebtedness of ours. The debt securities, preferred stock, warrants and purchase contracts may be convertible into or exercisable or exchangeable for common or preferred stock or other securities of ours or debt or equity securities of one or more other entities.

Tampa Electric Company may offer from time to time to sell debt securities consisting of debentures, notes or other evidences of indebtedness.

TECO Energy, Inc.'s common stock trades on the New York Stock Exchange under the symbol "TE".

This prospectus provides you with a general description of the securities we may offer. We may offer the securities as separate series, in amounts, prices and on terms determined at the time of the sale. When we offer securities, we will provide a prospectus supplement or a term sheet describing the terms of the specific issue, including the offering price of the securities. **You should read both this prospectus and any prospectus supplement or term sheet, together with the additional information described under the heading "WHERE YOU CAN FIND MORE INFORMATION" beginning on page 1 of this prospectus, before you make your investment decision.**

We may offer and sell these securities to or through one or more underwriters, dealers or agents, or directly to investors, on a continuous or delayed basis.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

The date of this prospectus is March 7, 2006

TECO Energy, Inc. and Tampa Electric Company • 702 North Franklin Street • Tampa, Florida 33602 • (813) 228-1111

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the "SEC," using a "shelf" registration process. Under the shelf process, we may, from time to time, issue and sell to the public any combination of the securities described in the registration statement in one or more offerings. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to one of our contracts or other documents, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C., as well as through the SEC's website as indicated below under the heading "Where You Can Find More Information."

In this prospectus, "we", "our", "ours" and "us" refer to TECO Energy, Inc. and Tampa Electric Company unless otherwise specified or the context requires otherwise.

WHERE YOU CAN FIND MORE INFORMATION

Both TECO Energy and Tampa Electric Company are subject to the reporting requirements of the Securities Exchange Act of 1934 and file reports and other information with the SEC. You may read and copy any of these documents at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available on the SEC's website at www.sec.gov. Copies of certain information filed by each of us with the SEC are also available on TECO Energy's website at www.tecoenergy.com. Our website is not part of this prospectus. You may request a copy of the registration statement, including the exhibits to the registration statement, at no cost by writing or calling us at the address provided below under "Incorporation by Reference."

INCORPORATION BY REFERENCE

We "incorporate by reference" into this prospectus certain information we file with the SEC, which means that we are disclosing important information to you by referring you to another document. Any information incorporated by reference is an important part of this prospectus. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus. We incorporate by reference into this prospectus the documents listed below, which we have filed with the SEC, and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, on or after the date of this prospectus and before the termination of this offering; *except that*, unless we indicate otherwise, we do not incorporate any information furnished under Item 2.02 or Item 7.01 of any Current Report on Form 8-K:

- Combined Annual Report on Form 10-K of TECO Energy and Tampa Electric Company for the fiscal year ended December 31, 2005;
- Description of TECO Energy's common stock contained in TECO Energy's Registration Statement on Form 8-B, filed on July 13, 1981 (File No. 1-8180), including any amendment or reports filed for the purpose of updating such description;
- Combined Current Report on Form 8-K of TECO Energy and Tampa Electric Company filed on January 31, 2006; and
- Tampa Electric Company's Current Report on Form 8-K filed on January 20, 2006.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Director of Investor Relations
TECO Energy, Inc.
702 North Franklin Street
Tampa, Florida 33602
(813) 228-1111

You should rely only on the information incorporated by reference or provided in this prospectus or any supplement or term sheet. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any supplement or term sheet is accurate as of any date other than the date on the front of these documents.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement or term sheet, and the documents we have incorporated by reference into this prospectus may contain statements about future events, expectations or future financial performance. These forward-looking statements are identifiable by our use of such words as "anticipate," "believe," "expect," "intend," "may," "project," "will" or other similar words or expressions.

Without limiting the foregoing, any statements relating to our:

- anticipated capital investments;
- liquidity and financing requirements;
- projected operating results;
- future transactions; and
- other plans

are forward-looking statements. These forward-looking statements are based on numerous assumptions that we believe are reasonable, but they are open to a wide range of uncertainties and business risks and actual results may differ materially from those discussed in these statements. When considering forward-looking statements, you should keep in mind the cautionary statements describing these uncertainties and business risks in this prospectus, any prospectus supplement or term sheet and the documents incorporated by reference, including the Investment Considerations included in our filings with the SEC.

You should keep in mind that any forward-looking statement made by us in this prospectus or elsewhere speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. In any event, these and other important factors may cause actual results to differ materially from those indicated by our forward-looking statements. We have no duty to, and do not intend to, update or revise the forward-looking statements in this prospectus after the date of this prospectus, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this prospectus or elsewhere might not occur.

TECO ENERGY

TECO Energy is a holding company with five core businesses, consisting of regulated electric and gas utility operations in Florida and three unregulated businesses. TECO Energy was incorporated in Florida in 1981 as part of a restructuring in which we became the parent of Tampa Electric Company. Tampa Electric Company, our largest subsidiary, has regulated electric and gas utility operations in separate divisions. TECO Energy's unregulated businesses are involved in coal mining and synthetic fuel production and sale, marine transportation and electric generation and distribution in Guatemala.

TECO Energy's principal executive offices are located at 702 North Franklin Street, Tampa, Florida 33602. TECO Energy's telephone number is (813) 228-1111.

TAMPA ELECTRIC COMPANY

Tampa Electric Company is a public utility company that is a wholly owned subsidiary of TECO Energy. Its Tampa Electric division provides retail electric service to customers in west central Florida. Its Peoples Gas System division is engaged in the purchase and distribution of natural gas to residential, commercial and industrial and electric power generation customers throughout Florida.

Tampa Electric Company's principal executive offices are located at 702 North Franklin Street, Tampa, Florida 33602. Tampa Electric Company's telephone number is (813) 228-1111.

DESCRIPTION OF DEBT SECURITIES OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

The debt securities will be unsecured and, unless indicated otherwise in the applicable prospectus supplement or term sheet, will rank on parity with all our other unsecured and unsubordinated indebtedness. We will issue debt securities in one or more series under an indenture dated as of August 17, 1998 between TECO Energy and The Bank of New York, as trustee. We filed the indenture as an exhibit to Amendment No. 1 to TECO Energy's Registration Statement on Form S-3 dated August 24, 1998 (Registration No. 333-60819). The following description of the terms of the debt securities summarizes only the material terms of the debt securities. The description is not complete, and we refer you to the indenture, which we incorporate by reference.

General

The indenture does not limit the aggregate principal amount of the debt securities or of any particular series of debt securities that we may issue under it. We are not required to issue debt securities of any series at the same time nor must the debt securities within any series bear interest at the same rate or mature on the same date.

Each time that we issue a new series of debt securities, the prospectus supplement or term sheet relating to that new series will describe the particular amount, price and other terms of those debt securities. These terms may include:

- the title of the debt securities;
- any limit on the total principal amount of the debt securities;
- the date or dates on which the principal of the debt securities will be payable or the method by which such date or dates will be determined;
- the rate or rates at which the debt securities will bear interest, if any, or the method by which such rate or rates will be determined, and the date or dates from which any such interest will accrue;
- the date or dates on which any such interest will be payable and the record dates, if any, for any such interest payments;
- if applicable, whether we may extend the interest payment periods and, if so, the permitted duration of any such extensions;
- the place or places where the principal of and interest on the debt securities will be payable;
- any obligation we may have to redeem or purchase the debt securities pursuant to any sinking fund, purchase fund or analogous provision or at the option of the holder and the terms and conditions on which the debt securities may be redeemed or purchased pursuant to an obligation;
- the denominations in which we will issue the debt securities, if other than denominations of $1,000;

- the terms and conditions, if any, on which we may redeem the debt securities;
- the currency, currencies or currency units in which we will pay the principal of and any premium and interest on the debt securities, if other than U.S. dollars, and the manner of determining the equivalent in U.S. dollars;
- whether we will issue any debt securities in whole or in part in the form of one or more global securities and, if so, the identity of the depositary for the global security and any provisions regarding the transfer, exchange or legending of any such global security if different from those described below under the caption "Global Securities";
- any addition to, change in or deletion from the events of default or covenants described in this prospectus with respect to the debt securities and any change in the right of the trustee or the holders to declare the principal amount of the debt securities due and payable;
- any index or formula used to determine the amount of principal of or any premium or interest on the debt securities and the manner of determining any such amounts;
- any terms relating to the conversion of the debt security into our common stock, preferred stock or other security issuable by us;
- any subordination of the debt securities to any of our other indebtedness; and
- other material terms of the debt securities.

Unless the prospectus supplement or term sheet relating to the issuance of a series of debt securities indicates otherwise, the debt securities will have the following characteristics:

We will issue debt securities only in fully registered form, without coupons and, generally, in denominations of $1,000 or multiples of $1,000. We will not charge a service fee for the registration, transfer or exchange of debt securities, but we may require a payment sufficient to cover any tax or other governmental charge payable in connection with registration, transfer or exchange.

The principal of, and any premium and interest on, any debt securities will be payable at the corporate trust office of The Bank of New York in New York, New York. Debt securities will be exchangeable and transfers thereof will be registrable at this corporate trust office. Payment of any interest due on any debt security will be made to the person in whose name the debt security is registered at the close of business on the regular record date for interest.

We will have the right to redeem the debt securities only upon written notice mailed to the holders between 30 and 60 days prior to the redemption date.

If we plan to redeem the debt securities, before the redemption occurs, we are not required to:

- issue, register the transfer of, or exchange any debt security of that series during the period beginning 15 days before we mail the notice of redemption and ending on the day we mail the notice; or
- after we mail the notice of redemption, register the transfer of or exchange any debt security selected for redemption, except, if we are only redeeming a part of a debt security, we are required to register the transfer of or exchange the unredeemed portion of the debt security if the holder so requests.

We may offer and sell debt securities at a substantial discount below their principal amount. We will describe any applicable special federal income tax and other considerations, if any, in the relevant prospectus supplement or term sheet. We may also describe certain special federal income tax or other considerations, if any, applicable to any debt securities that are denominated in a currency or currency unit other than U.S. dollars in the relevant prospectus supplement or term sheet.

The indenture does not provide special protection for the debt securities in the event we are involved in a highly leveraged transaction.

The debt securities are obligations exclusively of TECO Energy, Inc., which, as a holding company, has no material assets other than its ownership of the common stock of its subsidiaries, including Tampa Electric Company. We will rely entirely upon distributions from our subsidiaries to meet the payment obligations under the debt securities. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due under the debt securities or otherwise to make any funds available to us including the payment of dividends or other distributions or the extension of loans or advances. Furthermore, the ability of our subsidiaries to make any payments to us would be dependent upon the terms of any credit facilities of the subsidiaries and upon the subsidiaries' earnings, which are subject to various business risks. In a bankruptcy or insolvency proceeding, claims of holders of the debt securities would be satisfied solely from our equity interests in our subsidiaries remaining after the satisfaction of claims of creditors of the subsidiaries. Accordingly, the debt securities are effectively subordinated to existing and future liabilities of our subsidiaries to their respective creditors.

Global Securities

If we decide to issue debt securities in the form of one or more global securities, then we will register the global securities in the name of the depositary for the global securities or the nominee of the depositary and the global securities will be delivered by the trustee to the depositary for credit to the accounts of the holders of beneficial interests in the debt securities.

The prospectus supplement or term sheet will describe the specific terms of the depositary arrangement for debt securities of a series that are issued in global form. None of our company, the trustee, any payment agent or the security registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global debt security or for maintaining, supervising or reviewing any records relating to these beneficial ownership interests.

Consolidation, Merger, Etc.

We will not consolidate or merge with or into any other corporation or other organization, or sell, convey or transfer all or substantially all of our assets to any individual or organization, unless:

- the successor is an individual or organization organized under the laws of the United States or any state thereof or the District of Columbia or under the laws of a foreign jurisdiction and such successor consents to the jurisdiction of the courts of the United States or any state thereof;
- the successor or transferee expressly assumes our obligations under the indenture; and
- the consolidation, merger, sale or transfer does not cause the occurrence of a default under the indenture.

Upon the assumption by the successor of our obligations under the indenture and the debt securities issued thereunder, and the satisfaction of any other conditions required by the indenture, the successor will succeed to and be substituted for us under the indenture.

Modification of the Indenture

The indenture provides that we or the trustee may modify or amend its terms with the consent of (i) the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each affected series and (ii) 66 2/3% in aggregate principal amount of the outstanding debt securities of all affected series. However, without the consent of each holder of all of the outstanding debt securities affected by a modification, we may not:

- change the date stated on the debt security on which any payment of principal or interest is stated to be due;

- reduce the principal amount or any premium or interest on, any debt security, including in the case of a discounted debt security, the amount payable upon acceleration of the maturity thereof;
- change the place of payment or currency of payment of principal of, or premium, if any, or interest on, any debt security;
- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security after the stated maturity (or, in the case of redemption, on or after the redemption date); or
- reduce the percentage in principal amount of outstanding debt securities of any series, the consent of the holders of which is required for modification or amendment of the indenture, for waiver of compliance with some provisions of the indenture or for waiver of some defaults.

Under limited circumstances and only upon the fulfillment of conditions, we and the trustee may make modifications and amendments of the indenture without the consent of any holders of the debt securities.

The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of any series may waive any past default under the indenture with respect to that series except:

- a default in the payment of principal of, or any premium or interest on, any debt security of that series;
- in respect of a covenant or provision under the indenture which cannot be modified or amended without the consent of the holder of each outstanding debt security of the affected series.

Events of Default

An event of default with respect to debt securities of any series issued under the indenture is any one of the following events (unless inapplicable to the particular series, specifically modified or deleted as a term of such series or otherwise modified or deleted in an indenture supplemental to the indenture):

- we fail to pay any interest on any debt security of that series when due, and such failure has continued for 30 days;
- we fail to pay principal of or premium, if any, on any debt security of that series when due;
- we fail to deposit any sinking fund payment in respect of any debt security of that series when due, and such failure has continued for 30 days;
- we fail to perform any other covenant in the indenture (other than a covenant included in the indenture solely for the benefit of a series of debt securities other than that series), and such failure has continued for 90 days after we receive written notice as provided in the indenture;
- events of bankruptcy, insolvency or reorganization; and
- any other event defined as an event of default with respect to debt securities of a particular series.

If an event of default with respect to any series of debt securities occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of that series may declare the principal amount (or, if any debt securities of that series are discounted debt securities, a portion of the principal amount that the terms of the series may specify) of all debt securities of that series to be immediately due and payable. Under some circumstances, the holders of a majority in principal amount of the outstanding debt securities of that series may rescind and annul that declaration and its consequences. The prospectus supplement or term sheet relating to any series of debt securities which are discounted debt securities will specify the particular provisions relating to acceleration of a portion of the principal amount of the discounted debt securities upon the occurrence of an event of default and the continuation of the event of default.

Subject to the provisions of the indenture relating to the duties of the trustee in case an event of default occurs and is continuing, the trustee is not obligated to exercise any of its rights or powers under the indenture at

the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to such provisions for security and indemnification of the trustee and other rights of the trustee, the holders of a majority in principal amount of the outstanding debt securities of any series have the right to direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities of that series.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal of and any premium and, subject to limitations specified in the indenture, interest on such debt security on its stated maturity date (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any of these payments.

We must furnish to the trustee an annual statement that to the best of our knowledge we are not in default in the performance and observance of any terms, provisions or conditions of the indenture or, if there has been such a default, specifying each default and its status.

Satisfaction and Discharge of the Indenture

We will have satisfied and discharged the indenture and it will cease to be in effect (except as to our obligations to compensate, reimburse and indemnify the trustee pursuant to the indenture and some other obligations) when we deposit or cause to be deposited with the trustee, in trust, an amount sufficient to pay and discharge the entire indebtedness on the debt securities not previously delivered to the trustee for cancellation, for the principal (and premium, if any) and interest to the date of the deposit (or to the stated maturity date or earlier redemption date for debt securities that have been called for redemption).

Defeasance of Debt Securities

Unless otherwise provided in the prospectus supplement or term sheet for a series of debt securities, we may cause ourself (subject to the terms of the indenture) to be discharged from any and all obligations with respect to any debt securities or series of debt securities (except for certain obligations to register the transfer or exchange of such debt securities, to replace such debt securities if stolen, lost or mutilated, to maintain paying agencies and to hold money for payment in trust) on and after the date the conditions set forth in the indenture are satisfied. Such conditions include the deposit with the trustee, in trust for such purpose, of money and/or U.S. government obligations, which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of and any premium and interest on such debt securities on the stated maturity date of such payments or upon redemption, as the case may be, in accordance with the terms of the indenture and such debt securities.

