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11 MAR 31 PM 2:13
COMMISSION
CLERK

March 31, 2011

HAND DELIVERED

Ms. Ann Cole, Director
Division of Commission Clerk
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, 2010; Docket No. 090439-EI

Dear Ms. Cole:

Pursuant to Rule 25-8.009, Florida Administrative Code, and this Commission's Order No. PSC-09-0690-FOF-EI issued October 15, 2009, 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, 2010.

Also enclosed is a CD containing the above-referenced information.

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

COM ___
APA ___
ECR ___
GCL ___
RAD ___
SSC ___
ADM ___
OPC ___
CLK ___

JDB/pp
Enclosures

DOCUMENT NUMBER-DATE
02105 MAR 31 =
FPSC-COMMISSION CLERK

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. 090439-EI
During the Twelve Months Ending)	FILED: March 31, 2011
December 31, 2010)	
)	

CONSUMMATION REPORT

The applicant, Tampa Electric Company (the "Company"), pursuant to Commission Order No. PSC-09-0690-FOF-EI dated October 15, 2009, submits the following information with respect to the issuance and/or sale of securities during the twelve months ending December 31, 2010.

Facts of Issues

On November 23, 2010, the Polk County Industrial Development Authority ("Polk") issued $75,000,000 of Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010 ("2010 Polk Bonds") due December 1, 2030. The 2010 Polk Bonds were issued for the purpose of refinancing the Polk Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007, outstanding in the principal amount of $75,000,000.

On December 14, 2010, the Company exchanged $147,032,000 of 6.375% notes due August 15, 2012 and $131,463,000 of 6.875% notes due June 15, 2012 ("2010 Exchange Offer") for $278,495,000 of 5.4% notes due May 15, 2021 ("2021 Notes").

DOCUMENT NUMBER-DATE
02105 MAR 31 =
FPSC-COMMISSION CLERK

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 2010 can be summarized as follows:

	($Millions)
Minimum Outstanding	$0
Maximum Outstanding	$102.0
Average Outstanding	$26.3
Weighted Average Interest Cost	0.71%

Terms and Conditions

2010 Polk Bonds

The 2010 Polk Bonds were issued at a term interest rate commencing November 23, 2010 and ending March 1, 2011. The remarketing and interest payment periods can be modified at the option of the Company in accordance with the Loan and Trust Agreement. The period between remarketing of the 2010 Polk Bonds may be extended to any period up to the maturity date of December 1, 2030. Interest is payable semiannually during term interest rate periods greater than six months.

2021 Notes

Interest on the 2021 Notes is paid semiannually on May 15 and November 15 of each year commencing on May 15, 2011 until the principal is repaid at maturity on May 15, 2021.

Net Proceeds

2010 Polk Bonds

Bond Issue	$75,000,000
Bond Repayment	(75,000,000)
Net Proceeds (Repayments)	-

2010 Exchange Offer

The 2010 Exchange Offer was on a par for par basis, resulting in $0 net proceeds.

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, 2010 are as follows:

Capital Structure	($Millions)
Short-term Debt	$12.0
Long-term Debt	2,069.5
Preferred Stock	-
Common Equity	2,158.2
Total Capitalization	$4,239.7
Pretax Interest Coverage	
Including AFUDC	3.72 times
Excluding AFUDC	3.70 times
Debt Interest Requirements	$142.1
Preferred Stock Dividends	-

Expenses of the Issues

2010 Polk Bonds

The 2010 Polk 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 Fees
J.P. Morgan Securities LLC	$37,500,000	$140,625
SunTrust Robinson Humphrey, Inc.	37,500,000	140,625
Total	$75,000,000	$281,250

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

Underwriting fees	$281,250
Legal fees and expenses of Company counsel	156,740
Miscellaneous	76,787
Fees and expenses of accountants	43,124
Rating agency fees	35,000
Legal fees and expenses of Trustee's counsel	8,521
Printing	5,300
Legal fees and expenses of Underwriters' counsel	5,293
Total	$612,015

2010 Exchange Offer / 2021 Notes

In connection with the 2010 Exchange Offer / 2021 Notes, the Company paid Dealer Manager fees as follows:

Citigroup Global Markets Inc.	$696,237
J.P. Morgan Securities LLC	556,990
Merrill Lynch, Pierce, Fenner & Smith Incorporated	69,624
Morgan Stanley & Co. Incorporated	69,624
Total	$1,392,475

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

Dealer Manager fees	$1,392,475
Rating agency fees	106,473
Legal fees and expenses of Company counsel	95,720
Fees and expenses of accountants	45,000
Exchange fees	25,000
Legal fees and expenses of Dealer Managers' counsel	13,381
Miscellaneous	10,650
Legal fees and expenses of Trustee's counsel	7,893
Total	$1,696,592

Respectfully submitted this 31st day of March 2011

TAMPA ELECTRIC COMPANY

By: KM Caruso

Kim M. Caruso
Treasurer

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TECO Energy, Inc. / Tampa Electric Company – SEC Form 10-K
For the fiscal year ended December 31, 2010 292

Execution Version

LOAN AND TRUST AGREEMENT

among

POLK COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY,

TAMPA ELECTRIC COMPANY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
As Trustee

Dated as of November 15, 2010

And Providing for the Issue of

Polk County Industrial Development Authority
Solid Waste Disposal Facility Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2010

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LOAN AND TRUST AGREEMENT

THIS LOAN AND TRUST AGREEMENT dated as of November 15, 2010, among POLK COUNTRY 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 MELLON 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 a 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 refinance bonds 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:

"**Act**" means the Constitution of the State of Florida, Chapter 69-1510, Laws of Florida, as amended, the Florida Industrial Development Financing Act, Parts II and III of Chapter 159, Florida Statutes, 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.

"**Authority**" means the Polk 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.

"**Bonds**" means the $75,000,000 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.

"**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 Purchase Account**" means the account of that name created pursuant to Section 4.10.

"**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 3.02(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).

"**DTC**" means The Depository Trust Company, New York, New York.

"**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.

"**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 U.S. Bank National Association, 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 Bond 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).

"**Initial Period**" means the period from the date the Bonds are issued to and including March 1, 2011.

"**Interest Account**" means the account created pursuant to Section 5.02.

"**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.

"**Maturity Date**" means the stated maturity of the Bonds as set forth in Section 3.01

"**Maximum 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. Such counsel may be an employee of or counsel to the Authority 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.

(d) Bonds in lieu of which others have been authenticated under Section 3.06, Section 3.08 or Section 3.09.

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 3.03.

"**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) Direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing)

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), and senior debt obligations of the Federal Home Loan Bank System;

(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 Maturity 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 Maturity Dates specified in the irrevocable instructions referred to above, as appropriate; and

(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.

(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. Citigroup or JPMorgan Securities.

(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 between the Company and the Trustee.

"**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.

"**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 solid waste disposal facilities of the Project Unit including any structures, machinery, fixtures, improvements and equipment, all as described in **Exhibit A** 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.

"**Project Unit**" means the integrated coal gasification combined cycle power plant owned by the Company and located in southwest Polk County, and related support facilities, as they may at any time exist.

"**Purchase Fund**" means the fund created pursuant to Section 4.10.

"**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.

"**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 $75,000,000 in principal amount of Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007.

"**Refunded Bonds Agreement**" means the Loan and Trust Agreement dated as of May 1, 2007 among the Authority, the Company and The Bank of New York Mellon Trust Company, 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. The initial Remarketing Agent shall be J.P. Morgan Securities LLC.

"**Remarketing Proceeds Account**" means the account of that name created pursuant to Section 4.10.

"**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 10.12 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 DTC or its nominee, and its successors and assigns, or any successor appointed under Section 6.01.

"**State**" means the State of Florida.

"**Term Interest Rate**" means an interest rate on the Bonds set under Section 3.02(a)(4).

"**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 30 days long, and which period must be the same for all Bonds.

"**Trustee**" means The Bank of New York Mellon 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 LLC and SunTrust Robinson Humphrey, Inc. and their respective successors and assigns.

"**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 Trustee 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 Trustee 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 10.12.

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**. 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.

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 necessary or 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 Seventy-Five Million Dollars ($75,000,000) to be designated as "Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010". The Bonds shall mature on December 1, 2030 (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, and (ii) 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) or (4), or an Alternate Rate determined under (a)(5), 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) ***Term Interest Rate***. The Remarketing Agent will set a Term Interest Rate on a date not later than the Business Day before the beginning of any period determined by the Company prior to the effective date of the Term Interest Rate (a "**Term Interest Rate Period**") in which interest on any of the Bonds will be payable at a Term Interest Rate. The last day of each such Term Interest Rate Period shall be determined by the Company in accordance with Section 3.02(b)(1). Each Term Interest Rate will be the minimum rate necessary (as determined by the Remarketing Agent with respect to any 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 Term Interest Rate at their principal amount (without regard to accrued interest).