Under current Federal income tax law, the defeasance of the debt securities would be treated as a taxable exchange of the relevant debt securities in which holders of debt securities would recognize gain or loss. In addition, thereafter, the amount, timing and character of amounts that holders would be required to include in income might be different from that which would be includable in the absence of such defeasance. Prospective investors are urged to consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than the Federal income tax law.

The Trustee

The trustee is The Bank of New York, which maintains banking relationships with us in the ordinary course of business and serves as trustee under other indentures with us and some of our affiliates.

Governing Law

The indenture and the debt securities will be governed by and construed in accordance with the laws of the State of New York.

DESCRIPTION OF PREFERRED STOCK OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

We currently have authorized 10,000,000 shares of undesignated preferred stock, $1.00 par value per share, none of which were issued and outstanding as of the date of this prospectus. Under Florida law and our charter, our board is authorized to issue shares of preferred stock from time to time in one or more series without shareholder approval.

Subject to limitations prescribed by Florida law and our charter and by-laws, our board can determine the number of shares constituting each series of preferred stock and the designation, preferences, voting powers, qualifications, and special or relative rights or privileges of that series. These may include provisions as may be desired concerning voting, redemption, dividends, dissolution, or the distribution of assets, conversion or exchange, and other subjects or matters as may be fixed by resolution of the board or an authorized committee of the board.

Our board is authorized to determine the voting rights of any series of preferred stock, subject to the following restrictions in our charter:

- holders of shares of our preferred stock are not entitled to more than the lesser of (i) one vote per $100 of liquidation value and (ii) one vote per share, when voting as a class with the holders of shares of our common stock; and
- holders of shares of our preferred stock are not entitled to vote on any matter separately as a class, other than (i) as required by Florida law, or (ii) as specified in the terms of the preferred stock, if the matter to be voted upon would affect the powers, preferences or special rights of the series or with respect to the election of directors in the event of our failure to pay dividends on the series.

If we offer a specific series of preferred stock under this prospectus, we will describe the terms of the preferred stock in the prospectus supplement for such offering and will file a copy of the charter amendment establishing the terms of the preferred stock with the SEC. This description will include:

- the title and stated value;
- the number of shares offered, the liquidation preference per share and the purchase price;
- the dividend rate(s), period(s) and/or payment date(s), or method(s) of calculation for dividends;
- whether dividends will be cumulative, partially cumulative or non-cumulative and, if cumulative or partially cumulative, the date from which the dividends will accumulate;
- the procedures for any auction or remarketing, if any;
- the provisions for a sinking fund, if any;
- the provisions for redemption, if applicable;
- any listing of the preferred stock on any securities exchange or market;
- whether the preferred stock will be convertible into any series of our common stock, and, if applicable, the conversion price (or how it will be calculated) and exchange period;
- voting rights, if any, of the preferred stock;
- whether interests in the preferred stock will be represented by depositary shares;
- a discussion of any material and/or special U.S. federal income tax considerations applicable to the preferred stock;

- the relative ranking and preferences of the preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;
- any limitations on issuance of any class or series of preferred stock ranking senior to or on parity with the series of preferred stock as to dividend rights and rights upon our liquidation, dissolution or winding up;
- any other specific terms, preferences, rights, limitations or restrictions of the preferred stock.

The preferred stock offered by this prospectus will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

Unless we specify otherwise in the applicable prospectus supplement, the preferred stock will, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, rank as follows:

- senior to all classes or series of our common stock, and to all equity securities issued by us, the terms of which specifically provide that they rank junior to the preferred stock with respect to those rights;
- on a parity with all equity securities we issue that do not rank senior or junior to the preferred stock with respect to those rights; and
- junior to all equity securities we issue, the terms of which do not specifically provide that they rank on a parity with or junior to the preferred stock with respect to these rights.

As used for these purposes, the term "equity securities" does not include convertible debt securities.

DESCRIPTION OF COMMON STOCK OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

Our authorized common stock consists of 400,000,000 shares, $1.00 par value per share. At February 16, 2006, there were 208,324,908 shares of common stock issued and outstanding. The approximate number of shareholders of record of our common stock as of February 16, 2006 was 19,406.

Each share of our common stock is entitled to one vote on all matters requiring a vote of shareholders and, subject to the rights of the holders of any outstanding shares of preferred stock, are entitled to receive any dividends, in cash, securities or property, as our board may declare. We may not pay cash dividends on our common stock at any time when we have deferred interest payments on our 8.50% Junior Subordinated Notes Due 2041 issued in connection with the issuance of the 8.50% Trust Preferred Securities of TECO Capital Trust I or our 5.934% Junior Subordinated Notes Due January 15, 2007 underlying the 5.934% Trust Preferred Securities of TECO Capital Trust II originally issued as part of our 9.50% Adjustable Conversion-Rate Equity Security Units. Also, if the aggregate quarterly dividend payments on our common stock were to equal or exceed $50,000,000, subject to increase in the event we issue additional shares of common stock, we would not be able to declare or pay cash dividends on our common stock or make certain other distributions unless we had previously delivered liquidity projections satisfactory to the administrative agent under our $200 million credit facility demonstrating that we will have sufficient cash to pay such dividends and distributions and the three succeeding quarterly dividends.

In the event of our liquidation, dissolution or winding up, either voluntary or involuntary, subject to the rights of the holders of any outstanding shares of preferred stock, holders of common stock are entitled to share pro-rata in all of our remaining assets available for distribution.

The common stock issued by this prospectus will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

The Bank of New York is the transfer agent and registrar for our common stock.

ANTI-TAKEOVER EFFECTS OF TECO ENERGY'S ARTICLES OF INCORPORATION AND BYLAWS, FLORIDA LAW AND TECO ENERGY'S RIGHTS PLAN

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

Required Vote for Authorization of Certain Actions

Our Articles of Incorporation, which we refer to as our Articles, require the vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all classes and series entitled to vote generally in the election of directors for approval of certain business combinations, including certain mergers, asset sales, security issuances, recapitalizations and liquidations, involving us or our subsidiaries and certain acquiring persons (namely a person, entity or specified group which beneficially owns more than 10% of the voting power of the then outstanding shares of our capital stock entitled to vote generally in an election of directors), unless such business combination has been approved by a majority of disinterested directors, or the fair market value and other procedural requirements of our Articles are met.

Election and Removal of Directors

Our board of directors is divided into three classes. The directors in each class serve for a three year term, one class being elected each year by our stockholders. A vote of a majority of the board or 80% of the combined voting power of the then outstanding shares of stock, voting together as a single class, is required to remove a director, with or without cause. This system of electing and removing directors may discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for shareholders to replace a majority of the directors. Under the terms of our bylaws and Articles, these provisions cannot be changed without a supermajority vote of our shareholders.

Under Florida Law

Florida has enacted legislation that may deter or frustrate takeovers of Florida corporations. The "Control Share Acquisitions" section of the Florida Business Corporation Act, or FBCA, generally provides that shares acquired in excess of certain specified thresholds, beginning at 20% of a corporation's outstanding voting shares, will not possess any voting rights unless such voting rights are approved by a majority vote of the corporation's disinterested shareholders. We have provided in our bylaws that the Control Share Acquisition Act shall not apply to us.

The "Affiliated Transactions" section of the FBCA generally requires majority approval by disinterested directors or supermajority approval of disinterested shareholders of certain specified transactions (such as a merger, consolidation, sale of assets, issuance or transfer of shares or reclassifications of securities) between a corporation and a holder of more than 10% of the outstanding shares of the corporation, or any affiliate of such shareholder.

Rights Plan

We have a shareholder rights plan. Under the plan, each outstanding share of our common stock carries with it a right, currently unexercisable, that if triggered permits the holder to purchase large amounts of our or any successor entity's securities at a discount and/or trade those purchase rights separately from the common stock. The rights are triggered when a person acquires, or makes a tender or exchange offer to acquire, 10% of our common stock. The plan, however, prohibits the 10%-acquiror, or its affiliates, from exercising our shares' purchase rights. As a result the acquiror's interest in TECO Energy is substantially diluted. The rights expire in May 2009, subject to extension. We may also redeem the rights at a nominal price per right until 10 business days after a triggering event.

These and other provisions of our Articles, bylaws and rights plan could discourage potential acquisition proposals and could delay or prevent a change in control.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

We may issue stock purchase contracts, including contracts obligating holders to purchase from us, and us to sell to the holders, a specified number of shares of common stock or preferred stock at a future date or dates (which we refer to as stock purchase contracts). The price per share of common stock or preferred stock and the number of shares of common stock or preferred stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of units consisting of a stock purchase contract and debt securities, preferred stock, trust preferred securities or debt obligations of third parties, including U.S. Treasury securities, securing the holders' obligations to purchase the common stock or preferred stock under the stock purchase contracts (which we refer to as stock purchase units). The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase units or vice versa, and such payments may be unsecured or prefunded on some basis. The stock purchase contracts may require holders to secure their obligations thereunder in a specified manner and in certain circumstances we may deliver newly issued prepaid stock purchase contracts, often known as prepaid securities, upon release to a holder of any collateral securing such holder's obligation under the original stock purchase contract.

The applicable prospectus supplement will describe the material terms of the stock purchase contracts or stock purchase units and, if applicable, prepaid securities. Material United States federal income tax considerations applicable to the stock purchase units and the stock purchase contracts will also be discussed in the applicable prospectus supplement.

DESCRIPTION OF WARRANTS AND OTHER PURCHASE RIGHTS OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

General

We may issue warrants and/or other rights to purchase debt securities (which we refer to as debt warrants), preferred stock (which we refer to as preferred stock warrants) or common stock (which we refer to as common stock warrants). We may issue any of these warrants or purchase rights (which we refer to generally as warrants) independently or together with other securities offered by this prospectus and attached to or separate from the other securities. If we issue warrants, we will issue them under warrant agreements between us and a bank or trust company, as agent, all of which will be described in the prospectus supplement relating to the warrants we are offering.

Debt Warrants

We will describe the terms of debt warrants offered in the applicable prospectus supplement, the warrant agreement relating to the debt warrants and the debt warrant certificates representing the debt warrants, including the following:

- the title;
- the aggregate number offered;
- their issue price or prices;
- the designation, aggregate principal amount and terms of the debt securities purchasable upon exercise, and the procedures and conditions relating to exercise;

- the designation and terms of any related debt securities and the number of debt warrants issued with each security;
- if applicable, the date, if any, on and after which the debt warrants and the related debt securities will be separately transferable;
- the principal amount of debt securities purchasable upon exercise, and the price at which that principal amount of debt securities may be purchased upon exercise;
- the commencement and expiration dates of the right to exercise;
- the maximum or minimum number which may be exercised at any time;
- if applicable, a discussion of the material United States income tax considerations applicable to exercise;
- and any other terms, including terms, procedures and limitations relating to exercise.

Debt warrant certificates will be exchangeable for new debt warrant certificates of different denominations, and debt warrants may be exercised at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement. Before exercising their debt warrants, holders will not have any of the rights of holders of the securities purchasable upon exercise and will not be entitled to payments of principal of, premium, if any, or interest, if any, on the securities purchasable upon exercise.

Other Warrants

The applicable prospectus supplement will describe the following terms of preferred stock warrants or common stock warrants offered under this prospectus:

- the title;
- the securities issuable upon exercise;
- the issue price or prices;
- the number of warrants issued with each share of preferred stock or common stock;
- any provisions for adjustment of (i) the number or amount of shares of preferred stock or common stock issuable upon exercise of the warrants or (ii) the exercise price;
- if applicable, the date on and after which the warrants and the related preferred stock or common stock will be separately transferable;
- if applicable, a discussion of the material United States federal income tax considerations applicable to the exercise of the warrants;
- the commencement and expiration dates of the right to exercise;
- the maximum and minimum number that may be exercised at any time; and
- any other terms, including terms, procedures, and limitations relating to exchange or exercise.

Exercise of Warrants

Each warrant will entitle the holder to purchase for cash the principal amount of debt securities or shares of preferred stock or common stock at the applicable exercise price set forth in, or determined as described in, the applicable prospectus supplement. Warrants may be exercised at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Warrants may be exercised by delivering to the corporate trust office of the warrant agent or any other officer indicated in the applicable prospectus supplement (a) the warrant certificate properly completed and duly executed and (b) payment of the amount due upon exercise. As soon as practicable following exercise, we will forward the debt securities or shares of preferred stock or common stock purchasable upon exercise. If less than all of the warrants represented by a warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

DESCRIPTION OF DEBT SECURITIES OF TAMPA ELECTRIC COMPANY

For the purposes of this section, "we", "our", "ours" and "us" refer to Tampa Electric Company.

The debt securities will be unsecured and, unless indicated otherwise in the applicable prospectus supplement or term sheet, will rank on parity with all our other unsecured and unsubordinated indebtedness. We will issue debt securities in one or more series under an indenture dated as of July 1, 1998 between Tampa Electric Company and The Bank of New York, as trustee. We filed the indenture as an exhibit to Amendment No. 1 to Tampa Electric Company's Registration Statement on Form S-3 dated July 13, 1998 (Registration No. 333-55873). The following description of the terms of the debt securities summarizes only the material terms of the debt securities. The description is not complete and we refer you to the indenture, which we incorporate by reference.

General

The indenture does not limit the aggregate principal amount of the debt securities or of any particular series of debt securities that we may issue under it. We are not required to issue debt securities of any series at the same time nor must the debt securities within any series bear interest at the same rate or mature on the same date.

Each time that we issue a new series of debt securities, the prospectus supplement or term sheet relating to that new series will describe the particular amount, price and other terms of those debt securities. These terms may include:

- the title of the debt securities;
- any limit on the total principal amount of the debt securities;
- the date or dates on which the principal of the debt securities will be payable or the method by which such date or dates will be determined;
- the rate or rates at which the debt securities will bear interest, if any, or the method by which such rate or rates will be determined, and the date or dates from which any such interest will accrue;
- the date or dates on which any such interest will be payable and the record dates, if any, for any such interest payments;
- if applicable, whether we may extend the interest payment periods and, if so, the permitted duration of any such extensions;
- the place or places where the principal of and interest on the debt securities will be payable;
- any obligation we may have to redeem or purchase the debt securities pursuant to any sinking fund, purchase fund or similar provision or at the option of the holder and the terms and conditions on which the debt securities may be redeemed or purchased pursuant to an obligation;
- the denominations in which we will issue the debt securities, if other than denominations of $1,000;
- the terms and conditions, if any, on which we may redeem the debt securities;

- the currency, currencies or currency units in which we will pay the principal of and any premium and interest on the debt securities, if other than U.S. dollars, and the manner of determining the equivalent in U.S. dollars;
- whether we will issue any debt securities in whole or in part in the form of one or more global securities and, if so, the identity of the depositary for the global security and any provisions regarding the transfer, exchange or legending of any such global security if different from those described below under the caption "Global Securities;"
- any addition to, change in or deletion from the events of default or covenants described in this prospectus with respect to the debt securities and any change in the right of the trustee or the holders to declare the principal amount of the debt securities due and payable;
- any index or formula used to determine the amount of principal of or any premium or interest on the debt securities and the manner of determining any such amounts;
- any subordination of the debt securities to any other indebtedness of the Company; and
- other material terms of the debt securities.

Unless the prospectus supplement or term sheet relating to the issuance of a series of debt securities indicates otherwise, the debt securities will have the following characteristics:

We will issue debt securities only in fully registered form, without coupons and in denominations of $1,000 or multiples of $1,000. We will not charge a service fee for the registration, transfer or exchange of debt securities, but we may require a payment sufficient to cover any tax or other governmental charge payable in connection with registration, transfer or exchange.

The principal of, and any premium and interest on, any debt securities will be payable at the corporate trust office of The Bank of New York in New York, New York. Debt securities will be exchangeable and transfers thereof will be registrable at this corporate trust office. Payment of any interest due on any debt security will be made to the person in whose name the debt security is registered at the close of business on the regular record date for interest.

We will have the right to redeem the debt securities only upon written notice mailed between 30 and 60 days prior to the redemption date.

If we plan to redeem the debt securities, before the redemption occurs we are not required to:

- issue, register the transfer of, or exchange any debt security of that series during the period beginning 15 days before we mail the notice of redemption and ending on the day we mail the notice; or
- after we mail the notice of redemption, register the transfer of or exchange any debt security selected for redemption, except if we are only redeeming a part of a debt security, we are required to register the transfer of or exchange the unredeemed portion of the debt security if the holder so requests.

We may offer and sell debt securities at a substantial discount below their principal amount. We will describe any applicable special federal income tax and other considerations, if any, in the relevant prospectus supplement or term sheet. We may also describe in the relevant prospectus supplement or term sheet certain special federal income tax or other considerations, if any, applicable to any debt securities that are denominated in a currency or currency unit other than U.S. dollars.

The indenture does not provide special protection for the debt securities in the event we are involved in a highly leveraged transaction.

Global Securities

If we decide to issue debt securities in the form of one or more global securities, then we will register the global securities in the name of the depositary for the global securities or the nominee of the depositary and the global securities will be delivered by the trustee to the depositary for credit to the accounts of the holders of beneficial interests in the debt securities.

The prospectus supplement or term sheet will describe the specific terms of the depositary arrangement for debt securities of a series that are issued in global form. None of our company, the trustee, any payment agent or the security registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global debt security or for maintaining, supervising or reviewing any records relating to these beneficial ownership interests.

Consolidation, Merger, Etc.

We will not consolidate or merge with or into any other corporation or other organization, or sell, convey or transfer all or substantially all of our assets to any individual or organization, unless:

- the successor is an individual or organization organized under the laws of the United States or any state thereof or the District of Columbia or under the laws of a foreign jurisdiction and such successor consents to the jurisdiction of the courts of the United States or any state thereof;
- the successor or transferee expressly assumes our obligations under the indenture; and
- the consolidation, merger, sale or transfer does not cause the occurrence of a default under the indenture.

Upon the assumption by the successor of our obligations under the indenture and the debt securities issued thereunder, and the satisfaction of any other conditions required by the indenture, the successor will succeed to and be substituted for us under the indenture.

Modification of the Indenture

The indenture provides that we or the trustee may modify or amend its terms with the consent of (i) the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each affected series and (ii) 66⅔% in aggregate principal amount of the outstanding debt securities of all affected series. However, without the consent of each holder of all of the outstanding debt securities affected by that modification, we may not:

- change the date stated on the debt security on which any payment of principal or interest is stated to be due;
- reduce the principal amount or any premium or interest on, any debt security, including in the case of a discounted debt security, the amount payable upon acceleration of the maturity thereof;
- change the place of payment or currency of payment of principal of, or premium, if any, or interest on, any debt security;
- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security after the stated maturity (or, in the case of redemption, on or after the redemption date); or
- reduce the percentage in principal amount of outstanding debt securities of any series, the consent of the holders of which is required for modification or amendment of the indenture, for waiver of compliance with some provisions of the indenture or for waiver of some defaults.

Under limited circumstances and only upon the fulfillment of conditions, we and the trustee may make modifications and amendments of the indenture without the consent of any holders of the debt securities.

The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of any series may waive any past default under the indenture with respect to that series except:

- a default in the payment of principal of, or any premium or interest on, any debt security of that series;
- a default of a covenant or provision under the indenture that cannot be modified or amended without the consent of the holder of each outstanding debt security of the affected series.

Events of Default

An event of default with respect to debt securities of any series issued under the indenture is any one of the following events (unless inapplicable to the particular series, specifically modified or deleted as a term of such series or otherwise modified or deleted in an indenture supplemental to the indenture):

- we fail to pay any interest on any debt security of that series when due, and such failure has continued for 30 days;
- we fail to pay principal of or any premium on any debt security of that series when due;
- we fail to deposit any sinking fund payment in respect of any debt security of that series when due, and such failure has continued for 30 days;
- we fail to perform any other covenant in the indenture (other than a covenant included in the indenture solely for the benefit of a series of debt securities other than that series), and such failure has continued for 90 days after we receive written notice as provided in the indenture;
- events of bankruptcy, insolvency or reorganization; and
- any other event defined as an event of default with respect to debt securities of a particular series.

If an event of default with respect to any series of debt securities occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of that series may declare the principal amount (or, if any debt securities of that series are discounted debt securities, a portion of the principal amount that the terms of the series may specify) of all debt securities of that series to be immediately due and payable. Under some circumstances, the holders of a majority in principal amount of the outstanding debt securities of that series may rescind and annul that declaration and its consequences. The prospectus supplement or term sheet relating to any series of debt securities that are discounted debt securities will specify the particular provisions relating to acceleration of a portion of the principal amount of the discounted debt securities upon the occurrence of an event of default and the continuation of the event of default.

Subject to the provisions of the indenture relating to the duties of the trustee in case an event of default occurs and is continuing, the trustee is not obligated to exercise any of its rights or powers under the indenture at the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to such provisions for security and indemnification of the trustee and other rights of the trustee, the holders of a majority in principal amount of the outstanding debt securities of any series have the right to direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities of that series.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal of and any premium and, subject to limitations specified in the indenture, interest on such debt security on its stated maturity date (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any of these payments.

We must furnish to the trustee an annual statement that to the best of our knowledge we are not in default in the performance and observance of any terms, provisions or conditions of the indenture or, if there has been such a default, specifying each default and its status.

Satisfaction and Discharge of the Indenture

We will have satisfied and discharged the indenture and it will cease to be in effect (except as to our obligations to compensate, reimburse and indemnify the trustee pursuant to the indenture and some other obligations) when we deposit or cause to be deposited with the trustee, in trust, an amount sufficient to pay and discharge the entire indebtedness on the debt securities not previously delivered to the trustee for cancellation, for the principal (and premium, if any) and interest to the date of the deposit (or to the stated maturity date or earlier redemption date for debt securities that have been called for redemption).

Defeasance of Debt Securities

Unless otherwise provided in the prospectus supplement or term sheet for a series of debt securities, and subject to the terms of the indenture, we may request to be discharged from any and all obligations with respect to any debt securities or series of debt securities (except for certain obligations to register the transfer or exchange of such debt securities, to replace such debt securities if stolen, lost or mutilated, to maintain paying agencies and to hold money for payment in trust) on and after the date the conditions set forth in the indenture are satisfied. Such conditions include the deposit with the trustee, in trust for such purpose, of money and/or U.S. government obligations, which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of and any premium and interest on such debt securities on the stated maturity date of such payments or upon redemption, as the case may be, in accordance with the terms of the indenture and such debt securities.

Under current federal income tax law, the defeasance of the debt securities would be treated as a taxable exchange of the relevant debt securities in which holders of debt securities would recognize gain or loss. In addition, thereafter, the amount, timing and character of amounts that holders would be required to include in income might be different from that which would be includable in the absence of such defeasance. Prospective investors should consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than the federal income tax laws.

The Trustee

The trustee is The Bank of New York, which maintains banking relationships with us in the ordinary course of business and serves as trustee under other indentures with us and some of our affiliates.

Governing Law

The indenture and the debt securities will be governed by and construed in accordance with the laws of the State of New York.

USE OF PROCEEDS

We will describe in the applicable prospectus supplement how we intend to use the net proceeds from the sale of the securities.

LEGAL MATTERS

In connection with particular offerings of the securities in the future, and if stated in the applicable prospectus supplement, the validity of those securities may be passed upon for us by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. Legal counsel to any underwriters may pass upon legal matters for such underwriters.

EXPERTS

The consolidated financial statements, financial statement schedules and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) of TECO Energy incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2005 of TECO Energy have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements and financial statement schedules of Tampa Electric Company incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2005 of Tampa Electric Company have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

$,000,000

Tampa Electric Company

% Notes due 20

PRELIMINARY PROSPECTUS SUPPLEMENT
May , 2006

Citigroup
JPMorgan
Morgan Stanley

Filed Pursuant to Rule 433(d)
Registration Statement No. 333-132243-01
May 9, 2006

Pricing Term Sheet

Issuer:	Tampa Electric Company
Principal Amount:	$250,000,000
Maturity:	May 15, 2036
Coupon:	6.55%
Initial Price to Public:	99.375% per Note
Yield to maturity:	6.598%
Spread to Benchmark Treasury:	+1.30%
Benchmark Treasury:	February 2031
Benchmark Treasury Yield:	5.298%
Interest Payment Dates:	May 15 and November 15, commencing November 15, 2006
Redemption Provisions:	
Make-whole call	At any time at a discount rate of Treasury plus 25 basis points
Settlement:	T+3; May 12, 2006
Ratings*(Moody's/S&P/Fitch):	Baa2/BBB-/BBB+
CUSIP:	875127 AV 4
Joint Book-running Managers	Citigroup, JPMorgan, Morgan Stanley
Co-Managers	BNP Paribas, BNY Capital Markets, Inc., HSBC, Societe Generale, Wedbush Morgan Securities Inc.

* Note: A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Citigroup Global Markets, Inc. at 1-877-858-5407, J.P. Morgan Securities, Inc. at 212-834-4533 or Morgan Stanley at 1-866-718-1649.

PROSPECTUS SUPPLEMENT
(To Prospectus dated March 7, 2006)

$250,000,000

Tampa Electric Company

6.55% Notes due 2036

The notes will bear interest at the rate of 6.55% per year and will mature on May 15, 2036. We will pay interest on the notes on May 15 and November 15 of each year, beginning on November 15, 2006. We may redeem some or all of the notes from time to time. The redemption prices are described beginning on page S-9. There is no sinking fund for the notes.

The notes will be unsecured and will rank on parity with our other unsecured and unsubordinated indebtedness and will be effectively subordinated to our secured indebtedness.

Investing in the notes involves risks. See "Risk Factors" beginning on page S-3.

	Per Note	Total
Price to Public[1]	99.375%	$248,437,500
Underwriting Discounts and Commissions	0.875%	$ 2,187,500
Proceeds, before expenses, to Tampa Electric Company[1]	98.500%	$246,250,000

(1) Plus accrued interest, if any, from May 12, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes through the book-entry form facilities of The Depository Trust Company on or about May 12, 2006.

Joint Book-Running Managers

Citigroup **JPMorgan** **Morgan Stanley**

Co-Managers

BNP PARIBAS **BNY Capital Markets, Inc.** **HSBC** **SOCIETE GENERALE** **Wedbush Morgan Securities Inc.**

May 9, 2006

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with different information. If you receive any other information, you should not rely on it. We and the underwriters are not making an offer of these securities, or soliciting an offer to buy these securities, in any state where the offer or solicitation is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus or the date of the document incorporated by reference.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying prospectus that also is part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or the "SEC," using a "shelf" registration process. Under the shelf process, we may, from time to time, issue and sell to the public any combination of the securities described in the accompanying prospectus up to an indeterminate amount, of which this offering is a part. The first part of this document is the prospectus supplement, which describes the specific terms of the notes we are offering and certain other matters relating to us and our financial condition. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the notes we are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

This prospectus supplement contains forward-looking statements. For a description of these statements and a discussion of the factors that may cause our actual results to differ materially from these statements, see "Cautionary Note Regarding Forward-Looking Statements" in the accompanying prospectus and "Risk Factors" beginning on page S-3.

In this prospectus supplement, "we," "our," "ours" and "us" refers to Tampa Electric Company, unless the context otherwise requires.

SUMMARY

This summary contains basic information that is important to you. The "Description of the Notes" section of this prospectus supplement contains more detailed information about the terms and conditions of the notes.

Tampa Electric Company

Tampa Electric Company is a wholly owned subsidiary of TECO Energy, Inc., or TECO Energy, a holding company with five core businesses, consisting of regulated electric and gas utility operations in Florida and three unregulated businesses. You can read the reports filed by TECO Energy with the SEC for more information regarding its business, operating results and financial condition.

Tampa Electric Company is a public utility company. Its Tampa Electric division, or Tampa Electric, provides retail electric service to more than 645,000 customers in an area of about 2,000 square miles in West Central Florida. Tampa Electric has a net winter system generating capability of 4,423 megawatts.

Peoples Gas System, also a division of Tampa Electric Company, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. With more than 321,000 customers, Peoples Gas System has operations in Florida's major metropolitan areas. Annual natural gas throughput (the amount of gas delivered to its customers, including transportation-only service) in 2005 was 1.1 billion therms.

The Offering

Issuer	Tampa Electric Company.
Notes Offered	$250,000,000 aggregate principal amount of 6.55% notes due 2036.
Maturity Date	May 15, 2036.
Interest Rate	The notes will bear interest at 6.55% per year from May 12, 2006 to, but excluding, May 15, 2036.
Interest Payment Dates	May 15 and November 15, commencing on November 15, 2006. Interest payments will be made to the persons in whose names the notes are registered on the 15th calendar day immediately preceding the applicable interest payment date.
Denominations	$1,000 with integral multiples of $1,000.
Optional Redemption	The notes will be redeemable, at our option, in whole or in part at any time, at the redemption prices described in "Description of the Notes—Optional Redemption."
Ranking	The notes will be unsecured and will rank on a parity with our other unsecured and unsubordinated indebtedness and will be effectively subordinated to our secured indebtedness. As of March 31, 2006, we had $315.8 million principal amount of secured indebtedness outstanding.
Use of Proceeds	We will use the net proceeds to repay short-term debt and for general corporate purposes. Pending such uses, we will invest the net proceeds in short-term money market instruments.
Additional Issuances	We may, without the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the notes. Any additional notes having such similar terms, together with the notes, may constitute a single series of notes under the indenture.
Form	The notes will be represented by registered global securities registered in the name of Cede & Co. the partnership nominee of the depositary, The Depository Trust Company, or DTC. Beneficial interests in the notes will be shown on, and transfers will be effected through, records maintained by DTC and its participants.
Trustee	The Bank of New York.
Governing Law	The indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.
Risk Factors	See "Risk Factors" for a discussion of the risk factors you should carefully consider before deciding to invest in the notes.

RISK FACTORS

In deciding whether to purchase the notes, you should consider carefully the following factors that could cause our operating results and financial condition to be materially adversely affected. You should also consider the other factors that could cause the consolidated operating results and financial condition of our parent, TECO Energy, included in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which we file jointly with TECO Energy, as updated by our and TECO Energy's filings with the SEC.

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 or refinance existing debt.

We must meet certain financial tests as defined in the applicable agreements to use our credit facilities; we also have certain restrictive covenants in specific agreements and debt instruments. As of March 31, 2006, 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.

Our financial condition and ability to access capital may be materially adversely affected by ratings downgrades.

Our senior unsecured debt is rated by S&P at BBB- with a stable outlook, by Moody's at Baa2 with a stable 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 Peoples Gas System are able to purchase gas and electricity without providing collateral. If our ratings declined to below investment grade, Tampa Electric and Peoples Gas System could be required to post collateral to support their purchases of gas and electricity.

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 for compliance with our environmental consent decree, generation system additions to support normal customer growth for the next several years, and to improve system reliability. We cannot be sure that our capital expenditures will not exceed the planned amount. 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.

General Business and Operational Risks

General economic conditions may adversely affect our businesses.

Our business is affected by general economic conditions. In particular, the projected growth of our service area and in Florida is important to the realization of our forecasts for annual energy sales growth. An unanticipated downturn in the local area's or in Florida's economy could adversely affect our expected performance.

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 performance.

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

Our businesses are highly regulated, and any changes in regulatory structures could lower revenues or increase costs or competition.

Tampa Electric and Peoples Gas System operate in highly regulated industries. Our 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 Federal Energy Regulatory Commission, or FERC. Changes in regulatory requirements or adverse regulatory actions could have an adverse effect on Tampa Electric's or Peoples Gas System's financial performance by, for example, increasing competition or costs, threatening investment recovery or impacting rate structure.

Our business is sensitive to variations in weather and the effects of extreme weather, and have seasonal variations.

Our business is affected by variations in general weather conditions and unusually severe weather, particularly for our energy sales. We 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.

Peoples Gas System, 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 Peoples Gas System.

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

Tampa Electric and Peoples Gas System 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 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 Peoples Gas System, 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 Peoples Gas System relative to electricity, other forms of energy and other gas suppliers.

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.

Problems with operations could cause us to incur substantial costs.

We are subject to various operational risks, including accidents or equipment failures and operations below expected levels of performance or efficiency. As an operator of power generation facilities, we 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 facilities.

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.

We are currently defending lawsuits in which we could be liable for damages.

Four lawsuits were originally filed in the Circuit Court in Hillsborough County against Tampa Electric in connection with the location of transmission structures and upgrades to a substation in certain residential areas by residents in the areas surrounding the structures and substation. The resident plaintiffs are seeking to remove the poles or to receive monetary damages. The plaintiffs were seeking class action status, which status was denied.