The Remarketing Agent shall use its best efforts to cause the Bonds in a Term Interest Rate required to be remarketed on the date set for mandatory tender for such Bonds pursuant to *"Mandatory Tender at Beginning of a New 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; provided, that no failure to remarket for any reason shall excuse the Event of Default arising from failure to purchase all of the Bonds on any date set for mandatory tender.

(5) ***Failure of Remarketing Agent to Announce Interest Rates on the Bonds.*** 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)(5). 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 or the Term Interest 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); provided, that no failure to determine an interest rate for any reason shall excuse the Event of Default arising from failure to purchase all of the Bonds on any date set for mandatory tender. 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 (5), 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 a Term Interest Rate. The Term Interest Rate for the Initial Period shall be determined in accordance with this Agreement on or prior to the date of delivery of the Bonds by the Underwriter as the minimum rate required to sell the Bonds on the date of issuance at a Purchase Price of par. Interest shall accrue from one Interest Payment Date to, but not including, the next Interest Payment Date. Following the Initial Period, the Bonds shall bear interest at such rate as determined 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 and the Remarketing Agent. Such notice (a "**Conversion Notice**") shall contain the effective date of such change. The Conversion Notice must be accompanied by a Favorable Opinion of Tax Counsel addressed to the Authority and the Trustee. If the Company's Conversion Notice complies with this paragraph, and if the Company shall deliver to the Trustee 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, 30 days before the end of a Term Interest Rate Period, the Company has not provided for the next interest rate period, a new Term Interest Rate Period of the same duration will follow (or if shorter, a Term Interest Rate Period ending on the day before the Maturity Date for the Bonds).

When one 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 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 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 Term Interest Rate Periods which, together with the current 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 Term Interest Rate Period in that series which applies to each such successive 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 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 Term Interest Rate longer than six months is then in effect and the effective date is before the day after the last day of a Term Interest Rate Period) after receipt by the Trustee of the Company's Conversion Notice;

(ii) if a 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 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 Term Interest Rate Period"* in paragraph 9 of the Bonds if the change did not occur;

(iii) if the Company has previously designated successive Term Interest Rate Periods, the effective date of each Term Interest Rate Period must be the day after the last day of the previous 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 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; and

(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.

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 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 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 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 Term Interest Rate Period, of the Term Interest Rate set for that period, and

(5) 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 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, 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 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.

Section 3.03. 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 3.04. 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 the holder of a Bond shall be regarded as the absolute owner thereof for all purposes of this Agreement.

Section 3.05. 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 3.06. 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 3.07, 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 3.10. 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 3.07. 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 3.08. 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 3.10.

Section 3.09. 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 3.10. 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 3.10. 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 3.11. 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 3.07, 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 3.12. 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 or any related agreement or certificate of the Company relating to federal tax compliance, 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 and at the Company's expense) 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 the Project Unit 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 Project Unit; *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) The Project Unit shall have been condemned or taken by eminent domain;

(3) The operation by the Company of the Project Unit shall have been enjoined and the Company shall have been prevented from carrying on normal operations at the Project Unit 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 Term Interest Rate Period*" or "*Optional Redemption During Daily or Weekly 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 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 Term Interest Rate Period," "Extraordinary Optional Redemption"* or *"Optional Redemption During Daily or Weekly 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.

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 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 Term Interest Rate Period, except that (i) such notice shall be given at least 30 days prior to the effective date if a Term Interest Rate Period longer than six months is in effect and the effective date is before the end of the Term Interest Rate Period, (ii) no notice shall be given with respect to a tender under *"Mandatory Tender at Beginning of a New Term Interest Rate Period"* in paragraph 7 of the form of the Bonds involving no change in the Term Interest Rate Period, and (iii) 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.

The Company's failure to provide funds for the purchase of Bonds when required by Section 4.06, this Section or the provisions of the Bonds shall constitute an Event of Default under Section 10.01(c)

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 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) 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
Term Interest Rate Period	12:15 p.m. on the purchase date

(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 Term Interest Rate Period"* or *"Optional Redemption During Daily or Weekly 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 and the Remarketing Agent 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 "Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project) Series 2010 Bond Fund." The Trustee shall further establish separate accounts within the Bond Fund to be known as the "Interest Account," the "Principal Account" and the "Redemption Account."

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 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 "Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project) Series 2010 First Mortgage Bond Fund." The First Mortgage Bond Fund will be opened upon issuance of the First Mortgage Bonds, if any, pursuant to Section 2.02. 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.

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 at the Maximum Rate, 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***. Notwithstanding any provision in this Agreement to the contrary, 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 "Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project) Series 2010 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. Absent any such instructions, such moneys may remain uninvested.

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 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 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.

Section 6.02. Book-Entry Tenders.

(a) Notwithstanding any provision of this Agreement to the contrary, all tenders for purchase during any period in which the Bonds are registered in the name of Cede & Co. (or the nominee of any successor Securities Depository) shall be subject to the terms and conditions set forth in the letter of representation to DTC and to the procedures and requirements of DTC (or any successor Securities Depository) then in effect. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of holders of Bonds with respect to optional tenders may be exercised only by DTC by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Trustee or any other tender agent appointed pursuant to Section 11.14 (the "**Tender Agent**"). Procedures under which a Beneficial Owner may direct a direct Participant of DTC, or an indirect Participant of DTC acting through a direct Participant of DTC, to exercise a tender option right in respect of Bonds or portions thereof in an amount equal to all or a portion of such Beneficial Owner's beneficial ownership interest therein shall be governed by standing instructions and customary practices determined by such direct Participant or indirect Participant. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer on the applicable purchase date of a book entry credit to the account of the Tender Agent of a beneficial interest in such Bonds.

(b) Notwithstanding anything expressed or implied herein to the contrary, so long as the Book Entry System for the Bonds is maintained by the Authority:

(1) there shall be no requirement of physical delivery or wire to or by the Tender Agent, the Remarketing Agent or the Trustee of:

(i) any Bonds subject to mandatory or optional purchase as a condition to the payment of the Purchase Price therefor;

(ii) any Bonds that have become Company-Held bonds; or

(iii) any remarketing proceeds of such Bonds or Company-Held Bonds; and

(2) except as provided in (3) and (4) below, none of the Trustee, the Remarketing Agent, the Tender Agent or any paying agent shall have any responsibility for paying the Purchase Price of any tendered Bond or for remitting remarketing proceeds to any person; and

(3) the Remarketing Agent's sole responsibilities in connection with the purchase and remarketing of a tendered Bond shall be to:

(i) remarket, pursuant to the terms of this Agreement, the Bonds (such Bonds, "**Tendered Bonds**") for which it has been timely notified in accordance with the Indenture that have been tendered to the Tender Agent by the Beneficial Owners thereof;

(ii) notify the requisite parties required under this Agreement by the times required herein of the portion (any such portion, "**Unremarketed Bonds**") of the Tendered Bonds that have not been remarketed on or before such time in respect of the related purchase date therefor; and

(iii) purchase, on a delivery versus payment basis, the portion of the Tendered Bonds which have been tendered by Beneficial Owners to the Tender Agent that have been remarketed on or before the related purchase date therefore (any such portion, "**Remarketed Bonds**") from the Tender Agent on the applicable purchase date in such manner as required or provided by DTC's (or any successor Securities Depository's) procedures and requirements then in effect; and

(4) the Tender Agent's sole responsibilities in connection with the purchase and remarketing of a tendered Bond shall be to:

(i) (1) in the event the Remarketing Agent notifies the Tender Agent that there are any Unremarketed Bonds, draw upon any available liquidity facility or self-liquidity arrangement which draw or funded amount shall be in an amount equal to the sum of (x) the Purchase Price of such Unremarketed Bonds and (y) if the remarketing proceeds of any of the Remarketed Bonds have not been timely received as described in (ii) below before the time required to draw under the liquidity facility or self liquidity arrangement, the Purchase Price of any such Remarketed Bonds, and (2) to remit the amount so drawn or received upon receipt

therefore together with the proceeds from the sale of Remarketed Bonds that were timely received before the relevant drawing time in (ii) below, to or upon the order of the Securities Depository for the benefit of the tendering Beneficial Owners against delivery of the Tendered Bonds;

(ii) sell, on a delivery versus payment basis, the Remarketed Bonds to the Remarketing Agent on the applicable purchase date in such manner as required or provided by DTC's (or any successor Securities Depository's) procedures and requirements then in effect;

(iii) act in accordance with the procedures and requirements of DTC then in effect (or those of any successor Securities Depository); and

(iv) remit any proceeds derived from the remarketing of a Company-Held Bond to the Company.

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. The Company will not make any modification that will result in the Project not being a "project" with in the meaning of the Act.

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 Project Unit, pursuant to the terms and conditions expressed herein, all for the purpose of promoting effective and efficient solid waste disposal throughout the State;

(f) Not less than ninety-five percent (95%) of the "net proceeds" of the Bonds will be used to refinance costs of "solid waste disposal facilities" within the meaning of Section 142(a)(6) of the Code; 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 Project Unit as may be reasonably necessary to inspect the Project, but nothing herein shall be construed to provide that the Authority has any duty or obligation 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 Agreement, 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, indemnify 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 and resignation or removal of any Indemnified Person.

(c) When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 10.01(f) or Section 10.01(g), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services of the Trustee are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

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 10.12 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, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever, 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 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 the Company knows or should know 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 necessary or 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**":

(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, including without limitation the last paragraph of paragraph 6 of the Bonds;

(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; and

(h) 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) or (g) 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. Upon the occurrence and continuance of any Event of Default described in clause (a), (b), (c), (d), (e) or (h) 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.

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. 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. 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. Except for the giving of notices of default or acceleration of the Bonds as requested pursuant to Section 10.02, 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, and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity.

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, its 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. 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; 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; and third, 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. 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 10.13. **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 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 may conclusively rely and 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 a Responsible Officer of 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 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 at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation.

(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.

(o) The Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement.

(p) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

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 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 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 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 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 and the Remarketing Agent 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 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 and the Remarketing Agent 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 Financial Industry Regulatory Authority 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 or its corporate parent 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. 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.

ARTICLE XII

AMENDMENT OF OR SUPPLEMENT TO THE AGREEMENT

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 impair the security of the Bonds;

(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 Indenture 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 Indenture 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 required to maintain the tax exempt status of the Bonds;

(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; and

(l) 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, (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, (iii) without the consent of the holders of the affected Bonds, the creation of any priority or preference of one Bond over another; (iv) without the consent of the holder of the affected Bond, the making of any Bond redeemable other than in accordance with its terms, or (v) without the consent of the holders of all Bonds outstanding, a reduction in the percentage of the Bonds required to be represented by the holders of Bonds giving their consent to any amendment.

(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 provided with and 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 and the Trustee a Favorable Opinion of Tax Counsel.

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 Date 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 Date 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 uninvested for the holders of the Bonds entitled thereto.

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 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 Company and the holders of the Bonds, including their respective agents.

Section 14.02. No Recourse Against Authority. THE BONDS 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 POLK 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 THE BONDS 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 POLK 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 THE BONDS. THE AUTHORITY HAS NO TAXING POWER. 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 Authority, the Company, the Remarketing 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 Authority, the Company, the Remarketing 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 Authority, the Company, the Remarketing 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:

Polk County Industrial Development Authority
Post Office Box 9005, Drawer AT01 (338310-9005)
330 West Church Street, 4th Floor
Bartow, Florida 33830
Attention: County Attorney
Telecopy No. 863-534-6482

with a copy to:

Peterson & Myers, P.A.
141 5th Street N.W.
Winter Haven, Florida 33883-7608
Attention: Kerry M. Wilson
Telecopy No. 863-299-5498

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 Mellon Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department
Telecopy No. 904-645-1997

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, (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: /s/ David L. Curry
Name: David L. Curry
Title: Secretary

POLK COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By: /s/ Richard M. Munday, Jr.
Name: Richard M. Munday, Jr.
Title: Chairman

TAMPA ELECTRIC COMPANY

By: /s/ Kim M. Caruso
Name: Kim M. Caruso
Title: Treasurer

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
As Trustee

By: /s/ Cynthia M. Moore
Name: Cynthia M. Moore
Title: Vice President

Exhibit A

Description of the Project

PROJECT DESCRIPTION

The Project collects, processes, stores and disposes of waste slag and coal handling solid wastes associated with the Company's integrated coal gasification combined cycle power plant located in southwest Polk County. The facilities include the following:

Coal Gasifier Slag Disposal Facility

The Coal Gasifier Slag Disposal Facility collects, processes, stores and disposes of waste slag. The facility includes the slag pond, slag crusher, lockhopper, drag conveyor, pumps, dewatering area, slag storage area, filtration pumps, evaporation system, grey and black water systems, cooling systems and related mechanical, electrical and associated structures.

Coal Handling Solid Wastes Disposal Facility

The Coal Handling Solid Waste Disposal Facility collects, stores and disposes of coal handling solid wastes. The primary components of the Coal Handling Solid Waste Disposal Facility include a magnetic separator, metal detector, coal slurry waste collectors and related mechanical, electrical and associated structures.

Industrial Wastewater Treatment Solid Waste Facility

The Industrial Wastewater Treatment Solid Waste Facility processes, stores and disposes of solid wastes removed from the industrial waste water treatment facility. The Industrial Wastewater Treatment System treats all potentially contaminated wastewater systems. The primary components of the Industrial Wastewater Treatment Solid Waste Facility include the clarifier basin and rake mechanism, sludge recycle pumps, sludge transfer pumps, sludge thickening tank, filter press feed pumps, filter press, filter cake bins, filtrate tank, filtrate pump and related mechanical, electrical and associated structures.

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
POLK COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SOLID WASTE DISPOSAL FACILITY REVENUE REFUNDING BOND
(TAMPA ELECTRIC COMPANY PROJECT),
SERIES 2010

MATURITY DATE	DATED DATE	CUSIP
December 1, 2030	_____, 2010	_____

Registered Owner: CEDE & CO.

Principal Amount: $_____

The Polk 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 POLK 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 POLK 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 Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010 (the "**Bonds**"), limited to $75,000,000 in principal amount, issued under and pursuant to the Constitution of the State of Florida, Chapter 69-1510, Laws of Florida, as amended, the Florida Industrial Development Financing Act, Parts II and III of Chapter 159, Florida Statutes, and other applicable provisions of law (the "**Act**"), the Loan and Trust Agreement dated as of November 15, 2010 (the "**Agreement**"), among the Authority, Tampa Electric Company, a Florida corporation (the "**Company**"), and The Bank of New York Mellon 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 solid waste disposal facilities, structures, machinery, fixtures, improvements and equipment, of the integrated Coal Gasification Combined Cycle Power Plant of the Company, located in Polk 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 or a Term Interest 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 a Term Interest 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, or when interest is payable at a Term Interest Rate for a Term Interest Rate Period of six months or less, 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), and when payable at a Term Interest Rate for a Term Interest Rate Period of more than six months, 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
Term**	30 days or longer	Each first day of each sixth calendar month after effective date of Term Interest Rate and on the first Business Day after the end of each Term Interest Period	Fifteenth of the month before the Interest Payment Date if the Term Interest Rate Period is more than six months, and the last Business Day before Interest Payment Date if the Term Interest Period is six months or less***

"**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.

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 or 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 or Commercial Paper Rate by

* 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 an early termination of such Term Interest Rate Period and a new Term Interest Rate shall be set, such 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 Term Interest Rate Period, for which the Record Date shall be the last day of such Term Interest Rate Period or, if sooner, the first day of such 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 Term Interest Rate Period, the first day of such Term Interest Rate Period is the Record Date for such Interest Payment Date.

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 Term Interest Rate or a Commercial Paper 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 Term Interest Rate Period. When the Bonds bear interest at a Term Interest Rate and a new Term Interest Rate is to be determined, the Bonds will be subject to mandatory tender for purchase on the effective date of the new Term Interest Rate. In the case of a change prior to the day originally established as the day after the last day of a 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 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 or Term 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 day after the last day of a 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 Term Interest Rate Period*" below.

Notice of Tender. At least 15 days before each mandatory tender (except that no notice shall be given for (x) the tender described under "*Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode*" described above or (y) the tender described under *"Mandatory Tender at Beginning of a New Term Interest Rate Period"* involving no change in the Term Interest Rate Period, and except that such notice shall be given at least 30 days prior to the effective date if a Term Interest Rate Period longer than six months is in effect and the effective date is before the end of the 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 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 or a 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 Term Interest Rate Period. During any Term Interest Rate Period, if the Term Interest Rate Period is less than or equal to five years, the Bonds will not be redeemable pursuant to this provision during the Term Interest Rate Period.

If the 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 Term Interest Rate.

As an alternative to and in lieu of the foregoing redemption provisions, if, with respect to any 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 Term Interest Rate Period, the Bonds may be redeemed during such 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 Term Interest Rate Period, determine and inform the Trustee and the Company, on a date which is no later than the establishment of the 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 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 Term Interest Rate Period.

After the applicable Call Protection 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.

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.

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 Term Interest Rate Period*" and "*Optional Redemption During Daily or Weekly 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 or at a Term Interest Rate for a Term Interest Rate Period shorter than one year, $100,000 and any larger denominations constituting an integral multiple of $5,000; and (2) when interest is payable at a Term Interest Rate for a Term Interest Rate Period of one year or longer, $5,000 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.* 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, POLK COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY has caused this Bond to bear the signatures of its Chairman and Secretary and has caused its seal to be impressed hereon, all as of the Dated Date specified above.