There are now three cases, the Alvarez (substation case), the Shaw, and the Acosta cases (the Jorrison and Acosta were consolidated and are now referred to as the Acosta case). The Jorrison's have dropped their individual claims in the Acosta case and have joined the Shaw case as plaintiffs. The three cases are pending before two separate judges. Tampa Electric's motion to dismiss the claim for injunctive relief (non-monetary relief) was granted in the Alvarez case, and its motion for summary judgment in the Shaw case on the plaintiff's claim for injunctive relief was recently granted on April 19, 2006. Two of Tampa Electric's motions for partial summary judgment in both the Shaw and Acosta cases with respect to property owners not located adjacent to or in close proximity to the poles (Remote Plaintiffs) were granted on January 17, 2006, reconsideration was denied, and the time for filing an appeal has run. The Shaw case has been transferred to the Trial Division (cases expected to have trials lasting two weeks or more), and a trial date of September 11, 2006 has been set. Plaintiffs' counsel in the Acosta case dropped 65 plaintiffs.

We intend to vigorously defend all of these proceedings; however, we cannot predict the ultimate resolution of any of these matters at this time, and there can be no assurance that these matters will not have a material adverse impact on our financial condition or results of operations.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

	Three Months Ended March 31, 2006	Twelve Months Ended March 31, 2006	Year Ended December 31,				
			2005	2004	2003	2002	2001
Ratio of Earnings to Fixed Charges	2.81x	3.46x	3.51x	3.39x	2.68x[1]	4.74x	4.42x

For the purposes of calculating these ratios, earnings consist of income from continuing operations before income taxes, income or loss from equity investments and fixed charges. Fixed charges consist of interest expense on indebtedness, amortization of debt premium, the interest component of rentals and preferred stock dividend requirements. Interest expense includes total interest expense, excluding Allowance for Funds Used During Construction, and an estimate of the interest component of rentals.

(1) Includes the effect of a $79.6 pretax charge recorded in the first quarter of 2003 related to turbine purchase cancellations, the effect of which was to reduce the ratio.

CAPITALIZATION

The following table summarizes the historical capitalization of Tampa Electric Company at March 31, 2006 and its capitalization as adjusted to reflect the issuance and sale of notes contemplated by this prospectus supplement based on issuance of the notes at a price to the public of $248.4 million, receipt of estimated net proceeds of $246.0 million and our application of the net proceeds in the manner described in "Use of Proceeds."

	March 31, 2006	
	Actual Amounts	As Adjusted
	($ in millions)	
Cash and cash equivalents	$ 10.4	$ 106.4
Notes payable	150.0	—
Long-term debt due within one year	5.9	5.9
Long-term debt, less amount due within one year	1,508.7	1,757.1
Total debt	1,664.6	1,763.0
Common equity	1,655.7	1,655.7
Total capitalization	$3,320.3	$3,418.7

USE OF PROCEEDS

We estimate that the net proceeds (after deducting underwriting discounts and commissions and estimated offering expenses) from this offering will be approximately $246.0 million. We expect to use the net proceeds from this offering to repay short-term debt (reported on our balance sheet as notes payable) and for general corporate purposes. We will use a portion of the net proceeds from this offering to repay in full the amount currently drawn on our unsecured credit facility. We will use the remaining amount of net proceeds, in lieu of cash from sales of accounts receivable of Tampa Electric Company under our accounts receivable credit facility, to pay operating expenses of Tampa Electric Company, which has the effect of repaying our accounts receivable credit facility as accounts receivable are collected. As of the close of business on May 5, 2006, $40.0 million was drawn on our unsecured credit facility, the interest rate on which as of that date was 5.80%. Also as of that date, $120.0 million was drawn on our accounts receivable credit facility, the interest rate on which as of that date was approximately 4.91%. The amounts drawn on our unsecured credit facility and on our accounts receivable credit facility and the respective interest rates on those amounts, all fluctuate daily; our unsecured credit facility matures October 11, 2010 and our accounts receivable credit facility matures January 4, 2007. Pending such uses, we will invest the net proceeds in short-term money market instruments. Citibank, N.A., JPMorgan Chase Bank, N.A. and Morgan Stanley Bank, affiliates of the underwriters, are parties to our unsecured credit facility. As a result of our repayment of outstanding amounts under this facility, these affiliates may receive 10% or more of the proceeds of the offering. See "Underwriting."

DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes that we are offering supplements the description of the general terms of the debt securities under the caption "Description of Debt Securities of Tampa Electric Company" in the accompanying prospectus.

The following summaries of certain provisions of the indenture do not purport to be complete, and are subject to, and are qualified in their entirety by reference to, the provisions of the indenture dated as of July 1, 1998, as amended by a third supplemental indenture thereto between us and The Bank of New York, as trustee, and as amended and supplemented by a fifth supplemental indenture thereto between us and The Bank of New York, as trustee, which has been filed with the SEC as an exhibit to the Registration Statement of which the prospectus forms a part, and as amended and supplemented by a fifth supplemental indenture thereto between us and The Bank of New York, as trustee. The indenture provides for the issuance from time to time of various series of debt securities, including the notes.

For purposes of the following description, unless otherwise indicated, a business day is any day that is not a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close.

General

The initial aggregate principal amount of the notes offered under this prospectus is $250,000,000. The notes will mature on May 15, 2036.

The notes will bear interest at 6.55% per year (computed based on a 360-day year consisting of twelve 30-day months) for the period from May 12, 2006 to, but excluding, May 15, 2036. Interest on the notes will be payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2006. Interest payments will be made to the persons in whose names the notes are registered on the 15th calendar day (whether or not a business day) immediately preceding the related interest payment date.

The notes do not have a sinking fund. We may, without the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms, and the same CUSIP number, as the notes. Any additional notes having such similar terms, together with the notes, may constitute a single series of notes under the indenture.

Ranking

The notes will be our unsubordinated and unsecured obligations and will rank equally in right of payment with all of our other unsubordinated and unsecured indebtedness. The notes will not limit other indebtedness or securities that we or any of our subsidiaries may incur or issue or contain financial or similar restrictions on us or any of our subsidiaries. The notes will be effectively subordinated to our secured indebtedness to the extent of the collateral securing those obligations. Holders of secured indebtedness will have prior claim to those of our assets that constitute their collateral in the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding. As a result, you may receive less, ratably, than holders of secured indebtedness.

Form

The notes will be issued in fully registered form, without coupons, in minimum denominations of $1,000 or integral multiples of $1,000 in excess thereof. The notes will be initially issued as global securities. See "—Book-Entry, Delivery and Form" below for additional information concerning the notes and the book-entry system. The Depository Trust Company, or DTC, will be the depositary with respect to the notes. Settlement of the sale of the notes to the underwriters will be in immediately available funds. The notes will trade in DTC's

Same-Day Funds Settlement System until maturity or earlier redemption, as the case may be, and secondary market trading activity in the notes will therefore settle in immediately available funds. We will make all payments of principal and interest in immediately available funds to DTC in the City of New York.

Optional Redemption

We may redeem all or any part of the notes at our option at any time and from time to time at a redemption price equal to the greater of:

- 100% of the principal amount of the notes then outstanding to be redeemed, or
- the sum of the present values of the remaining scheduled payments of principal and interest on the notes then outstanding to be redeemed (not including any portion of such payments of interest accrued as of the redemption date) discounted to the redemption date on a semiannual basis (computed based on a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 25 basis points (0.25%), as calculated by an Independent Investment Banker,

plus, in either of the above cases, accrued and unpaid interest thereon to the redemption date.

We will mail a notice of redemption at least 30 days but no more than 60 days before the redemption date to each holder of notes to be redeemed. If we elect to partially redeem the notes, the trustee will select in a fair and appropriate manner the notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes. If the remaining term of the notes to be redeemed is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Comparable Treasury Price" means (1) the average of five Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if an Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means any of Citigroup Global Markets Inc., J.P. Morgan Securities Inc. or Morgan Stanley & Co. Incorporated or any of their respective successors, as designated by us, or if all of those firms are unwilling or unable to serve as such, an independent investment and banking institution of national standing appointed by us.

"Reference Treasury Dealer" means:

- Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and each of their respective successors; provided that if any of them ceases to be a primary U.S. Government securities dealer in New York City (Primary Treasury Dealer), we will substitute another Primary Treasury Dealer; and
- up to two other Primary Treasury Dealers selected by us.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and asked prices

for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to an Independent Investment Banker at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, as of any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second business day immediately proceeding that redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Book-Entry, Delivery and Form

The notes will be issued in global form. Each global note will be deposited on the date of the closing of the sale of the notes with, or on behalf of DTC, and registered in the name of Cede & Co., as DTC's nominee.

DTC is a limited-purpose trust company created to hold securities for its participants and to facilitate the clearance and settlement of transactions in those securities between those participants through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations and other organizations. Access to DTC's system is also available to indirect participants such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

We expect that under procedures established by DTC:

- upon deposit of the global securities, DTC will credit the accounts of participants designated by the underwriters with portions of the principal amount of the global securities; and
- ownership of such interests in the global securities will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global securities).

Investors in the global notes may hold their interests directly through DTC if they are participants in that system, or indirectly through organizations which are participants in that system. All interests in a global note may be subject to the procedures and requirements of DTC. The laws of some states require that some persons take physical delivery in certificated form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to those persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants and some banks, the ability of a person with beneficial interests in a global note to pledge that interest to persons that do not participate in the DTC system, or to take other actions regarding that interest, may be affected by the lack of a physical certificate evidencing those interests.

Except as described below, owners of interests in the global notes will not have notes registered in their name, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders of notes for any purpose.

Payments on the global notes registered in the name of DTC or its nominee will be payable by the trustee to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the trustee will treat the persons in whose names the notes, including the global securities, are registered, as the owners for the purpose of receiving those payments and for any and all other purposes.

Consequently, neither the trustee nor any agent of the trustee has or will have any responsibility or liability for:

- any aspect of DTC's records or any participant's or indirect participant's records relating to, or payments made on account of beneficial ownership interests in the, global security or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global security; or
- any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC's current practice, upon receipt of any payment on securities such as the notes, is to credit the accounts of the relevant participants with the payment on the payment date, in amounts proportionate to their respective holdings in principal amounts of beneficial interests in the relevant security as shown on the records of DTC unless DTC has reason to believe it will not receive payment on the payment date. Payments by the participants and the indirect participants to the beneficial owners of the notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC, the trustee or us. Neither we nor the trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and we and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

DTC will take any action permitted to be taken by a holder of the notes only at the direction of one or more participants to whose account with DTC interests in the global securities are credited and only in respect of such portion of the notes as to which the participant or participants has or have given such direction. However, if there is an event of default, as defined in the indenture, with respect to the notes, DTC reserves the right to exchange the global notes for notes in certificated form and to distribute the notes to its participants.

A global note is exchangeable for notes in registered certificated form if:

- DTC notifies us that it is unwilling or unable to continue as clearing agency for the global notes or has ceased to be a clearing agency registered under the Securities Exchange Act of 1934 and we fail to appoint a successor clearing agency,
- we in our sole discretion elect to cause the issuance of definitive certificated notes, or
- there has occurred and is continuing an event of default under the indenture.

The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be reliable, but we have not independently determined the accuracy thereof. We will not have any responsibility for the performance by DTC or its participants of their obligations under the rules and procedures governing their operations.

The Trustee

The Trustee is The Bank of New York, which maintains banking relationships with us in the ordinary course of business and serves as trustee under other indentures with us and some of our affiliates. The trustee also is a party to our unsecured credit facility. If the trustee acquires any conflicting interest (within the meaning of the Trust Indenture Act), it will be required to eliminate the conflict or resign.

UNDERWRITING

Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated are acting as joint book-running managers of the offering and are acting as representatives of the underwriters named below. Subject to the terms and conditions specified in an underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter the principal amount of the notes set forth opposite the underwriter's name below.

Underwriters	Principal Amount of Notes
Citigroup Global Markets Inc.	$ 58,333,000
J.P. Morgan Securities Inc.	58,334,000
Morgan Stanley & Co. Incorporated	58,333,000
BNP Paribas Securities Corp.	15,000,000
BNY Capital Markets, Inc.	15,000,000
HSBC Securities (USA) Inc.	15,000,000
SG Americas Securities, LLC	15,000,000
Wedbush Morgan Securities Inc.	15,000,000
Total	$250,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and other conditions. The underwriters are obligated to purchase all of the notes if they purchase any of the notes.

The underwriters propose to offer the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the notes to dealers at the public offering price less a concession not to exceed 0.50% of the principal amount of the notes. The underwriters may allow and the dealers may reallow a concession not to exceed 0.25% of the principal amount of the notes on sales to other dealers. After the initial public offering, the representatives may change the public offering price and concessions.

UnionBanc Investment Services, Inc., a member of the National Association of Securities Dealers, Inc. and subsidiary of Union Bank of California, N.A., is being paid a referral fee by Wedbush Morgan Securities Inc.

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. The underwriters have advised us that they intend to make a market in the notes after the offering, although they are under no obligation to do so. The underwriters may discontinue any market-making activities at any time without any notice. We can give no assurance as to the liquidity of the trading market for the notes or that a public trading market for the notes will develop. If no active public trading market develops, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on factors such as prevailing interest rates, the market for similar securities and our performance, as well as other factors not listed here.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $264,600.

In connection with the offering, the underwriters, may purchase and sell the notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of notes in excess of the principal amount of notes to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate sort positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the underwriting syndicate, in covering syndicate short positions or making stabilizing purchases, repurchase notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We and the underwriters make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, we and the underwriters make no representation that the underwriters will engage in those types of transactions or that those transactions, once commenced, will not be discontinued without notice.

The underwriters, and some of their affiliates, have performed investment banking, financial advisory, commercial banking and other services for us and our affiliates from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of business, for which they will receive customary fees in connection with these services.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

LEGAL MATTERS

Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts will pass upon the validity of the notes offered hereby. Certain matters will be passed upon for the underwriters by Ropes & Gray LLP.

EXPERTS

The financial statements and financial statement schedules of Tampa Electric Company incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2005 of Tampa Electric Company have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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TECO ENERGY, INC.

Debt Securities
Preferred Stock
Common Stock
Stock Purchase Contracts
Stock Purchase Units
Warrants

TAMPA ELECTRIC COMPANY

Debt Securities

TECO Energy, Inc. may offer from time to time to sell debt securities consisting of debentures, notes or other evidences of indebtedness, preferred stock, common stock, stock purchase contracts, stock purchase units, and warrants or other rights to purchase common stock, preferred stock or debt securities. The debt securities may be senior, pari passu or subordinated to other indebtedness of ours. The debt securities, preferred stock, warrants and purchase contracts may be convertible into or exercisable or exchangeable for common or preferred stock or other securities of ours or debt or equity securities of one or more other entities.

Tampa Electric Company may offer from time to time to sell debt securities consisting of debentures, notes or other evidences of indebtedness.

TECO Energy, Inc.'s common stock trades on the New York Stock Exchange under the symbol "TE".

This prospectus provides you with a general description of the securities we may offer. We may offer the securities as separate series, in amounts, prices and on terms determined at the time of the sale. When we offer securities, we will provide a prospectus supplement or a term sheet describing the terms of the specific issue, including the offering price of the securities. **You should read both this prospectus and any prospectus supplement or term sheet, together with the additional information described under the heading "WHERE YOU CAN FIND MORE INFORMATION" beginning on page 1 of this prospectus, before you make your investment decision.**

We may offer and sell these securities to or through one or more underwriters, dealers or agents, or directly to investors, on a continuous or delayed basis.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

The date of this prospectus is March 7, 2006

TECO Energy, Inc. and Tampa Electric Company • 702 North Franklin Street • Tampa, Florida 33602 • (813) 228-1111

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the "SEC," using a "shelf" registration process. Under the shelf process, we may, from time to time, issue and sell to the public any combination of the securities described in the registration statement in one or more offerings. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to one of our contracts or other documents, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C., as well as through the SEC's website as indicated below under the heading "Where You Can Find More Information."

In this prospectus, "we", "our", "ours" and "us" refer to TECO Energy, Inc. and Tampa Electric Company unless otherwise specified or the context requires otherwise.

WHERE YOU CAN FIND MORE INFORMATION

Both TECO Energy and Tampa Electric Company are subject to the reporting requirements of the Securities Exchange Act of 1934 and file reports and other information with the SEC. You may read and copy any of these documents at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available on the SEC's website at www.sec.gov. Copies of certain information filed by each of us with the SEC are also available on TECO Energy's website at www.tecoenergy.com. Our website is not part of this prospectus. You may request a copy of the registration statement, including the exhibits to the registration statement, at no cost by writing or calling us at the address provided below under "Incorporation by Reference."

INCORPORATION BY REFERENCE

We "incorporate by reference" into this prospectus certain information we file with the SEC, which means that we are disclosing important information to you by referring you to another document. Any information incorporated by reference is an important part of this prospectus. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus. We incorporate by reference into this prospectus the documents listed below, which we have filed with the SEC, and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, on or after the date of this prospectus and before the termination of this offering; *except that*, unless we indicate otherwise, we do not incorporate any information furnished under Item 2.02 or Item 7.01 of any Current Report on Form 8-K:

- Combined Annual Report on Form 10-K of TECO Energy and Tampa Electric Company for the fiscal year ended December 31, 2005;
- Description of TECO Energy's common stock contained in TECO Energy's Registration Statement on Form 8-B, filed on July 13, 1981 (File No. 1-8180), including any amendment or reports filed for the purpose of updating such description;
- Combined Current Report on Form 8-K of TECO Energy and Tampa Electric Company filed on January 31, 2006; and
- Tampa Electric Company's Current Report on Form 8-K filed on January 20, 2006.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Director of Investor Relations
TECO Energy, Inc.
702 North Franklin Street
Tampa, Florida 33602
(813) 228-1111

You should rely only on the information incorporated by reference or provided in this prospectus or any supplement or term sheet. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any supplement or term sheet is accurate as of any date other than the date on the front of these documents.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement or term sheet, and the documents we have incorporated by reference into this prospectus may contain statements about future events, expectations or future financial performance. These forward-looking statements are identifiable by our use of such words as "anticipate," "believe," "expect," "intend," "may," "project," "will" or other similar words or expressions.

Without limiting the foregoing, any statements relating to our:

- anticipated capital investments;
- liquidity and financing requirements;
- projected operating results;
- future transactions; and
- other plans

are forward-looking statements. These forward-looking statements are based on numerous assumptions that we believe are reasonable, but they are open to a wide range of uncertainties and business risks and actual results may differ materially from those discussed in these statements. When considering forward-looking statements, you should keep in mind the cautionary statements describing these uncertainties and business risks in this prospectus, any prospectus supplement or term sheet and the documents incorporated by reference, including the Investment Considerations included in our filings with the SEC.

You should keep in mind that any forward-looking statement made by us in this prospectus or elsewhere speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. In any event, these and other important factors may cause actual results to differ materially from those indicated by our forward-looking statements. We have no duty to, and do not intend to, update or revise the forward-looking statements in this prospectus after the date of this prospectus, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this prospectus or elsewhere might not occur.

TECO ENERGY

TECO Energy is a holding company with five core businesses, consisting of regulated electric and gas utility operations in Florida and three unregulated businesses. TECO Energy was incorporated in Florida in 1981 as part of a restructuring in which we became the parent of Tampa Electric Company. Tampa Electric Company, our largest subsidiary, has regulated electric and gas utility operations in separate divisions. TECO Energy's unregulated businesses are involved in coal mining and synthetic fuel production and sale, marine transportation and electric generation and distribution in Guatemala.

TECO Energy's principal executive offices are located at 702 North Franklin Street, Tampa, Florida 33602. TECO Energy's telephone number is (813) 228-1111.

TAMPA ELECTRIC COMPANY

Tampa Electric Company is a public utility company that is a wholly owned subsidiary of TECO Energy. Its Tampa Electric division provides retail electric service to customers in west central Florida. Its Peoples Gas System division is engaged in the purchase and distribution of natural gas to residential, commercial and industrial and electric power generation customers throughout Florida.

Tampa Electric Company's principal executive offices are located at 702 North Franklin Street, Tampa, Florida 33602. Tampa Electric Company's telephone number is (813) 228-1111.

DESCRIPTION OF DEBT SECURITIES OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

The debt securities will be unsecured and, unless indicated otherwise in the applicable prospectus supplement or term sheet, will rank on parity with all our other unsecured and unsubordinated indebtedness. We will issue debt securities in one or more series under an indenture dated as of August 17, 1998 between TECO Energy and The Bank of New York, as trustee. We filed the indenture as an exhibit to Amendment No. 1 to TECO Energy's Registration Statement on Form S-3 dated August 24, 1998 (Registration No. 333-60819). The following description of the terms of the debt securities summarizes only the material terms of the debt securities. The description is not complete, and we refer you to the indenture, which we incorporate by reference.

General

The indenture does not limit the aggregate principal amount of the debt securities or of any particular series of debt securities that we may issue under it. We are not required to issue debt securities of any series at the same time nor must the debt securities within any series bear interest at the same rate or mature on the same date.

Each time that we issue a new series of debt securities, the prospectus supplement or term sheet relating to that new series will describe the particular amount, price and other terms of those debt securities. These terms may include:

- the title of the debt securities;
- any limit on the total principal amount of the debt securities;
- the date or dates on which the principal of the debt securities will be payable or the method by which such date or dates will be determined;
- the rate or rates at which the debt securities will bear interest, if any, or the method by which such rate or rates will be determined, and the date or dates from which any such interest will accrue;
- the date or dates on which any such interest will be payable and the record dates, if any, for any such interest payments;
- if applicable, whether we may extend the interest payment periods and, if so, the permitted duration of any such extensions;
- the place or places where the principal of and interest on the debt securities will be payable;
- any obligation we may have to redeem or purchase the debt securities pursuant to any sinking fund, purchase fund or analogous provision or at the option of the holder and the terms and conditions on which the debt securities may be redeemed or purchased pursuant to an obligation;
- the denominations in which we will issue the debt securities, if other than denominations of $1,000;

- the terms and conditions, if any, on which we may redeem the debt securities;
- the currency, currencies or currency units in which we will pay the principal of and any premium and interest on the debt securities, if other than U.S. dollars, and the manner of determining the equivalent in U.S. dollars;
- whether we will issue any debt securities in whole or in part in the form of one or more global securities and, if so, the identity of the depositary for the global security and any provisions regarding the transfer, exchange or legending of any such global security if different from those described below under the caption "Global Securities";
- any addition to, change in or deletion from the events of default or covenants described in this prospectus with respect to the debt securities and any change in the right of the trustee or the holders to declare the principal amount of the debt securities due and payable;
- any index or formula used to determine the amount of principal of or any premium or interest on the debt securities and the manner of determining any such amounts;
- any terms relating to the conversion of the debt security into our common stock, preferred stock or other security issuable by us;
- any subordination of the debt securities to any of our other indebtedness; and
- other material terms of the debt securities.

Unless the prospectus supplement or term sheet relating to the issuance of a series of debt securities indicates otherwise, the debt securities will have the following characteristics:

We will issue debt securities only in fully registered form, without coupons and, generally, in denominations of $1,000 or multiples of $1,000. We will not charge a service fee for the registration, transfer or exchange of debt securities, but we may require a payment sufficient to cover any tax or other governmental charge payable in connection with registration, transfer or exchange.

The principal of, and any premium and interest on, any debt securities will be payable at the corporate trust office of The Bank of New York in New York, New York. Debt securities will be exchangeable and transfers thereof will be registrable at this corporate trust office. Payment of any interest due on any debt security will be made to the person in whose name the debt security is registered at the close of business on the regular record date for interest.

We will have the right to redeem the debt securities only upon written notice mailed to the holders between 30 and 60 days prior to the redemption date.

If we plan to redeem the debt securities, before the redemption occurs, we are not required to:

- issue, register the transfer of, or exchange any debt security of that series during the period beginning 15 days before we mail the notice of redemption and ending on the day we mail the notice; or
- after we mail the notice of redemption, register the transfer of or exchange any debt security selected for redemption, except, if we are only redeeming a part of a debt security, we are required to register the transfer of or exchange the unredeemed portion of the debt security if the holder so requests.

We may offer and sell debt securities at a substantial discount below their principal amount. We will describe any applicable special federal income tax and other considerations, if any, in the relevant prospectus supplement or term sheet. We may also describe certain special federal income tax or other considerations, if any, applicable to any debt securities that are denominated in a currency or currency unit other than U.S. dollars in the relevant prospectus supplement or term sheet.

The indenture does not provide special protection for the debt securities in the event we are involved in a highly leveraged transaction.

The debt securities are obligations exclusively of TECO Energy, Inc., which, as a holding company, has no material assets other than its ownership of the common stock of its subsidiaries, including Tampa Electric Company. We will rely entirely upon distributions from our subsidiaries to meet the payment obligations under the debt securities. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due under the debt securities or otherwise to make any funds available to us including the payment of dividends or other distributions or the extension of loans or advances. Furthermore, the ability of our subsidiaries to make any payments to us would be dependent upon the terms of any credit facilities of the subsidiaries and upon the subsidiaries' earnings, which are subject to various business risks. In a bankruptcy or insolvency proceeding, claims of holders of the debt securities would be satisfied solely from our equity interests in our subsidiaries remaining after the satisfaction of claims of creditors of the subsidiaries. Accordingly, the debt securities are effectively subordinated to existing and future liabilities of our subsidiaries to their respective creditors.

Global Securities

If we decide to issue debt securities in the form of one or more global securities, then we will register the global securities in the name of the depositary for the global securities or the nominee of the depositary and the global securities will be delivered by the trustee to the depositary for credit to the accounts of the holders of beneficial interests in the debt securities.

The prospectus supplement or term sheet will describe the specific terms of the depositary arrangement for debt securities of a series that are issued in global form. None of our company, the trustee, any payment agent or the security registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global debt security or for maintaining, supervising or reviewing any records relating to these beneficial ownership interests.

Consolidation, Merger, Etc.

We will not consolidate or merge with or into any other corporation or other organization, or sell, convey or transfer all or substantially all of our assets to any individual or organization, unless:

- the successor is an individual or organization organized under the laws of the United States or any state thereof or the District of Columbia or under the laws of a foreign jurisdiction and such successor consents to the jurisdiction of the courts of the United States or any state thereof;
- the successor or transferee expressly assumes our obligations under the indenture; and
- the consolidation, merger, sale or transfer does not cause the occurrence of a default under the indenture.

Upon the assumption by the successor of our obligations under the indenture and the debt securities issued thereunder, and the satisfaction of any other conditions required by the indenture, the successor will succeed to and be substituted for us under the indenture.

Modification of the Indenture

The indenture provides that we or the trustee may modify or amend its terms with the consent of (i) the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each affected series and (ii) 66 2/3% in aggregate principal amount of the outstanding debt securities of all affected series. However, without the consent of each holder of all of the outstanding debt securities affected by a modification, we may not:

- change the date stated on the debt security on which any payment of principal or interest is stated to be due;

- reduce the principal amount or any premium or interest on, any debt security, including in the case of a discounted debt security, the amount payable upon acceleration of the maturity thereof;
- change the place of payment or currency of payment of principal of, or premium, if any, or interest on, any debt security;
- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security after the stated maturity (or, in the case of redemption, on or after the redemption date); or
- reduce the percentage in principal amount of outstanding debt securities of any series, the consent of the holders of which is required for modification or amendment of the indenture, for waiver of compliance with some provisions of the indenture or for waiver of some defaults.

Under limited circumstances and only upon the fulfillment of conditions, we and the trustee may make modifications and amendments of the indenture without the consent of any holders of the debt securities.

The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of any series may waive any past default under the indenture with respect to that series except:

- a default in the payment of principal of, or any premium or interest on, any debt security of that series;
- in respect of a covenant or provision under the indenture which cannot be modified or amended without the consent of the holder of each outstanding debt security of the affected series.

Events of Default

An event of default with respect to debt securities of any series issued under the indenture is any one of the following events (unless inapplicable to the particular series, specifically modified or deleted as a term of such series or otherwise modified or deleted in an indenture supplemental to the indenture):

- we fail to pay any interest on any debt security of that series when due, and such failure has continued for 30 days;
- we fail to pay principal of or premium, if any, on any debt security of that series when due;
- we fail to deposit any sinking fund payment in respect of any debt security of that series when due, and such failure has continued for 30 days;
- we fail to perform any other covenant in the indenture (other than a covenant included in the indenture solely for the benefit of a series of debt securities other than that series), and such failure has continued for 90 days after we receive written notice as provided in the indenture;
- events of bankruptcy, insolvency or reorganization; and
- any other event defined as an event of default with respect to debt securities of a particular series.

If an event of default with respect to any series of debt securities occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of that series may declare the principal amount (or, if any debt securities of that series are discounted debt securities, a portion of the principal amount that the terms of the series may specify) of all debt securities of that series to be immediately due and payable. Under some circumstances, the holders of a majority in principal amount of the outstanding debt securities of that series may rescind and annul that declaration and its consequences. The prospectus supplement or term sheet relating to any series of debt securities which are discounted debt securities will specify the particular provisions relating to acceleration of a portion of the principal amount of the discounted debt securities upon the occurrence of an event of default and the continuation of the event of default.

Subject to the provisions of the indenture relating to the duties of the trustee in case an event of default occurs and is continuing, the trustee is not obligated to exercise any of its rights or powers under the indenture at

the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to such provisions for security and indemnification of the trustee and other rights of the trustee, the holders of a majority in principal amount of the outstanding debt securities of any series have the right to direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities of that series.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal of and any premium and, subject to limitations specified in the indenture, interest on such debt security on its stated maturity date (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any of these payments.

We must furnish to the trustee an annual statement that to the best of our knowledge we are not in default in the performance and observance of any terms, provisions or conditions of the indenture or, if there has been such a default, specifying each default and its status.

Satisfaction and Discharge of the Indenture

We will have satisfied and discharged the indenture and it will cease to be in effect (except as to our obligations to compensate, reimburse and indemnify the trustee pursuant to the indenture and some other obligations) when we deposit or cause to be deposited with the trustee, in trust, an amount sufficient to pay and discharge the entire indebtedness on the debt securities not previously delivered to the trustee for cancellation, for the principal (and premium, if any) and interest to the date of the deposit (or to the stated maturity date or earlier redemption date for debt securities that have been called for redemption).

Defeasance of Debt Securities

Unless otherwise provided in the prospectus supplement or term sheet for a series of debt securities, we may cause ourself (subject to the terms of the indenture) to be discharged from any and all obligations with respect to any debt securities or series of debt securities (except for certain obligations to register the transfer or exchange of such debt securities, to replace such debt securities if stolen, lost or mutilated, to maintain paying agencies and to hold money for payment in trust) on and after the date the conditions set forth in the indenture are satisfied. Such conditions include the deposit with the trustee, in trust for such purpose, of money and/or U.S. government obligations, which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of and any premium and interest on such debt securities on the stated maturity date of such payments or upon redemption, as the case may be, in accordance with the terms of the indenture and such debt securities.

Under current Federal income tax law, the defeasance of the debt securities would be treated as a taxable exchange of the relevant debt securities in which holders of debt securities would recognize gain or loss. In addition, thereafter, the amount, timing and character of amounts that holders would be required to include in income might be different from that which would be includable in the absence of such defeasance. Prospective investors are urged to consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than the Federal income tax law.

The Trustee

The trustee is The Bank of New York, which maintains banking relationships with us in the ordinary course of business and serves as trustee under other indentures with us and some of our affiliates.

Governing Law

The indenture and the debt securities will be governed by and construed in accordance with the laws of the State of New York.

DESCRIPTION OF PREFERRED STOCK OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

We currently have authorized 10,000,000 shares of undesignated preferred stock, $1.00 par value per share, none of which were issued and outstanding as of the date of this prospectus. Under Florida law and our charter, our board is authorized to issue shares of preferred stock from time to time in one or more series without shareholder approval.

Subject to limitations prescribed by Florida law and our charter and by-laws, our board can determine the number of shares constituting each series of preferred stock and the designation, preferences, voting powers, qualifications, and special or relative rights or privileges of that series. These may include provisions as may be desired concerning voting, redemption, dividends, dissolution, or the distribution of assets, conversion or exchange, and other subjects or matters as may be fixed by resolution of the board or an authorized committee of the board.

Our board is authorized to determine the voting rights of any series of preferred stock, subject to the following restrictions in our charter:

- holders of shares of our preferred stock are not entitled to more than the lesser of (i) one vote per $100 of liquidation value and (ii) one vote per share, when voting as a class with the holders of shares of our common stock; and
- holders of shares of our preferred stock are not entitled to vote on any matter separately as a class, other than (i) as required by Florida law, or (ii) as specified in the terms of the preferred stock, if the matter to be voted upon would affect the powers, preferences or special rights of the series or with respect to the election of directors in the event of our failure to pay dividends on the series.