POLK 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 MELLON
TRUST COMPANY, N.A.,
as Trustee

Date:_____ By:_____
Authorized Signatory

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.

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 1986, as amended (the "Code"), except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is being held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related party" within the meaning of Section 147(a) of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and such interest is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the Bonds and the interest thereon are exempt from taxation under the existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.

$75,000,000
POLK COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(Florida)
Solid Waste Disposal Facility Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2010 (Non-AMT)

Dated: Date of Delivery **Due: December 1, 2030**

The Bonds will be limited obligations of the Polk 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 Mellon Trust Company, N.A., as Trustee.

The Bonds are being issued only as fully registered bonds without coupons, and will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Bonds will be made in book-entry only form and, while bearing interest in a Term Interest Rate Period of less than one year, will be made in the denomination of $100,000 and integral multiples of $5,000 in excess thereof. Purchasers of beneficial interests will not receive certificates representing their interests in the Bonds. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS — Book-Entry Only System" herein.

Principal and redemption price of and interest on the Bonds will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Bond Trustee"), so long as DTC or its nominee, Cede & Co., is the Bondholder. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds will initially bear interest at a Term Interest Rate in a Term Interest Rate Period ending on March 1, 2011 (the "Initial Term Interest Rate Period"). The Bonds will be subject to mandatory tender and purchase at the end of the Initial Term Interest Rate Period. Thereafter, the Bonds will continue to bear interest at a Term Interest Rate during successive Term Interest Rate Periods that will each be followed by a mandatory tender until such time, if any, that the Bonds are converted to bear interest during a Term Interest Rate Period of a different duration or a different Interest Period as described herein. During the Initial Term Interest Rate Period, the Bonds will bear interest at a Term Interest Rate determined by the Remarketing Agent payable one Business Day after the end of the Initial Term Interest Rate Period. The initial Remarketing Agent shall be J.P. Morgan Securities LLC. **The Bonds are not supported by a liquidity facility. The only sources for the purchase of Bonds tendered at the end of the Initial Term Interest Rate Period will be proceeds of remarketing of the Bonds and monies furnished by the Company for such purchase. Failure to pay the Purchase Price at the end of the Term Interest Rate Period is an Event of Default under the Agreement. The Bonds are not subject to tender at the option of the Bondholders.**

Subsequent to the Initial Term Interest Rate Period, the Bonds may be converted to bear interest at a Daily Rate, Commercial Paper Rate, Weekly Rate or another Term Interest Rate of the same or a different duration, as determined in accordance with the Agreement.

The Bonds are subject to optional redemption, extraordinary optional redemption and special mandatory redemption prior to maturity as described herein. The Bonds are also subject to mandatory tender at the end of the Initial Term Interest Rate Period, as described above and upon any subsequent change in the Determination Method, as more fully described herein. The Bonds are not subject to mandatory tender while in a Term Interest Rate Period. See "THE BONDS" herein.

PRICE: 100%

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE BONDS WILL NOT CONSTITUTE A DEBT OF THE AUTHORITY, POLK COUNTY, FLORIDA, 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 to the Company. Certain legal matters will be passed upon for the Company by David E. Schwartz, Associate General Counsel of the Company, for the Underwriters by their Counsel, Ropes & Gray LLP, Boston, Massachusetts, and for the Authority by its Counsel, Peterson & Myers, P.A., Winter Haven, 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 November 23, 2010.

J.P. Morgan **SunTrust Robinson Humphrey**

Dated: November 15, 2010

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 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.

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

$75,000,000

POLK COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(Florida)
SOLID WASTE DISPOSAL FACILITY REVENUE REFUNDING BONDS
(Tampa Electric Company Project)
Series 2010

INTRODUCTORY STATEMENT

This Official Statement of the Polk 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 $75,000,000 aggregate principal amount of the Authority's Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010 (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 Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 outstanding in the principal amount of $75,000,000 (the "Refunded Bonds"). See "PLAN OF REFINANCING" herein.

The issuance and sale of the Bonds have been authorized by Resolutions adopted by the Authority on June 30, 2009 and November 8, 2010. The Bonds will be issued under and pursuant to a Loan and Trust Agreement, dated as of November 15, 2010 (the "Agreement"), among the Authority, the Company and The Bank of New York Mellon 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 a Term Interest Rate. The Initial Term Interest Rate Period for the Bonds shall be from the Issue Date to, but not including March 1, 2011 (the "Initial Term Interest Rate Period"). Following the Initial Term Interest Rate Period, the Bonds will be subject to mandatory tender at which time the interest rate on the Bonds may be converted to a Daily Rate, Commercial Paper Rate, Weekly Rate or another Term Interest Rate of the same or a different duration determined in accordance with the applicable terms of the Agreement. The Bonds are subject to mandatory tender after each subsequent Term Interest Rate Period, if any.

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 A TERM INTEREST RATE.

The Bonds will be issued initially in authorized denominations of $100,000 and integral multiples of $5,000 in excess 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."

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 Polk 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 of the State of Florida (the "State"), duly organized and existing under the Constitution and laws of the State, including Chapter 69-1510, Laws of Florida, as amended, and may issue bonds pursuant to Parts II and II, Chapter 159, Florida Statutes. Pursuant to Chapter 69-1510, Laws of Florida, as amended, and Parts II and III of Chapter 159, Florida Statutes, and other provisions of applicable law (collectively, the "Act"), the Authority is authorized to issue the Bonds to refund the Refunded Bonds and to enter into the Agreement.

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, POLK 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 Authority, in the case of the Bonds, is merely a conduit for payment, in that the Bonds do not constitute a general debt, liability or obligation of the Authority, but are instead secured by and payable solely from payments of the Company 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. The Authority believes, therefore, that disclosure of any default related to a financing not involving the Company or any person or entity related to the Company would not be material to a reasonable investor. Accordingly, the Authority has not taken affirmative steps to contact the various trustees of other conduit bond issues of the Authority to determine the existence of prior defaults. The Authority has been a party to no other financing involving the Company besides the Refunded Bonds and bonds refunded by the Refunded Bonds and the Authority is unaware of any default with respect thereto.

THE PROJECT

The Bonds are being issued to currently refund the Refunded Bonds. The Refunded Bonds were issued to refund bonds issued to finance a portion of the cost of certain solid waste disposal facilities of the Project Unit including the Coal Gasifier Slag Disposal Facility, Coal Handling Solid Wastes Disposal Facility and Industrial Wastewater Solid Waste Disposal Facility (collectively, the "Project") located at the Company's integrated coal gasification combined cycle power plant in southwest Polk County (the "Project Unit").

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.

The Company's obligation to make payments under the Agreement constitutes a general, unsecured obligation of the Company. 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, as amended (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 CERTAIN PROVISIONS 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 POLK COUNTY, FLORIDA. NEITHER ANY AUTHORITY OR COUNTY NOR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE AUTHORITY AND POLK 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 POLK COUNTY, FLORIDA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

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 a Term Interest Rate. The Bonds are subject to mandatory tender in the event of any such conversion and the Bonds are subject to mandatory tender at end of the Initial Term Interest Rate Period, and each Term Interest Rate Period thereafter, if any. See "Mandatory Tender."

Term Interest Rate Period

The Bonds will be issued in the aggregate principal amount of $75,000,000. Interest on the Bonds will be payable at the end of the Initial Term Rate Period and each Term Interest Rate Period thereafter, provided that for Term Interest Rate Periods in excess of six months, interest shall be paid on each first day of each sixth calendar month after the effective date of a Term Interest Rate Period and on the first Business Day after the end of each Term Interest Period. When interest is payable at a Term Interest Rate for a Term Interest Rate Period of six months or less, 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), and when payable at a Term Interest Rate for a Term Interest Rate Period of more than six months, on the basis of a 360-day year of twelve 30-day months. The Bonds will mature on December 1, 2030 (the "Maturity Date").

Following the Initial Term Interest Rate Period, the interest rate on the Bonds may be converted to a Daily Rate, Commercial Paper Rate, Weekly Rate or another Term Interest Rate (each, an "Interest Period") of the same or a different length in accordance with the Agreement. The Term Interest Rate Period means any period that ends either on the day before the Maturity Date of the Bonds or a day which next precedes a Business Day and is at least 30 days long, and which period must be the same for all Bonds. The record date for payment of interest shall be the 15th day of the month preceding the Interest Payment Date if the Term Interest Rate Period is more than six months, and the last Business Day before the Interest Payment Date if the Term Interest Period is six months or less. If an Interest Payment Date occurs less than 15 days after the first day of a Term Interest Rate Period, the first date of such Term Interest Rate Period is the Record Date for such Interest Payment Date.