If we offer a specific series of preferred stock under this prospectus, we will describe the terms of the preferred stock in the prospectus supplement for such offering and will file a copy of the charter amendment establishing the terms of the preferred stock with the SEC. This description will include:

- the title and stated value;
- the number of shares offered, the liquidation preference per share and the purchase price;
- the dividend rate(s), period(s) and/or payment date(s), or method(s) of calculation for dividends;
- whether dividends will be cumulative, partially cumulative or non-cumulative and, if cumulative or partially cumulative, the date from which the dividends will accumulate;
- the procedures for any auction or remarketing, if any;
- the provisions for a sinking fund, if any;
- the provisions for redemption, if applicable;
- any listing of the preferred stock on any securities exchange or market;
- whether the preferred stock will be convertible into any series of our common stock, and, if applicable, the conversion price (or how it will be calculated) and exchange period;
- voting rights, if any, of the preferred stock;
- whether interests in the preferred stock will be represented by depositary shares;
- a discussion of any material and/or special U.S. federal income tax considerations applicable to the preferred stock;

- the relative ranking and preferences of the preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;
- any limitations on issuance of any class or series of preferred stock ranking senior to or on parity with the series of preferred stock as to dividend rights and rights upon our liquidation, dissolution or winding up;
- any other specific terms, preferences, rights, limitations or restrictions of the preferred stock.

The preferred stock offered by this prospectus will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

Unless we specify otherwise in the applicable prospectus supplement, the preferred stock will, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, rank as follows:

- senior to all classes or series of our common stock, and to all equity securities issued by us, the terms of which specifically provide that they rank junior to the preferred stock with respect to those rights;
- on a parity with all equity securities we issue that do not rank senior or junior to the preferred stock with respect to those rights; and
- junior to all equity securities we issue, the terms of which do not specifically provide that they rank on a parity with or junior to the preferred stock with respect to these rights.

As used for these purposes, the term "equity securities" does not include convertible debt securities.

DESCRIPTION OF COMMON STOCK OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

Our authorized common stock consists of 400,000,000 shares, $1.00 par value per share. At February 16, 2006, there were 208,324,908 shares of common stock issued and outstanding. The approximate number of shareholders of record of our common stock as of February 16, 2006 was 19,406.

Each share of our common stock is entitled to one vote on all matters requiring a vote of shareholders and, subject to the rights of the holders of any outstanding shares of preferred stock, are entitled to receive any dividends, in cash, securities or property, as our board may declare. We may not pay cash dividends on our common stock at any time when we have deferred interest payments on our 8.50% Junior Subordinated Notes Due 2041 issued in connection with the issuance of the 8.50% Trust Preferred Securities of TECO Capital Trust I or our 5.934% Junior Subordinated Notes Due January 15, 2007 underlying the 5.934% Trust Preferred Securities of TECO Capital Trust II originally issued as part of our 9.50% Adjustable Conversion-Rate Equity Security Units. Also, if the aggregate quarterly dividend payments on our common stock were to equal or exceed $50,000,000, subject to increase in the event we issue additional shares of common stock, we would not be able to declare or pay cash dividends on our common stock or make certain other distributions unless we had previously delivered liquidity projections satisfactory to the administrative agent under our $200 million credit facility demonstrating that we will have sufficient cash to pay such dividends and distributions and the three succeeding quarterly dividends.

In the event of our liquidation, dissolution or winding up, either voluntary or involuntary, subject to the rights of the holders of any outstanding shares of preferred stock, holders of common stock are entitled to share pro-rata in all of our remaining assets available for distribution.

The common stock issued by this prospectus will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

The Bank of New York is the transfer agent and registrar for our common stock.

ANTI-TAKEOVER EFFECTS OF TECO ENERGY'S ARTICLES OF INCORPORATION AND BYLAWS, FLORIDA LAW AND TECO ENERGY'S RIGHTS PLAN

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

Required Vote for Authorization of Certain Actions

Our Articles of Incorporation, which we refer to as our Articles, require the vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all classes and series entitled to vote generally in the election of directors for approval of certain business combinations, including certain mergers, asset sales, security issuances, recapitalizations and liquidations, involving us or our subsidiaries and certain acquiring persons (namely a person, entity or specified group which beneficially owns more than 10% of the voting power of the then outstanding shares of our capital stock entitled to vote generally in an election of directors), unless such business combination has been approved by a majority of disinterested directors, or the fair market value and other procedural requirements of our Articles are met.

Election and Removal of Directors

Our board of directors is divided into three classes. The directors in each class serve for a three year term, one class being elected each year by our stockholders. A vote of a majority of the board or 80% of the combined voting power of the then outstanding shares of stock, voting together as a single class, is required to remove a director, with or without cause. This system of electing and removing directors may discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for shareholders to replace a majority of the directors. Under the terms of our bylaws and Articles, these provisions cannot be changed without a supermajority vote of our shareholders.

Under Florida Law

Florida has enacted legislation that may deter or frustrate takeovers of Florida corporations. The "Control Share Acquisitions" section of the Florida Business Corporation Act, or FBCA, generally provides that shares acquired in excess of certain specified thresholds, beginning at 20% of a corporation's outstanding voting shares, will not possess any voting rights unless such voting rights are approved by a majority vote of the corporation's disinterested shareholders. We have provided in our bylaws that the Control Share Acquisition Act shall not apply to us.

The "Affiliated Transactions" section of the FBCA generally requires majority approval by disinterested directors or supermajority approval of disinterested shareholders of certain specified transactions (such as a merger, consolidation, sale of assets, issuance or transfer of shares or reclassifications of securities) between a corporation and a holder of more than 10% of the outstanding shares of the corporation, or any affiliate of such shareholder.

Rights Plan

We have a shareholder rights plan. Under the plan, each outstanding share of our common stock carries with it a right, currently unexercisable, that if triggered permits the holder to purchase large amounts of our or any successor entity's securities at a discount and/or trade those purchase rights separately from the common stock. The rights are triggered when a person acquires, or makes a tender or exchange offer to acquire, 10% of our common stock. The plan, however, prohibits the 10%-acquiror, or its affiliates, from exercising our shares' purchase rights. As a result the acquiror's interest in TECO Energy is substantially diluted. The rights expire in May 2009, subject to extension. We may also redeem the rights at a nominal price per right until 10 business days after a triggering event.

These and other provisions of our Articles, bylaws and rights plan could discourage potential acquisition proposals and could delay or prevent a change in control.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

We may issue stock purchase contracts, including contracts obligating holders to purchase from us, and us to sell to the holders, a specified number of shares of common stock or preferred stock at a future date or dates (which we refer to as stock purchase contracts). The price per share of common stock or preferred stock and the number of shares of common stock or preferred stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of units consisting of a stock purchase contract and debt securities, preferred stock, trust preferred securities or debt obligations of third parties, including U.S. Treasury securities, securing the holders' obligations to purchase the common stock or preferred stock under the stock purchase contracts (which we refer to as stock purchase units). The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase units or vice versa, and such payments may be unsecured or prefunded on some basis. The stock purchase contracts may require holders to secure their obligations thereunder in a specified manner and in certain circumstances we may deliver newly issued prepaid stock purchase contracts, often known as prepaid securities, upon release to a holder of any collateral securing such holder's obligation under the original stock purchase contract.

The applicable prospectus supplement will describe the material terms of the stock purchase contracts or stock purchase units and, if applicable, prepaid securities. Material United States federal income tax considerations applicable to the stock purchase units and the stock purchase contracts will also be discussed in the applicable prospectus supplement.

DESCRIPTION OF WARRANTS AND OTHER PURCHASE RIGHTS OF TECO ENERGY

For the purposes of this section, "we", "our", "ours" and "us" refer to TECO Energy, Inc.

General

We may issue warrants and/or other rights to purchase debt securities (which we refer to as debt warrants), preferred stock (which we refer to as preferred stock warrants) or common stock (which we refer to as common stock warrants). We may issue any of these warrants or purchase rights (which we refer to generally as warrants) independently or together with other securities offered by this prospectus and attached to or separate from the other securities. If we issue warrants, we will issue them under warrant agreements between us and a bank or trust company, as agent, all of which will be described in the prospectus supplement relating to the warrants we are offering.

Debt Warrants

We will describe the terms of debt warrants offered in the applicable prospectus supplement, the warrant agreement relating to the debt warrants and the debt warrant certificates representing the debt warrants, including the following:

- the title;
- the aggregate number offered;
- their issue price or prices;
- the designation, aggregate principal amount and terms of the debt securities purchasable upon exercise, and the procedures and conditions relating to exercise;

- the designation and terms of any related debt securities and the number of debt warrants issued with each security;
- if applicable, the date, if any, on and after which the debt warrants and the related debt securities will be separately transferable;
- the principal amount of debt securities purchasable upon exercise, and the price at which that principal amount of debt securities may be purchased upon exercise;
- the commencement and expiration dates of the right to exercise;
- the maximum or minimum number which may be exercised at any time;
- if applicable, a discussion of the material United States income tax considerations applicable to exercise;
- and any other terms, including terms, procedures and limitations relating to exercise.

Debt warrant certificates will be exchangeable for new debt warrant certificates of different denominations, and debt warrants may be exercised at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement. Before exercising their debt warrants, holders will not have any of the rights of holders of the securities purchasable upon exercise and will not be entitled to payments of principal of, premium, if any, or interest, if any, on the securities purchasable upon exercise.

Other Warrants

The applicable prospectus supplement will describe the following terms of preferred stock warrants or common stock warrants offered under this prospectus:

- the title;
- the securities issuable upon exercise;
- the issue price or prices;
- the number of warrants issued with each share of preferred stock or common stock;
- any provisions for adjustment of (i) the number or amount of shares of preferred stock or common stock issuable upon exercise of the warrants or (ii) the exercise price;
- if applicable, the date on and after which the warrants and the related preferred stock or common stock will be separately transferable;
- if applicable, a discussion of the material United States federal income tax considerations applicable to the exercise of the warrants;
- the commencement and expiration dates of the right to exercise;
- the maximum and minimum number that may be exercised at any time; and
- any other terms, including terms, procedures, and limitations relating to exchange or exercise.

Exercise of Warrants

Each warrant will entitle the holder to purchase for cash the principal amount of debt securities or shares of preferred stock or common stock at the applicable exercise price set forth in, or determined as described in, the applicable prospectus supplement. Warrants may be exercised at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Warrants may be exercised by delivering to the corporate trust office of the warrant agent or any other officer indicated in the applicable prospectus supplement (a) the warrant certificate properly completed and duly executed and (b) payment of the amount due upon exercise. As soon as practicable following exercise, we will forward the debt securities or shares of preferred stock or common stock purchasable upon exercise. If less than all of the warrants represented by a warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

DESCRIPTION OF DEBT SECURITIES OF TAMPA ELECTRIC COMPANY

For the purposes of this section, "we", "our", "ours" and "us" refer to Tampa Electric Company.

The debt securities will be unsecured and, unless indicated otherwise in the applicable prospectus supplement or term sheet, will rank on parity with all our other unsecured and unsubordinated indebtedness. We will issue debt securities in one or more series under an indenture dated as of July 1, 1998 between Tampa Electric Company and The Bank of New York, as trustee. We filed the indenture as an exhibit to Amendment No. 1 to Tampa Electric Company's Registration Statement on Form S-3 dated July 13, 1998 (Registration No. 333-55873). The following description of the terms of the debt securities summarizes only the material terms of the debt securities. The description is not complete and we refer you to the indenture, which we incorporate by reference.

General

The indenture does not limit the aggregate principal amount of the debt securities or of any particular series of debt securities that we may issue under it. We are not required to issue debt securities of any series at the same time nor must the debt securities within any series bear interest at the same rate or mature on the same date.

Each time that we issue a new series of debt securities, the prospectus supplement or term sheet relating to that new series will describe the particular amount, price and other terms of those debt securities. These terms may include:

- the title of the debt securities;
- any limit on the total principal amount of the debt securities;
- the date or dates on which the principal of the debt securities will be payable or the method by which such date or dates will be determined;
- the rate or rates at which the debt securities will bear interest, if any, or the method by which such rate or rates will be determined, and the date or dates from which any such interest will accrue;
- the date or dates on which any such interest will be payable and the record dates, if any, for any such interest payments;
- if applicable, whether we may extend the interest payment periods and, if so, the permitted duration of any such extensions;
- the place or places where the principal of and interest on the debt securities will be payable;
- any obligation we may have to redeem or purchase the debt securities pursuant to any sinking fund, purchase fund or similar provision or at the option of the holder and the terms and conditions on which the debt securities may be redeemed or purchased pursuant to an obligation;
- the denominations in which we will issue the debt securities, if other than denominations of $1,000;
- the terms and conditions, if any, on which we may redeem the debt securities;

- the currency, currencies or currency units in which we will pay the principal of and any premium and interest on the debt securities, if other than U.S. dollars, and the manner of determining the equivalent in U.S. dollars;
- whether we will issue any debt securities in whole or in part in the form of one or more global securities and, if so, the identity of the depositary for the global security and any provisions regarding the transfer, exchange or legending of any such global security if different from those described below under the caption "Global Securities;"
- any addition to, change in or deletion from the events of default or covenants described in this prospectus with respect to the debt securities and any change in the right of the trustee or the holders to declare the principal amount of the debt securities due and payable;
- any index or formula used to determine the amount of principal of or any premium or interest on the debt securities and the manner of determining any such amounts;
- any subordination of the debt securities to any other indebtedness of the Company; and
- other material terms of the debt securities.

Unless the prospectus supplement or term sheet relating to the issuance of a series of debt securities indicates otherwise, the debt securities will have the following characteristics:

We will issue debt securities only in fully registered form, without coupons and in denominations of $1,000 or multiples of $1,000. We will not charge a service fee for the registration, transfer or exchange of debt securities, but we may require a payment sufficient to cover any tax or other governmental charge payable in connection with registration, transfer or exchange.

The principal of, and any premium and interest on, any debt securities will be payable at the corporate trust office of The Bank of New York in New York, New York. Debt securities will be exchangeable and transfers thereof will be registrable at this corporate trust office. Payment of any interest due on any debt security will be made to the person in whose name the debt security is registered at the close of business on the regular record date for interest.

We will have the right to redeem the debt securities only upon written notice mailed between 30 and 60 days prior to the redemption date.

If we plan to redeem the debt securities, before the redemption occurs we are not required to:

- issue, register the transfer of, or exchange any debt security of that series during the period beginning 15 days before we mail the notice of redemption and ending on the day we mail the notice; or
- after we mail the notice of redemption, register the transfer of or exchange any debt security selected for redemption, except if we are only redeeming a part of a debt security, we are required to register the transfer of or exchange the unredeemed portion of the debt security if the holder so requests.

We may offer and sell debt securities at a substantial discount below their principal amount. We will describe any applicable special federal income tax and other considerations, if any, in the relevant prospectus supplement or term sheet. We may also describe in the relevant prospectus supplement or term sheet certain special federal income tax or other considerations, if any, applicable to any debt securities that are denominated in a currency or currency unit other than U.S. dollars.

The indenture does not provide special protection for the debt securities in the event we are involved in a highly leveraged transaction.

Global Securities

If we decide to issue debt securities in the form of one or more global securities, then we will register the global securities in the name of the depositary for the global securities or the nominee of the depositary and the global securities will be delivered by the trustee to the depositary for credit to the accounts of the holders of beneficial interests in the debt securities.

The prospectus supplement or term sheet will describe the specific terms of the depositary arrangement for debt securities of a series that are issued in global form. None of our company, the trustee, any payment agent or the security registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global debt security or for maintaining, supervising or reviewing any records relating to these beneficial ownership interests.

Consolidation, Merger, Etc.

We will not consolidate or merge with or into any other corporation or other organization, or sell, convey or transfer all or substantially all of our assets to any individual or organization, unless:

- the successor is an individual or organization organized under the laws of the United States or any state thereof or the District of Columbia or under the laws of a foreign jurisdiction and such successor consents to the jurisdiction of the courts of the United States or any state thereof;
- the successor or transferee expressly assumes our obligations under the indenture; and
- the consolidation, merger, sale or transfer does not cause the occurrence of a default under the indenture.

Upon the assumption by the successor of our obligations under the indenture and the debt securities issued thereunder, and the satisfaction of any other conditions required by the indenture, the successor will succeed to and be substituted for us under the indenture.