The Bonds are issuable in Authorized Denominations. "Authorized Denominations" means, during a Term Interest Rate Period of less than one year, $100,000 or any multiple of $5,000 in excess thereof, and during a Term Interest Rate Period of one year or more, $5,000 or any integral multiple thereof.

While the Bonds are in the Initial Term Interest Rate Period, the Bonds will not be subject to optional tender, conversion or remarketing. While the Bonds are in the Term Interest Rate Period, the Bonds will not be subject to optional tender.

The Bonds shall be subject to a mandatory tender on March 1, 2011, at the end of the Initial Term Interest Rate Period at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon (the "Purchase Price"). Unless the Bonds are converted to another Interest Period, thereafter, the Bonds will continue to bear interest at a Term Interest Rate during successive three-month Term Interest Rate Periods that will each be followed by a mandatory tender until such time, if any, that the Bonds are converted to bear interest during a Term Interest Rate Period of a different duration or a different Interest Period as described herein. The Purchase Price may be funded from proceeds of a remarketing of the Bonds or from funds of the Company made available for such purchase. Failure by the Company to provide funds for the Purchase Price when required by a mandatory tender shall constitute an Event of Default under the Agreement.

THE BONDS ARE NOT SUPPORTED BY A LIQUIDITY FACILITY. THE ONLY SOURCES FOR THE PURCHASE OF THE BONDS TENDERED AT THE END OF THE INITIAL TERM INTEREST RATE PERIOD OR ANY SUBSEQUENT TERM INTEREST RATE PERIOD WILL BE PROCEEDS OF REMARKETING OF THE BONDS AND FUNDS FURNISHED BY THE COMPANY FOR SUCH PURCHASE.

Determination of Term Interest Rate

The Remarketing Agent will set a Term Interest Rate on a date not later than the Business Day before the beginning of any period determined by the Company prior to the effective date of the Term Interest Rate in which interest on any of the Bonds will be payable at a Term Interest Rate. The last day of each such Term Interest Rate Period shall be determined by the Company in accordance with the Agreement. Each Term Interest Rate will be the minimum rate necessary (as determined by the Remarketing Agent with respect to any 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 Term Interest Rate at their principal amount (without regard to accrued interest).

The Remarketing Agent shall use its best efforts to cause the Bonds in a Term Interest Rate required to be remarketed on the date set for mandatory tender for such Bonds on the first date thereafter at which time all such Bonds can be sold at par, at a rate not exceeding the Maximum Rate; provided, that no failure to remarket for any reason shall excuse the Event of Default arising from failure to purchase all of the Bonds on any date set for mandatory tender. The Maximum Rate means, on any day, the lesser of (i) the maximum interest rate permitted by law, and (ii) 14% per annum.

Failure of Remarketing Agent to Announce Interest Rates on the Bonds

If the appropriate interest rate is not or cannot be determined for any reason, the Term Interest Rate shall be automatically converted to the Weekly Rate, 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 the Agreement; provided, that no failure to determine an interest rate for any reason shall excuse the Event of Default arising from failure to purchase all of the Bonds on any date set for mandatory tender. The Trustee shall promptly notify the Bondholders of any such automatic change as set forth in the Agreement. "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.

Initial Interest Rate Determination Method; Change in Interest Rate Determination Method

The Bonds shall bear interest for the Initial Period at a Term Interest Rate. Interest shall accrue from one Interest Payment Date to, but not including, the next Interest Payment Date. Following the Initial Period, the Bonds shall bear interest at such rate as determined in accordance with the 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 and the Remarketing Agent. Such notice (a "Conversion Notice") shall contain the effective date of such change. The Conversion Notice must be accompanied by a Favorable Opinion of Tax Counsel addressed to the Authority and the Trustee. If the Company's Conversion Notice complies with this paragraph, and if the Company shall deliver to the Trustee 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 paragraph. 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). "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 Authority's enabling 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.

If, 30 days before the end of a Term Interest Rate Period, the Company has not provided for the next interest rate period, a new Term Interest Rate Period of the same duration will follow (or if shorter, a Term Interest Rate Period ending on the day before the Maturity Date for the Bonds).

Mandatory Tender

At the end of the Initial Term Interest Rate Period, the Bonds shall be subject to mandatory tender for purchase at the Purchase Price. So long as the Bonds are subject to subsequent Term Interest Rate Periods, they shall be subject to mandatory tender at the end of each such Term Interest Rate Period as described herein.

Notice of Tender of Bonds

When a change in the Interest Period is to be made or upon commencement of a new Term Interest Rate Period, the Trustee will, upon notice from the Company, notify the Bondholders by first class mail at least 15 days before the effective date of the change or the commencement of a new Term Interest Rate Period, except that (i) such notice shall be given at least 30 days prior to the effective date if a Term Interest Rate Period longer than six months is in effect and the effective date is before the end of the Term Interest Rate Period, and (ii) **no notice shall be given with respect to a tender involving no change in the Term Interest Rate Period.**

Purchase of Tendered Bonds

On each date when the Bonds are subject to mandatory tender and purchase pursuant to the Agreement, there will be purchased (but solely from funds received by the Trustee in accordance with the Agreement) the Bonds (or portions thereof) tendered (or deemed tendered) to the Trustee for purchase in accordance with, and at the Purchase Price established under, the Agreement. Funds to pay the Purchase Price of such Bonds (or portions thereof) will be paid by the Trustee solely from the following sources and in the following order of priority:

(i) proceeds of the remarketing of such 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

(ii) any other monies furnished by the Company or otherwise available for the payment of the Purchase Price and proceeds from the investment thereof.

Failure by the Company to provide funds for the Purchase Price when required shall constitute an Event of Default under the Agreement.

Undelivered Bonds

If a Bond is tendered for purchase in accordance with the Agreement and 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 the 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.

Redemption

Optional Redemption. The Bonds are not subject to optional redemption during the Initial Term Interest Rate Period. During any subsequent Term Interest Rate Period, if the Term Interest Rate Period is less than or equal to five years, the Bonds will not be subject to optional redemption during such Term Interest Rate Period. If a subsequent Term Interest Rate Period is greater than five years, the Bonds will not be redeemable for five years after the beginning of such subsequent Term Interest Rate Period.

As an alternative to and in lieu of the foregoing redemption provisions, if, with respect to any Term Interest Rate Period after the Initial 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 Term Interest Rate Period, the Bonds may be redeemed during such 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 appointed by the Company at such time, at the percentages of

their principal amount, plus accrued interest, as follows: such Remarketing Agent shall, given the duration of the Term Interest Rate Period, determine and inform the Trustee and the Company, on a date which is no later than the establishment of the 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 Term Interest Rate. Such Call, Call Premiums and Call Premium Periods shall be established in accordance with optional call redemption provisions which, in the judgment of such 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 Term Interest Rate Period.

After the applicable Call Protection 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.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional 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:

(i) In the opinion of the Company, the continued operation by the Company of all or substantially all of the Project Unit 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 Project Unit; *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) The Project Unit shall have been condemned or taken by eminent domain;

(iii) The operation by the Company of the Project Unit shall have been enjoined and the Company shall have been prevented from carrying on normal operations at the Project Unit for a period of six months or more; or

(iv) In the event the First Mortgage Bonds (as defined in the Agreement) 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.

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, as a result of the failure of the Company to observe any covenant, agreement or representation in the Agreement or any related agreement or certificate of the Company relating to federal tax compliance, 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 and at the Company's expense), that the interest payable on any Bond is

includable for federal income tax purposes in the gross income of any Bondholder. Any such redemption shall be made not later than 180 days from the date of such final determination.

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 funds 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." So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all notices of redemption will be sent only to Cede & Co. and delivery of notice of redemption to DTC Participants, if any, is solely the responsibility of DTC (see "—Book-Entry Only System" herein).

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.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 corporations 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 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. Beneficial Owners are, however, 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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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. or such other nominee do not effect any 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. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the 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 the record date (identified in a listing attached to the Omnibus Proxy).

Principal (including sinking fund installments), redemption premium, if any, and interest payments with respect to 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 detail information from the Authority or the Trustee on the payment 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 Participant and not of DTC nor its nominee, the Trustee, the Company or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account. The Agreement contains special procedures with respect to the

tender of Bonds under the book-entry system. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but none of the Authority, the Company or the Underwriters takes responsibility for the accuracy thereof.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NONE OF THE AUTHORITY, THE COMPANY, THE TRUSTEE, THE REMARKETING AGENT, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority and the Trustee. In addition, the Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interest of the Beneficial Owners. If for either reason the Book-Entry-Only system is discontinued, bond certificates will be delivered as described in the Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondholder. Thereafter, the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of the Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondholder for any exchange or registration of transfer of the Bonds. The Trustee will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

THE TRUSTEE

The Bank of New York Mellon Corporation, an affiliate of The Bank of New York Mellon 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 to the Company ("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 1986, as amended (the "Code"), except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is being held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related party" within the meaning of Section 147(a) of the Code.