Modification of the Indenture

The indenture provides that we or the trustee may modify or amend its terms with the consent of (i) the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each affected series and (ii) 66⅔% in aggregate principal amount of the outstanding debt securities of all affected series. However, without the consent of each holder of all of the outstanding debt securities affected by that modification, we may not:

- change the date stated on the debt security on which any payment of principal or interest is stated to be due;
- reduce the principal amount or any premium or interest on, any debt security, including in the case of a discounted debt security, the amount payable upon acceleration of the maturity thereof;
- change the place of payment or currency of payment of principal of, or premium, if any, or interest on, any debt security;
- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security after the stated maturity (or, in the case of redemption, on or after the redemption date); or
- reduce the percentage in principal amount of outstanding debt securities of any series, the consent of the holders of which is required for modification or amendment of the indenture, for waiver of compliance with some provisions of the indenture or for waiver of some defaults.

Under limited circumstances and only upon the fulfillment of conditions, we and the trustee may make modifications and amendments of the indenture without the consent of any holders of the debt securities.

The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of any series may waive any past default under the indenture with respect to that series except:

- a default in the payment of principal of, or any premium or interest on, any debt security of that series;
- a default of a covenant or provision under the indenture that cannot be modified or amended without the consent of the holder of each outstanding debt security of the affected series.

Events of Default

An event of default with respect to debt securities of any series issued under the indenture is any one of the following events (unless inapplicable to the particular series, specifically modified or deleted as a term of such series or otherwise modified or deleted in an indenture supplemental to the indenture):

- we fail to pay any interest on any debt security of that series when due, and such failure has continued for 30 days;
- we fail to pay principal of or any premium on any debt security of that series when due;
- we fail to deposit any sinking fund payment in respect of any debt security of that series when due, and such failure has continued for 30 days;
- we fail to perform any other covenant in the indenture (other than a covenant included in the indenture solely for the benefit of a series of debt securities other than that series), and such failure has continued for 90 days after we receive written notice as provided in the indenture;
- events of bankruptcy, insolvency or reorganization; and
- any other event defined as an event of default with respect to debt securities of a particular series.

If an event of default with respect to any series of debt securities occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of that series may declare the principal amount (or, if any debt securities of that series are discounted debt securities, a portion of the principal amount that the terms of the series may specify) of all debt securities of that series to be immediately due and payable. Under some circumstances, the holders of a majority in principal amount of the outstanding debt securities of that series may rescind and annul that declaration and its consequences. The prospectus supplement or term sheet relating to any series of debt securities that are discounted debt securities will specify the particular provisions relating to acceleration of a portion of the principal amount of the discounted debt securities upon the occurrence of an event of default and the continuation of the event of default.

Subject to the provisions of the indenture relating to the duties of the trustee in case an event of default occurs and is continuing, the trustee is not obligated to exercise any of its rights or powers under the indenture at the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to such provisions for security and indemnification of the trustee and other rights of the trustee, the holders of a majority in principal amount of the outstanding debt securities of any series have the right to direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities of that series.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal of and any premium and, subject to limitations specified in the indenture, interest on such debt security on its stated maturity date (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any of these payments.

We must furnish to the trustee an annual statement that to the best of our knowledge we are not in default in the performance and observance of any terms, provisions or conditions of the indenture or, if there has been such a default, specifying each default and its status.

Satisfaction and Discharge of the Indenture

We will have satisfied and discharged the indenture and it will cease to be in effect (except as to our obligations to compensate, reimburse and indemnify the trustee pursuant to the indenture and some other obligations) when we deposit or cause to be deposited with the trustee, in trust, an amount sufficient to pay and discharge the entire indebtedness on the debt securities not previously delivered to the trustee for cancellation, for the principal (and premium, if any) and interest to the date of the deposit (or to the stated maturity date or earlier redemption date for debt securities that have been called for redemption).

Defeasance of Debt Securities

Unless otherwise provided in the prospectus supplement or term sheet for a series of debt securities, and subject to the terms of the indenture, we may request to be discharged from any and all obligations with respect to any debt securities or series of debt securities (except for certain obligations to register the transfer or exchange of such debt securities, to replace such debt securities if stolen, lost or mutilated, to maintain paying agencies and to hold money for payment in trust) on and after the date the conditions set forth in the indenture are satisfied. Such conditions include the deposit with the trustee, in trust for such purpose, of money and/or U.S. government obligations, which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of and any premium and interest on such debt securities on the stated maturity date of such payments or upon redemption, as the case may be, in accordance with the terms of the indenture and such debt securities.

Under current federal income tax law, the defeasance of the debt securities would be treated as a taxable exchange of the relevant debt securities in which holders of debt securities would recognize gain or loss. In addition, thereafter, the amount, timing and character of amounts that holders would be required to include in income might be different from that which would be includable in the absence of such defeasance. Prospective investors should consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than the federal income tax laws.

The Trustee

The trustee is The Bank of New York, which maintains banking relationships with us in the ordinary course of business and serves as trustee under other indentures with us and some of our affiliates.

Governing Law

The indenture and the debt securities will be governed by and construed in accordance with the laws of the State of New York.

USE OF PROCEEDS

We will describe in the applicable prospectus supplement how we intend to use the net proceeds from the sale of the securities.

LEGAL MATTERS

In connection with particular offerings of the securities in the future, and if stated in the applicable prospectus supplement, the validity of those securities may be passed upon for us by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. Legal counsel to any underwriters may pass upon legal matters for such underwriters.

EXPERTS

The consolidated financial statements, financial statement schedules and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) of TECO Energy incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2005 of TECO Energy have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements and financial statement schedules of Tampa Electric Company incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2005 of Tampa Electric Company have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

$250,000,000

Tampa Electric Company

6.55% Notes due 2036

PROSPECTUS SUPPLEMENT
May 9, 2006

Citigroup
JPMorgan
Morgan Stanley

BNP PARIBAS
BNY Capital Markets, Inc.
HSBC
SOCIETE GENERALE
Wedbush Morgan Securities Inc.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 9, 2006

TAMPA ELECTRIC COMPANY
(Exact name of registrant as specified in its charter)

Florida	1-5007	59-0475140
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

702 North Franklin Street, Tampa, Florida 33602
(Address of principal executive offices and zip code)

(813) 228-1111
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Securities Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

On May 9, 2006, Tampa Electric Company (the "Company") entered into an Underwriting Agreement (the "Underwriting Agreement") with Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated, as representatives of the several underwriters listed therein (collectively, the "Underwriters") pursuant to which the Company agreed to sell and the Underwriters agreed to purchase, upon the terms and subject to the conditions set forth therein, $250 million aggregate principal amount of 6.55% Notes due 2036 (the "Notes"). The Notes will be issued under a fifth supplemental indenture (the "Indenture") with The Bank of New York, as trustee. The offering of the Notes is expected to close on May 12, 2006.

Tampa Electric Company plans to use the proceeds from the sale of these notes to repay in full the amount drawn on its unsecured credit facility, indirectly to repay amounts borrowed under its accounts receivable credit facility and for general corporate purposes.

In order to furnish certain exhibits for incorporation by reference into the Registration Statement on Form S-3 of TECO Energy, Inc. and the Company, previously filed with Securities and Exchange Commission (File No. 333-132243-01), the Company is filing the Underwriting Agreement as Exhibit 1.1 to such Registration Statement and the opinion of Edwards Angell Palmer & Dodge LLP, regarding the validity of the Notes to be sold by the Company pursuant to such Underwriting Agreement as Exhibit 5.2 to such Registration Statement.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

1.1	Underwriting Agreement dated as of May 9, 2006 by and among Tampa Electric Company, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated. Filed herewith.
5.2	Opinion of Edwards Angell Palmer & Dodge LLP. Filed herewith.
23.5	Consent of Edwards Angell Palmer & Dodge LLP (included as part of their opinion filed herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 10, 2006

TAMPA ELECTRIC COMPANY

By: /s/ Sandra W. Callahan
Sandra W. Callahan
Vice President-Treasurer

EXHIBIT INDEX

Exhibit No.	Description
1.1	Underwriting Agreement dated as of May 9, 2006 by and among Tampa Electric Company, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated. Filed herewith.
5.2	Opinion of Edwards Angell Palmer & Dodge LLP. Filed herewith.
23.5	Consent of Edwards Angell Palmer & Dodge LLP (included as part of their opinion filed herewith).

Exhibits omitted to avoid unnecessary duplication.

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

May 10, 2006

Tampa Electric Company
702 North Franklin Street
Tampa, Florida 33602

Ladies and Gentlemen:

Reference is made to our opinion dated March 7, 2006 and included as Exhibit 5.1 to the Registration Statement on Form S-3 (Registration No. 333-132243-01) (the "Registration Statement") filed on March 7, 2006 by TECO Energy, Inc. ("TECO Energy"), a Florida corporation and Tampa Electric Company (the "Company"), a Florida corporation and a wholly owned subsidiary of TECO Energy, with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"). We are rendering this supplemental opinion in connection with the prospectus supplement (the "Prospectus Supplement") filed on or about May 10, 2006 by the Company with the Commission pursuant to Rule 424 under the Securities Act. The Prospectus Supplement relates to the offering by the Company of $250,000,000 aggregate principal amount of 6.55% Notes due 2036 (the "Notes"), which Notes are covered by the Registration Statement. The Notes will be issuable under an indenture dated as of July 1, 1998 (the "Base Indenture") between the Company and The Bank of New York, as trustee (the "Trustee"), as heretofore amended and as supplemented by a fifth supplemental indenture between the Company and the Trustee (together with the Base Indenture, the "Indenture"). We understand that the Notes are to be offered and sold in the manner described in the Prospectus Supplement.

We have acted as your counsel in connection with the preparation of the Registration Statement and the Prospectus Supplement. We are familiar with the proceedings of the Board of Directors of the Company in connection with the authorization, issuance and sale of the Notes. We have examined such other documents as we consider necessary to render this opinion. We advise you that, in our opinion, the Notes have been duly authorized by all necessary corporate action of the Company, and when the Notes have been duly executed, authenticated and delivered in accordance with the Indenture relating to the Notes against payment of the agreed consideration therefor and issued and sold as contemplated in the Prospectus Supplement, the Notes will constitute valid and binding obligations of the Company, subject to (i) bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting the rights and remedies of creditors, and (ii) general principles of equity, regardless of whether applied in proceedings in equity or at law. We have relied as to certain matters on information obtained from public officials, officers of the Company and other sources believed by us to be responsible.

The opinion rendered herein is limited to New York law, the Florida Business Corporation Act (including the reported judicial decisions interpreting that Act and applicable provisions, if any, of the Florida Constitution) and the federal laws of the United States.

We hereby consent to the filing of this opinion as part of the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the Prospectus Supplement.

Very truly yours,

Edwards Angell Palmer & Dodge LLP

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

May 12, 2006

The Bank of New York
10161 Century Parkway
Jacksonville, FL 32256

Re: 6.55% Notes Due 2036 of Tampa Electric Company

Ladies and Gentlemen:

We are furnishing this opinion to you pursuant to Sections 102, 303(d) and 903 of the Indenture (the "Original Indenture") dated as of July 1, 1998, between Tampa Electric Company (the "Company") and you, as Trustee, as amended by a Third Supplemental Indenture dated as of June 15, 2001 (the Original Indenture as heretofore amended referred to herein as the "Indenture"), between the Company and you, as Trustee, in connection with the request by the Company for the execution and delivery by you of a Fifth Supplemental Indenture to be dated as of May 1, 2006 (the "Fifth Supplemental"), supplementing the Indenture and the authentication and delivery by you of $250,000,000 aggregate principal amount of 6.55% Notes due 2036 (the "Notes") to be issued thereunder. Capitalized terms not otherwise defined in this opinion have the meanings assigned to them in the Indenture as supplemented by the Fifth Supplemental.

For purposes of this opinion, we have read the provisions, including the covenants, conditions and definitions, of the Indenture relating to the authentication and delivery of Notes thereunder, the Fifth Supplemental setting forth the information required by Section 301 of the Indenture and establishing the form of the Notes, the Company Order dated the date hereof relating to your authentication and delivery of the Notes (the "Company Order"), and resolutions adopted by the Board of Directors on January 25, 2006, and by the Finance Committee of the Board of Directors of the Company on May 4, 2006, authorizing the issuance of the Notes (collectively, the "Board Resolutions"). We have also examined the documents being delivered to you, as Trustee and have made such other investigation or examination as is necessary, in our opinion, to enable us to render this opinion.

The opinion rendered herein is limited to the laws of the State of New York and the federal laws of the United States.

Based on the foregoing and subject to the additional qualifications set forth below, we are of opinion that:

1. The provisions of the Fifth Supplemental conform to the requirements of the Indenture, and the execution of such Fifth Supplemental by you and the Company is authorized and permitted under the Indenture.

2. The terms and provisions of the Notes have been established in conformity with the provisions of the Indenture, as supplemented by the Fifth Supplemental, and the Board Resolutions.

3. The Indenture as supplemented by the Fifth Supplemental, and when duly issued by the Company and duly authenticated and delivered by you in accordance with the Company Order against payment of the agreed consideration therefor, the Notes, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles.

4. All covenants and conditions of the Indenture applicable or precedent to the execution and delivery of the Fifth Supplemental and the authentication and delivery of the Notes, each by the Trustee, have been complied with.

In giving the foregoing opinion, we assume that at the time of the issuance, sale and delivery of each Note the authorization of such Note will not have been modified or rescinded and there will not have occurred any change in law affecting the validity, legally binding character or enforceability of such Note and that neither the issuance, sale and delivery of any Note, nor any of the terms of such Note, nor compliance by the Company with such terms, will violate any applicable law, any agreement or instrument then binding upon the Company or any restriction imposed by any court or governmental body having jurisdiction over the Company, and we express no opinion as to compliance of the Notes with any applicable laws limiting the interest rates thereof.

The opinions expressed herein are also subject to the qualification that the enforceability of provisions in the Indenture, the Fifth Supplemental and the Notes providing for exculpation or indemnification may be limited by public policy considerations. In addition, we express no opinion as to (a) the extent to which broadly worded waivers may be enforced, (b) the enforceability of any provision of the Notes, Indenture or Fifth Supplemental that provides for interest on interest or automatic compounding of interest, or (c) the extent to which provisions providing for conclusive presumptions or determinations, non-effectiveness of oral modifications, arbitration, submission to jurisdiction, waiver of or consent to service of process and venue or waiver of offset or defenses will be enforced.

This opinion is furnished only to you as Trustee in connection with the transaction described above and may not be relied on without our prior written consent for any other purpose or by anyone else.

Very truly yours,

Edwards Angell Palmer & Dodge LLP

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

May 12, 2006

Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Re: 6.55% Notes Due 2036 of Tampa Electric Company

Ladies and Gentlemen:

We are furnishing this opinion to you pursuant to Section 6(b) of the Underwriting Agreement (the "Underwriting Agreement") dated May 9, 2006, between Tampa Electric Company (the "Company") and you, as the representative of the underwriters named in Schedule A to the Underwriting Agreement (the "Underwriters"), relating to the sale by the Company of $250,000,000 aggregate principal amount of its 6.55% Notes due 2036 (the "Notes"). Capitalized terms not otherwise defined in this opinion that are defined in the Underwriting Agreement have the meanings assigned to them in the Underwriting Agreement.

We have acted as counsel to the Company in connection with the preparation of the Registration Statement, the Time of Sale Information, the Prospectus, the Notes, the Indenture and the Underwriting Agreement. We have examined the Notes and the Indenture (collectively, the "Transaction Documents"). We have also examined the Registration Statement, the Time of Sale Information, the Prospectus and such other documents and certificates as we consider necessary to render this opinion. As to various questions of fact material to our opinion, we have relied upon the representations made in or pursuant to the Underwriting Agreement and upon certificates and other inquiries of officers of the Company. We are also relying upon the certificates of public officials. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies.

Our opinions below are subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and remedies and to general equity principles (whether considered in a proceeding in equity or at law). We express no opinion with respect to any provision of the

Transaction Documents to the extent that such provision purports to exculpate any person thereby or grants rights of indemnification which may violate public policy, and insofar as enforceability of such provision may be limited under state securities laws. We also express no opinion as to compliance of the Notes with any applicable laws limiting the interest rates thereof.