On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") into law. The Recovery Act includes changes that modify the treatment under the alternative minimum tax of interest on certain bonds of state and local government entities. As a result of the modifications made by the Recovery Act, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Other than as expressly stated herein, Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds, including a requirement that the assets comprising the Project be used as "solid waste disposal facilities" within the meaning of Section 142(a)(6) of the Code. 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.

Bond Counsel is also of the opinion that, under existing Florida law, 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, 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, as defined therein. Bond Counsel has not opined as to the taxability of the Bond or the income therefrom under the laws of any state other than Florida. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

Prospective Bondholders should be aware that 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, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, 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 and that the Bonds, their transfer and the income therefrom will be free from taxation by the State (except as noted above), 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.

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, 2010 (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 and 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 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

The Bonds are expected to be assigned the following long-term unsecured debt ratings: "Baa1", with a stable outlook, by Moody's Investors Service, Inc. ("Moody's"), "BBB", with a stable outlook, by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and BBB+, watch positive, by Fitch Ratings ("Fitch"). The Bonds are also expected to be assigned the following short-term debt ratings: "VMIG-2" by Moody's, "A-2" by S&P and "F2" by Fitch.

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 any 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 LLC and SunTrust Robinson Humphrey, 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 $281,250.00 (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. David E. Schwartz, Associate General Counsel of the Company, and Edwards Angell Palmer & Dodge LLP, as counsel to 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 Peterson & Myers, P.A., Winter Haven, 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 underwriters' counsel from time to time in matters involving the Company and certain of its affiliates.

APPENDIX A
TAMPA ELECTRIC COMPANY[1]

Tampa Electric Company (the "Company") has two divisions: (1) Tampa Electric, which provides electric energy and related services to more than 667,000 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, and which has a total net winter generating capacity of 4,719 megawatts in operation; and (2) Peoples Gas System, which is engaged in the purchase, distribution and sale of natural gas. With a presence in most of Florida's major metropolitan areas, it serves more than 334,000 residential, commercial, industrial and electric power generation customers. Annual natural gas throughput (the amount of gas delivered to its customers, including transportation-only service) in 2009 was 1.4 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 that are filed jointly with similar reports filed by TECO Energy, Inc. 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 its Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed with the Commission on February 26, 2010, its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 and filed with the Commission on May 6, 2010, August 6, 2010 and November 5, 2010, respectively, and its Current Reports on Form 8-K dated July 20, 2010, August 4, 2010 and August 17, 2010 and filed with the Commission on July 20, 2010, August 4, 2010 and August 18, 2010, respectively, 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.

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.

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

[1] The information contained in Appendix A to this Official Statement has been obtained from Tampa Electric Company and speaks as of November 15, 2010. The Authority and the Underwriters make no representation as to the accuracy and completeness of the information contained in this Appendix.

detailed information and financial statements appearing in the documents incorporated herein by reference and, therefore, should be read together therewith.

Prospective purchasers of the Bonds ("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 incorporated in this Official Statement by reference to the Annual Report on Form 10-K for the year ended December 31, 2009, and the effectiveness of internal controls over financial reporting as of December 31, 2009, have been audited by PricewaterhouseCoopers, LLP, an independent registered certified public accounting firm, as stated in their report incorporated herein.

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APPENDIX B
SUMMARY OF CERTAIN PROVISIONS 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 at the Maximum Rate, 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, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever, 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 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 the Company knows or should know 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.

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, indemnify 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. The First Mortgage Bond Fund will be opened upon issuance of the First Mortgage Bonds, if any, pursuant to the Agreement.

Application of Moneys – Priorities

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; 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; and third, 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:

(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, including the Purchase Price to be paid pursuant to an optional or mandatory tender in accordance with the Agreement;

(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) 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) or (g) 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) or (h) 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, and at the written request of the 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) 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.

Control by Majority

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. Except for the giving of notices of default or acceleration of the Bonds as requested pursuant to the Agreement, the Trustee may refuse to follow any direction that conflicts with law or the 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 the Agreement.

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.

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 and the Remarketing Agent 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 and the Remarketing Agent 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.

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:

(a) to cure any ambiguity, defect or omission in the Agreement, or otherwise amend the Agreement, in such manner as shall not impair the security of the Bonds;

(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 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;

(d) 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;

(e) 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 Indenture 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 Indenture 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 required to maintain the tax exempt status of the Bonds;

(g) 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;

(h) 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;

(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; and

(l) 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 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 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, (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, (iii) without the consent of the holders of the affected Bonds, the creation of any priority or preference of one Bond over another; (iv) without the consent of the holder of the affected Bond, the making of any Bond redeemable other than in accordance with its terms, or (v) without the consent of the holders of all Bonds outstanding, a reduction in the percentage of the Bonds required to be represented by the holders of Bonds giving their consent to any amendment.

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APPENDIX C
PROPOSED OPINION OF BOND COUNSEL

Letterhead of Edwards Angell Palmer & Dodge LLP

November 23, 2010

Polk County Industrial
Development Authority
330 West Church Street, 4th Floor
Bartow, Florida 33830

J.P. Morgan Securities LLC
as representative of the Underwriters
383 Madison Avenue
New York, New York 10179

The Bank of New York Mellon Trust
Company, N.A., as Trustee
10161 Centurion Parkway
Jacksonville, Florida 32256

$75,000,000
Polk County Industrial Development Authority
Solid Waste Disposal Facility Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2010 (the "Bonds")

We have acted as bond counsel in connection with the issuance by the Polk 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 November 15, 2010 (the "Agreement") among the Authority, Tampa Electric Company (the "Company") and The Bank of New York Mellon 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 our opinion of even date, being delivered in our capacity as 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 "solid waste disposal facilities" within the meaning of Section 142(a)(6) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, and such interest is not 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 Code. Further, the Code 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, as defined therein.

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 Mellon Trust Company, N.A. (the "Trustee") in connection with the issuance of $75,000,000 Polk County Industrial Development Authority (Florida) Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010 (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 November 15, 2010 (the "Agreement") among the Polk 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.

"MSRB" shall mean the Municipal Securities Rulemaking Board as established by 1934 Act §15(B)(c)(1), U.S.C. §78-o-4(b)(1) (1975).

"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.

"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.

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, 2010, provide to the MSRB 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 the MSRB 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 November 15, 2010 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 MSRB, 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 MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall 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 and stating the date 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, if material.

(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds.

(vii) Modifications to rights of the security holders, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the securities, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the Company.*

(xiii) The consummation of a merger, consolidation, or acquisition involving the Company or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event the Company shall or shall cause the Dissemination Agent to file, in a timely manner not in excess of ten (10) business days after the occurrence of the event, a notice of such occurrence with the MSRB, the Trustee and the Issuer.

(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 MSRB, 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. 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

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Company in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Company, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Company.

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 the MSRB.

SECTION 8. 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 9. 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 10. 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 Company covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

SECTION 11. 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 12. 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 13. 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 14. 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 15. 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 14.05 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 16. 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: November 23, 2010

TAMPA ELECTRIC COMPANY

By:_____
Title:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:_____
Title:

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Polk County Industrial Development Authority

Name of Issue: Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010

Date of Issuance: November 23, 2010

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 November 23, 2010 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 Mellon Trust Company, N.A., as Trustee

Execution Version

REMARKETING AGREEMENT

THIS REMARKETING AGREEMENT, dated as of November 23, 2010 (the "Remarketing Agreement"), between Tampa Electric Company, a Florida corporation (the "Borrower"), and **J.P. Morgan Securities LLC** (the "Remarketing Agent").

WITNESSETH:

WHEREAS, pursuant to a Loan and Trust Agreement, dated as of November 15, 2010 (together with all supplements and amendments thereto, the "Loan and Trust Agreement"), between the Borrower, Polk County Industrial Development Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), the Authority has issued its Solid Waste Disposal Facility Revenue Refunding Bonds, Series 2010 (the "Bonds"), in the aggregate principal amount of $75,000,000; and

WHEREAS, the Loan and Trust Agreement provides that the Bonds shall initially bear interest at a Term Interest Rate; and

WHEREAS, the Loan and Trust Agreement provides that so long as the Bonds bear interest at a Term Interest Rate, the Bonds and the Beneficial Interests shall be subject to mandatory tender by the registered owners or Beneficial Owners thereof for purchase by the Trustee on the purchase dates (the "Tender Dates") established in accordance with Article IV of the Loan and Trust Agreement; and

WHEREAS, the Remarketing Agent has been appointed by the Authority at the direction of the Borrower as remarketing agent pursuant to the Loan and Trust Agreement to use its best efforts to remarket Bonds and the Beneficial Interests tendered for purchase and to determine the interest rate necessary to remarket the Bonds at par; and

WHEREAS, the Remarketing Agent is willing to use its best efforts to remarket the Bonds and the Beneficial Interests so tendered upon the terms and subject to the conditions contained herein and in the Loan and Trust Agreement and to determine the interest rate necessary to remarket the Bonds at par as provided in the Loan and Trust Agreement;

NOW, THEREFORE, in consideration of the promises and the mutual covenants hereinafter contained, the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan and Trust Agreement unless the context clearly indicates otherwise, except for the following terms, which shall have the meanings set forth below:

"1933 Act" shall mean the Securities Act of 1933, as amended.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

"1939 Act" shall mean the Trust Indenture Act of 1939, as amended.