In addition, we express no opinion as to (a) the extent to which broadly worded waivers will be enforced, (b) the enforceability of any provision of the Transaction Document that provides for interest on interest or automatic compounding of interest, or (c) the extent to which provisions providing for conclusive presumptions or determinations, non-effectiveness of oral modifications, arbitration, submission to jurisdiction, waiver of or consent to service of process and venue or waiver of offset or defenses will be enforced.

In giving this opinion, we have relied as to matters of Florida law on the opinion of Sheila M. McDevitt, General Counsel to the Company, being delivered to you today. We have examined such opinion, and in our opinion both you and we are justified in relying thereon.

The opinions rendered herein are limited to the law of the State of New York and the federal law of the United States and, insofar as we have relied upon the foregoing opinion of Sheila M. McDevitt, the laws of the State of Florida.

References in this opinion to matters known to us mean the actual knowledge of the lawyers in this firm responsible for preparing this opinion after consultation with such other lawyers in the firm and review of such documents in our possession as they considered appropriate.

Based on the foregoing, we are of the opinion that:

1. The Company is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus and to enter into and perform its obligations under each of the Underwriting Agreement and the Indenture.

2. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

3. The Transaction Documents have each been duly authorized, executed and delivered by the Company and, in the case of the Notes, when validly authenticated and delivered by the Indenture Trustee, and in the case of the Indenture, when validly executed and delivered by the Indenture Trustee, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms; and the Notes are entitled to the benefits of the Indenture.

4. The Registration Statement is an "automatic shelf registration statement" as defined in Rule 405 under the 1933 Act that has been filed not more than three years prior to the date of the Underwriting Agreement; any required filing of the Preliminary Prospectus and the Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and, to the best of our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act, no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the 1933 Act has been issued under the 1933 Act, and no proceedings for that purpose have been instituted or are pending or threatened by the Commission.

5. The Registration Statement, the Preliminary Prospectus, the Prospectus, excluding in each case the documents incorporated by reference therein, and each amendment or supplement to the Registration Statement and the Prospectus, excluding in each case the documents incorporated by reference therein, as of their respective effective or issue dates (other than the financial statements and supporting schedules included therein or omitted therefrom and the Statements of Eligibility on Form T-1 of the applicable trustees, as to which we express no opinion) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the 1939 Act.

6. The documents incorporated by reference in the Time of Sale Information and the Prospectus (other than the financial statements and supporting schedules included therein or omitted therefrom and the Statements of Eligibility on Form T-1 of the applicable trustees, as to which we express no opinion), when they became effective or were filed with the Commission or as subsequently amended prior to the date of the Underwriting Agreement, as the case may be, complied as to form at the time of such effectiveness or filing in all material respects with the requirements of the 1934 Act and the 1934 Act Regulations.

7. No filing, registration or qualification with, or authorization, approval, consent, license, order or decree of, any court or governmental authority or agency, domestic or foreign (other than under the 1933 Act and the 1933 Act Regulations and the 1939 Act, which have been obtained or made, or as may be required under the securities or blue sky laws of the various states, as to which we express no opinion) is necessary or required in connection with the due authorization, execution and delivery of the Underwriting Agreement or the Indenture or for the offering, issuance, sale or delivery of the Notes.

8. The execution, delivery and performance by the Company of the Underwriting Agreement and the Transaction Documents and the consummation of the transactions contemplated by the Underwriting Agreement and in the Registration Statement (including the issuance and sale of the Notes and the use of the proceeds from the sale of the Notes as described in the Prospectus under the caption "Use of Proceeds") do not and will not, whether with or

without the giving of notice or lapse of time or both, (i) constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to any agreement or instrument that is listed as an exhibit to the Company's Form 10-K for the year ended December 31, 2005 or any of the Company's Forms 10-Q or 8-K filed subsequent thereto but on or prior to the date hereof, or (ii) violate (a) the charter or by-laws of the Company, (b) any applicable law, statute, rule or regulation, or (c) any judgment, order, writ or decree, known to us of any government, government instrumentality or court.

9. The Company is not and, after giving effect to the transactions contemplated by the Underwriting Agreement, will not be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940.

10. The Indenture has been duly qualified under the 1939 Act.

11. The statements made in the Prospectus under the captions "Description of the Notes" and "Description of Debt Securities of Tampa Electric Company," insofar as such statements purport to constitute a summary of the terms of any of the Transaction Documents, constitute accurate summaries thereof in all material respects.

We have participated in conferences with officers and other representatives of the Company, representatives of the Underwriters and representatives of the independent public accountants for the Company at which conferences the contents of the Registration Statement, the Time of Sale Information and the Prospectus and related matters were discussed and, although we have not independently verified, are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Time of Sale Information or the Prospectus (except as otherwise indicated above), we advise you that, on the basis of the foregoing, no facts have come to our attention that lead us to believe that (i) the Registration Statement or any amendment thereto, at the time such Registration Statement or any such amendment became effective (including the information deemed to be part of the Registration Statement at the time it became effective pursuant to Rule 430A, 430B or 430C under the 1933 Act), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Time of Sale Information, taken as a whole, at the Time of Sale contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) the Prospectus or any amendment or supplement thereto, as of its date or as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that we express no view with respect to the Forms T-1 or the financial statements, including the notes

thereto, or any other financial data found in or derived from the internal accounting and other records of the Company set forth or referred to in the Registration Statement, the Time of Sale Information or the Prospectus).

This opinion is furnished to you as Representatives of the Underwriters in connection with the transaction described above and may not be relied on without our prior written consent for any other purpose or by anyone else other than the Underwriters, except that Ropes & Gray LLP may rely on this opinion in rendering its opinion to you pursuant to the Underwriting Agreement.

Very truly yours,

Edwards Angell Palmer & Dodge LLP

TAMPA ELECTRIC

May 12, 2006

Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Re: 6.55% Notes Due 2036 of Tampa Electric Company

Ladies and Gentlemen:

As General Counsel of Tampa Electric Company, a Florida corporation (the "Company"), I have acted as counsel to the Company in connection with the sale by the Company of $250,000,000 aggregate principal amount of its 6.55% Notes due 2036 (the "Notes"). This opinion is being delivered pursuant to Section 6(b) of the Underwriting Agreement (the "Underwriting Agreement") dated May 9, 2006, between the Company and you, as representatives of the underwriters listed on Schedule A thereto (the "Underwriters").

In my examination I have assumed the genuineness of all signatures (other than signatures made on behalf of the Company), including endorsements, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies and the authenticity of the originals of such copies. As to facts material to this opinion which I did not independently establish or verify, I have relied upon statements and representations of officers of the Company and other representatives and public officials. Also, with your approval, I have relied as to certain legal matters on advice of other lawyers employed by the Company who are more familiar with such matters.

In rendering the opinions set forth herein, I, or attorneys under my supervision, have examined and relied on originals or copies of the Notes and the Indenture (the "Transaction Documents") and have also examined the Registration Statement, the Time of Sale Information, the Prospectus, the governing documents and corporate records,

agreements, certificates of public officials and such other documents and matters of law as I have deemed necessary or appropriate as a basis for the opinions set forth below. As to various questions of fact material to my opinion, I have relied upon the representations made in or pursuant to the Underwriting Agreement and upon certificates of officers of the Company.

I express no opinion with respect to any provision of the Transaction Documents to the extent that such provision purports to exculpate any person thereby or grants rights of indemnification which may violate public policy, and insofar as enforceability of such provision may be limited under state securities laws.

Capitalized terms not otherwise defined in this opinion have the meanings assigned to them in the Underwriting Agreement. When used in this opinion, the phrase "to the best of my knowledge" or equivalent words with respect to a matter means that nothing has come to my attention in the course of my representation of the Company which would lead me to question such matter but that, except as expressly stated, I have not made any special investigation with respect thereto.

I am a member of The Florida Bar, and I express no opinion as to the laws of any jurisdiction other than the applicable laws of the State of Florida. For purposes of my opinion as to the enforceability of any of the Transaction Documents, I am rendering this opinion as though the laws of the State of Florida governed, notwithstanding the recitations in such instruments that the laws of another jurisdiction govern.

Based upon and subject to the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, I am of the opinion that:

1. The Company is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus and to enter into and perform its obligations under the Underwriting Agreement and the Indenture.

2. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

3. The Transaction Documents have each been duly authorized, executed and delivered by the Company and, in the case of the Notes, when validly authenticated and delivered by the Indenture Trustee, and, in the case of the Indenture, when validly executed and delivered by the Indenture Trustee, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

4. All descriptions in the Registration Statement of written contracts and other documents to which the Company is a party are accurate in all material respects; to the

best of my knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, and the descriptions thereof or references thereto are correct in all material respects.

5. No filing, registration or qualification with, or authorization, approval, consent, license, order or decree of, any court or governmental authority or agency, domestic or foreign, including the Florida Public Service Commission, is necessary or required in connection with the due authorization, execution and delivery of the Underwriting Agreement or the Indenture or for the offering, issuance, sale or delivery of the Notes by the Company, except as may be required under state securities laws, as to which I express no opinion.

6. The execution, delivery and performance by the Company of the Underwriting Agreement and the Transaction Documents and the consummation of the transactions contemplated by the Underwriting Agreement and in the Registration Statement (including the issuance and sale of the Notes and the use of the proceeds from the sale of the Notes as described in the Prospectus under the caption "Use of Proceeds") do not and will not, whether with or without the giving of notice or lapse of time or both, (i) constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to any agreement or instrument that is listed as an exhibit to the Company's Form 10-K for the year ended December 31, 2005 or any of the Company's Forms 10-Q or 8-K filed thereafter but on or prior to the date hereof, or (ii) violate (x) the charter or bylaws of the Company, (y) any applicable law, statute, rule or regulation, or (z) any judgment, order, writ or decree, known to me, of any government, government instrumentality or court.

I, or attorneys under my supervision, have participated in discussions with officers and other representatives of the Company, representatives of the Underwriters and representatives of the independent public accountants for the Company during which discussions the contents of the Registration Statement, the Time of Sale Information and the Prospectus and related matters were discussed and, although I have not independently verified, am not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Time of Sale Information or the Prospectus (except as otherwise indicated above), I advise you that, on the basis of the foregoing, no facts have come to my attention that lead me to believe that (i) the Registration Statement or any amendment thereto, at the time such Registration Statement or any such amendment became effective (including the information deemed to be part of the Registration Statement at the time it became effective pursuant to Rule 430A, 430B or 430C under the 1933 Act), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Time of Sale Information, taken as a whole, at the Time of Sale contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) the Prospectus or any amendment or supplement thereto, as of its date or as of the date

hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that I express no view with respect to the Forms T-1 or the financial statements, including the notes thereto, or any other financial data found in or derived from the internal accounting and other records of the Company set forth or referred to in the Registration Statement, the Time of Sale Information or the Prospectus).

This opinion is furnished to you as Representatives of the Underwriters and is solely for your benefit, except that Edwards Angell Palmer & Dodge LLP and Ropes & Gray LLP may rely on this opinion in rendering their opinions to you pursuant to the Underwriting Agreement.

Very truly yours,

Sheila M. McDevitt
General Counsel

ROPES & GRAY LLP
ONE INTERNATIONAL PLACE BOSTON, MA 02110-2624 617-951-7000 F 617-951-7050
BOSTON NEW YORK SAN FRANCISCO WASHINGTON, DC

May 12, 2006

Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013

J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

Re: 6.55% Notes Due 2036

Ladies and Gentlemen:

We have acted as your counsel in connection with the Underwriting Agreement dated May 9, 2006 (the "Underwriting Agreement") among Tampa Electric Company, a Florida corporation (the "Company"), and you, pursuant to which you have agreed to purchase from the Company an aggregate $250,000,000 principal amount of 6.55% Notes due 2036 (the "Notes"). The Notes will be issued pursuant to an indenture dated as of July 1, 1998 (the "Base Indenture") between the Company and The Bank of New York, as trustee (the "Indenture Trustee"), as heretofore amended and as amended and supplemented by the fifth supplemental indenture dated as of May 1, 2006 (the Base Indenture, as so supplemented and amended, being referred to herein as the "Indenture"). This opinion is being furnished to you pursuant to the Underwriting Agreement. Terms defined in the Underwriting Agreement and not otherwise defined herein are used herein as so defined.

We have participated in the closing of the sale of the Notes held today. We have examined the Underwriting Agreement, the Registration Statement, the Time of Sale Information and the Prospectus. We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such documents and records and have made such investigation of fact and such examination of law as we have deemed appropriate in order to enable us to render the opinions set forth herein. In conducting such investigation, we have relied, without independent verification, upon certificates of officers of the Company, public officials and other appropriate persons.

In rendering the opinions set forth below, we have relied without independent investigation upon the opinions to you dated the date hereof of Sheila M. McDevitt, Esq., Vice President and

General Counsel of the Company, and Edwards Angell Palmer & Dodge LLP, counsel to the Company, with respect to certain matters governed by the law of the State of Florida, including the due incorporation and good standing of the Company and the due authorization, execution and delivery by the Company of the Indenture, the Notes, and the Underwriting Agreement.

We express no opinion as to the laws of any jurisdiction other than those of the federal laws of the United States of America and the State of New York.

Based upon the foregoing and subject to the additional qualifications set forth below, we are of the opinion that:

1. Subject to the qualifications set forth in the unnumbered paragraphs below, the Indenture constitutes a legal, valid and binding obligation of the Company and is enforceable against the Company in accordance with its terms.

2. Subject to the qualifications set forth in the unnumbered paragraphs below and assuming the due authentication and delivery of the Notes by the Trustee in accordance with the terms of the Indenture and the payment therefor in accordance with the terms of the Underwriting Agreement, the Notes constitute legal, valid and binding obligations of the Company, entitled to the benefits of the Indenture, and are enforceable against the Company in accordance with their terms.

3. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

Our opinions that the Indenture and the Notes constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, are subject to (a) bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors and secured parties and (b) general principles of equity, regardless of whether enforcement is sought in proceedings in equity or at law.

The opinions expressed herein are also subject to the qualification that the enforceability of provisions in the Indenture and the Notes providing for indemnification or contribution may be limited by public policy considerations. In addition, we express no opinion as to (a) the extent to which broadly worded waivers may be enforced, (b) the enforceability of any provision of the Indenture or the Notes that provides for interest on interest or automatic compounding of interest, or (c) the extent to which provisions providing for conclusive presumptions or determinations, non-effectiveness of oral modifications, arbitration, submission to jurisdiction, waiver of or consent to service of process and venue or waiver of offset or defenses will be enforced. The opinions expressed herein do not purport to cover, and we express no opinion

with respect to the applicability of Section 548 of the federal Bankruptcy Code or any comparable provision of state law.

In the course of the preparation by the Company of the Registration Statement, Time of Sale Information and Prospectus, we have participated in discussions with your representatives and those of the Company and its independent auditors in which the business and affairs of the Company and the contents of these documents were discussed. On the basis of the information that we have gained in the course of our representation of you in connection with the Company's preparation of the Registration Statement, Time of Sale Information and Prospectus and our participation in the discussions referred to above, we believe that the Registration Statement, as of its effective date, and the Preliminary Prospectus and the Prospectus, as of their respective dates, complied as to form in all material respects with the requirements of the 1933 Act and the 1939 Act, and the published rules and regulations of the Commission thereunder. Further, based on such participation and information, nothing that has come to our attention has caused us to believe that as of its effective date the Registration Statement contained any untrue statement of material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that either (i) the Time of Sale Information as of the Time of Sale, or (ii) the Prospectus, as of its date or as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We express no belief, however, as to the financial statements, including the notes and schedules thereto, or any other information of a financial or accounting nature set forth or referred to in the Registration Statement, Time of Sale Information and Prospectus.

The limitations inherent in the independent verification of factual matters and the character of the determinations involved in our review are such that we do not assume any responsibility for the accuracy, completeness or fairness of the statements made or the information contained in the Registration Statement, Time of Sale Information and Prospectus, except for the statements in the Prospectus under the captions "Description of the Notes" and "Description of the Debt Securities of Tampa Electric Company" in so far as they constitute a description of the Notes, and under the caption "Underwriting," insofar as it purports to describe matters of law and legal conclusions, accurately summarizes such provisions in all material respects.

This opinion is furnished by us to you and is solely for your benefit, except that Edwards Angell Palmer & Dodge LLP may rely upon our opinions in the numbered paragraphs above in rendering their opinion to the Trustee at the closing and may rely upon our opinion in the numbered paragraphs above in rendering their opinion to the Underwriters as to matters governed by the laws of the State of New York.

Very truly yours,

Ropes & Gray LLP