"Beneficial Interest" shall mean the interest of a Beneficial Owner in a Bond registered in the name of a nominee of The Depository Trust Company.

"Beneficial Owner" shall have the meaning assigned to such term in the Loan and Trust Agreement.

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement dated November 22, 2010 between the Authority and J.P. Morgan Securities LLC, as representative of the underwriters, relating to the Bonds.

"Indemnity Agreement" shall mean the Representation and Indemnity Agreement dated November 22, 2010 among the Borrower, J.P. Morgan Securities LLC, as representative of the underwriters, and the Authority.

"Official Statement" shall mean the Official Statement used in connection with the remarketing of the Bonds, as the same may be amended or supplemented.

"SEC" means the U.S. Securities and Exchange Commission.

2. Representations and Covenants of the Borrower. The Borrower hereby represents to the Remarketing Agent as follows:

(a) Each of the Borrower's representations and warranties contained in the Loan and Trust Agreement, and the Indemnity Agreement are true and correct on and as of the date hereof and are hereby made to the Remarketing Agent on and as of the date hereof as if set forth herein at length.

(b) The Borrower authorizes and approves the Official Statement and consents to the use by the Remarketing Agent of the Official Statement in connection with the remarketing of the Bonds and the information therein does not contain any untrue, incorrect or misleading statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however, that none of the representations and warranties set forth in this Remarketing Agreement shall apply to the information contained in the Official Statement under the captions "The Authority," "The Bonds – Book-Entry Only System," "Underwriting," "The Trustee" or "Legality."

(c) 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 to which the Borrower is a party or as to which any property of the Borrower is subject or, to the knowledge of the Borrower, threatened against the Borrower, the outcome of which would reasonably be expected to have a material adverse effect on the consummation of the transactions contemplated by this Remarketing Agreement or would reasonably be expected to have a material adverse effect on the validity or enforceability of the Bonds, the Loan and Trust Agreement, or this Remarketing Agreement or which would reasonably be expected to materially adversely affect the Borrower or the Project which is not described in the Official Statement.

(d) This Remarketing Agreement is the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms except to the extent enforcement hereof may be limited by bankruptcy, insolvency, reorganization or any other laws or equitable principles affecting creditors' rights generally, and subject to any principles of public policy limiting the enforceability of the indemnification provisions contained herein.

(e) The Borrower has duly authorized the execution and delivery of this Remarketing Agreement and has duly and lawfully assumed all of its obligations under the Loan and Trust Agreement, and no consent or approval by any governmental body (other than the Authority) and all necessary authorizations, approvals, consents or other orders by any governmental authority or agency have been obtained for such authorization, execution and delivery or the full effectiveness hereof with respect to the Borrower, including without limitation all necessary authorizations and approvals of the Florida Public Service Commission. The execution and delivery of this Remarketing Agreement and the performance of the Borrower's obligations hereunder, will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under the terms of, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property or assets of the Borrower pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Borrower is bound or to which any of the property or assets of the Borrower is subject, which would affect the validity of this Remarketing Agreement or the legal authority of the Borrower to comply with the terms hereof; nor will such action result in a violation of any provisions of the organizational documents of the Borrower, or in a violation of any statute or any rule or regulation of any court or governmental agency or other body in the United States having jurisdiction (except for the application of the various state securities or Blue Sky laws, as to which no representation is made) over the Borrower which would affect the validity of any of this Remarketing Agreement or the legal authority of the Borrower to comply with the terms hereof.

(f) The Borrower shall cooperate with the Remarketing Agent in any endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States as the Remarketing Agent may request; and the Borrower will furnish such information, execute such instruments and take such other action in cooperation with the Remarketing Agent as the Remarketing Agent may reasonably request in connection therewith and the Borrower will promptly pay, or reimburse if paid by the Remarketing Agent, all reasonable fees and disbursements of counsel for the Remarketing Agent and all other expenses and filing fees in connection therewith in an aggregate amount not to exceed $5,000; provided, however, that the Borrower shall not be required to register as a dealer or a broker in any such state or jurisdiction or make any additional representations or warranties in connection with the sale of securities, or to subject itself to service of process in any state or jurisdiction in which it is not already so subject.

(g) The Borrower shall give the Remarketing Agent written notice of (i) each rating, change in the status of any rating of the Bonds or proposed change in the status of any rating of the Bonds by any national rating agency, (ii) each optional or mandatory call for redemption of one or more of the Bonds, and (iii) any amendment, modification or supplement to the Loan and Trust Agreement.

(h) The Borrower shall promptly notify the Remarketing Agent by electronic means of any event of default under the Loan and Trust Agreement.

(i) The Borrower shall provide the Remarketing Agent with any additional information that it may reasonably request.

3. Representations of the Remarketing Agent. The Remarketing Agent hereby represents and covenants to the Borrower that the Remarketing Agent has been duly organized and is validly existing as a Delaware limited liability company and has full power and authority to enter into and perform this Remarketing Agreement. This Remarketing Agreement constitutes the legal, valid and binding obligation of the Remarketing Agent enforceable against the Remarketing Agent in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the enforcement of creditors' rights generally now existing or hereafter enacted and by the application of general principles of equity including equitable subordination.

4. Acceptance of Duties of the Remarketing Agent. The execution and delivery by the Remarketing Agent of this Remarketing Agreement shall constitute the acceptance by the Remarketing Agent of its duties and obligations under the Loan and Trust Agreement. The Remarketing Agent shall perform such duties and obligations imposed upon it as remarketing agent under the Loan and Trust Agreement.

5. Conditions Precedent to the Obligations of the Remarketing Agent to Remarket Bonds. The obligations of the Remarketing Agent to offer for sale and to use its best efforts to sell any Bonds or Beneficial Interests in the Bonds hereunder shall be subject to the accuracy in all material respects of the representations and warranties of the Borrower contained herein as of the date hereof and on the Tender Dates, to the performance by the Borrower of its obligations hereunder and to the following conditions:

(a) On the Tender Dates, this Remarketing Agreement and the Loan and Trust Agreement shall be in full force and effect and shall not have been amended, modified or supplemented since the date hereof, except for any amendment, modification or supplement made in accordance with their terms and of which the Remarketing Agent has received written notice prior to the Tender Date.

(b) No event of default under Section 10.01 of the Loan and Trust Agreement shall have occurred and be continuing.

(c) The Bonds or Beneficial Interests in the Bonds that have been tendered for purchase and would otherwise be subject to remarketing on the Tender Date shall not have been called for redemption or mandatory tender pursuant to the Loan and Trust Agreement unless the remarketing of such Bonds or Beneficial Interests would be permitted under Article IV of the Loan and Trust Agreement.

(d) None of the following events shall have occurred and be continuing:

(1) Legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States, by

amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended by committee to the Congress of the United States for signature by the President of the United States, or a decision by a court established under Article III of the Constitution of the United States shall be rendered or a ruling, regulation or order of the Treasury Department of the United States of the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation upon interest received on the Bonds;

(2) Legislation shall be enacted, by amendment or otherwise by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement 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 offering or sale of obligations of the general character of the Bonds, as contemplated hereby, is or would be in violation of any provision of the 1933 Act as then in effect, or the 1934 Act as then in effect, or the 1939 Act and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby;

(3) Any information shall have become known, which, at any time, in the Remarketing Agent's reasonable opinion, makes untrue, incorrect, incomplete or misleading in any material respect any statement or information contained in the current Official Statement relating to the Bonds, as the information contained therein has been supplemented or amended by other information, or causes such Official Statement, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(4) Except as provided in clauses (1) and (2) hereof, any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by any federal governmental body, department or agency of the United States or the State of New York, or a decision by any court of competent jurisdiction with the United States or the State of New York shall be rendered which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Bonds;

(5) 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;

(6) Any governmental authority shall impose, as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force;

(7) A general banking moratorium shall have been established by federal or New York authorities;

(8) Any rating of the Bonds shall have been downgraded or withdrawn by a national rating service below the ratings (or equivalent rating category) on the effective date of this Remarketing Agreement which downgrading or withdrawal, in the Remarketing Agent's reasonable opinion, materially, adversely affects the marketability of the Bonds;

(9) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the Unites States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Bonds; or

(10) An event, including without limitation, the bankruptcy or default of any other Authority or Borrower tax exempt or taxable securities, shall have occurred, which, in the Remarketing Agent's reasonable opinion, materially adversely affects the securities of the general character of the Bonds.

6. Remarketing of the Bonds. So long as no Event of Default under the Loan and Trust Agreement has occurred and is continuing, the Remarketing Agent agrees to offer for sale and use its best efforts to remarket the Bonds or Beneficial Interests while the Bonds are in the Term Interest Rate Period at a price at least equal to the principal amount thereof subject to the following conditions:

(a) satisfactory compensation and other terms and conditions shall have been agreed upon by the Borrower and the Remarketing Agent;

(b) the Remarketing Agent, as it deems necessary, shall have received an Official Statement or other appropriate disclosure document, in form and substance satisfactory to the Remarketing Agent, to be used in connection with its efforts to remarket the Bonds;

(c) the Borrower shall have delivered to the Remarketing Agent and the Authority a copy of the continuing disclosure agreement in the form attached as Appendix D to the Official Statement, or such other continuing disclosure agreement in a form reasonably satisfactory to the Remarketing Agent, whereby the Borrower agrees to comply with the continuing disclosure requirements of SEC Rule 15c2-12, if and as then applicable; and

(d) the Remarketing Agent shall have received such additional documents, certificates and legal opinions as it may reasonably request;

7. Fees and Expenses of the Remarketing Agent.

(a) In consideration of the services to be performed by the Remarketing Agent under this Remarketing Agreement, the Borrower agrees to pay to the Remarketing Agent on demand such amounts as are required to reimburse it for or pay the reasonable expenses incurred, (including, without limitation, the reasonable fees and disbursements of counsel and any reasonable costs incurred in connection with the preparation or delivery of documents), advances made (including, without limitation, the advancement of immediately available funds when remarketing proceeds are not received by the Remarketing Agent in sufficient time to permit

same day application to Beneficial Owners), and compensation for services rendered pursuant to the Loan and Trust Agreement or this Remarketing Agreement as described below.

(b) While the Bonds bear interest at a Term Interest Rate, the Borrower shall pay the Remarketing Agent, as compensation for its services hereunder, a fee equal to 17.5 basis points (.175%) per annum of the weighted average principal amount of the Bonds outstanding during each three-month period, or such other amount as may be agreed upon from time to time by the Borrower and the Remarketing Agent, payable quarterly in arrears on each December 1, March 1, June 1, and September 1, commencing March 1, 2011.

(c) If the Remarketing Agent is requested by the Borrower to use its best efforts to remarket the Bonds upon conversion of the interest rate thereon to another Determination Method and the Remarketing Agent agrees to assume such duties, the parties shall agree upon an amendment to this Remarketing Agreement setting forth such remarketing fee, deliverables, and other conditions precedent to the conversion as may then be mutually agreed upon by the Borrower and the Remarketing Agent.

8. Furnishing of Remarketing Materials. If the Remarketing Agent determines that it is necessary or desirable to amend or supplement the Official Statement or prepare a new disclosure document in connection with its remarketing of Bonds, the Remarketing Agent will notify the Borrower and the Borrower will provide the Remarketing Agent with an amendment or supplement to the Official Statement or other disclosure document (the "Remarketing Materials") satisfactory to the Remarketing Agent and its counsel in respect of the Bonds. The Borrower will supply the Remarketing Agent, at the Borrower's expense, with such number of copies of the Remarketing Materials as the Remarketing Agent requests from time to time and will amend the Official Statement and any other Remarketing Materials with respect to the Borrower and any summary of documents the amendment of which was approved by the Borrower (and/or the documents incorporated by reference in it) so that at all times the Official Statement and any other Remarketing Materials will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In connection with the use of any of the Remarketing Materials by the Remarketing Agent in its remarketing of the Bonds, the Borrower will furnish to the Remarketing Agent such certificates, accountants' letters and opinions of counsel as the Remarketing Agent reasonably requests.

The Borrower shall promptly notify the Remarketing Agent when it becomes aware of any material misstatement or omission in any of the Remarketing Materials furnished to the Remarketing Agent for use in connection with the remarketing of the Bonds.

9. Remarketing Agent Not Acting As Underwriter; Remarketing Agent is Not An Advisor.

(a) In carrying out its duties hereunder, the Remarketing Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Bonds or Beneficial Interests. The Remarketing Agent shall not act as underwriter for any tendered Bonds or Beneficial Interests and shall not be obligated to advance, but shall not be prohibited from advancing, its own funds to purchase any tendered Bonds or Beneficial Interests. The

Remarketing Agent, in its individual capacity or for its own account, at its sole discretion and for any one or more reasons, may in good faith buy, sell, own, hold and deal in any of the Bonds, including, without limitation, any Bonds offered and sold by the Remarketing Agent pursuant to this Remarketing Agreement. Such activities may include sales to one or more affiliated investment vehicles for collective ownership or entering into derivative arrangements with affiliates or others. If the Remarketing Agent purchases Bonds for its own account, it may offer those Bonds at a discount to par to some investors. The Remarketing Agent may sell any such Bonds at prices above or below par at any time. In connection with a remarketing of the Bonds, the Remarketing Agent has no obligation to notify purchasers if it does not have third-party buyers for all of the tendered bonds at the remarketing price. As an owner of Bonds, the Remarketing Agent may sell Bonds at varying prices, including at a discount to par or at a premium, to different investors on a date on which the Remarketing Agent is to determine the rate on Bonds or any other date. The Remarketing Agent may join in any action which any owner (or Beneficial Owner) of the Bonds may be entitled to take with like effect as if it were not Remarketing Agent. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Borrower, and may act as depository, trustee or agent for any committee or body of owners of the Bonds or other obligations of the Borrower as freely as if it were not Remarketing Agent. The Remarketing Agent shall have the right to tender Bonds for purchase pursuant to the terms thereof and shall have other rights of an owner (or Beneficial Owner) of the Bonds at any time that it is the owner (or Beneficial Owner) of any Bonds. The Remarketing Agent shall have no obligation to purchase any tendered Bonds for its own account. The Remarketing Agent may make a secondary market in the Bonds by purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing, but it has no obligation to do so and, in its discretion, can discontinue any such activities at any time. No notice is required regarding any such purchases or any discontinuation of such purchases.

(b) The Borrower acknowledges and agrees, whether or not the Remarketing Agent or any affiliate thereof has advised or is currently advising the Borrower on other matters, that in connection with the remarketing of the Bonds and any other duties or obligations of the Remarketing Agent pursuant to and/or as set forth in this Remarketing Agreement: (a) the Remarketing Agent is not an advisor (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act), an "advisor") of, and owes no fiduciary duty to, the Borrower or any other person, (b) the Remarketing Agent's duties and obligations to the Borrower shall be limited to those contractual duties and obligations expressly set forth in this Remarketing Agreement, and (c) the Borrower has consulted with those independent legal, financial and any other advisors to the extent it deemed appropriate in connection with any questions or other issues it might have relating to the remarketing of the Bonds.

10. Indemnification and Contribution.

(a) The Borrower will indemnify and hold harmless the Remarketing Agent, its officers and employees, and each person who controls the Remarketing Agent within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act (collectively, the "Indemnified Parties" and when any one is intended, the "Indemnified Party"), against any losses, claims, damages or liabilities, joint or several, to which any Indemnified Party may

become subject, insofar as such losses, claims, damages or liabilities, or actions in respect thereof, arise out of or are based upon (i) an untrue statement or alleged untrue statement of a material fact contained or incorporated by reference in the Official Statement or the omission or alleged omission to state in the Official Statement a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, provided, however, that the Borrower will not be liable with respect to any such loss, claim, damage, liability or action asserted by any person if a copy of the Official Statement (as amended or supplemented) in which the untrue statement or alleged untrue statement or omission or alleged omission that is the basis of the loss, claim, damage, liability or action for which indemnification is sought was corrected and made available to the Remarketing Agent, but was not properly filed with the Municipal Securities Rulemaking Board's EMMA disclosure system or mailed, delivered or given to such person; or (ii) arise out of or are based upon an allegation or a determination of a failure in connection with the public offering of the Bonds to register any security under the 1933 Act or to qualify any indenture under the 1939 Act. The foregoing indemnity shall include reimbursement for any legal or other expenses reasonably incurred by any Indemnified Party in connection with investigating or defending any such action or claim.

Promptly after receipt by an Indemnified Party under this Section of notice of the commencement of any action, such Indemnified Party shall, if a claim in respect thereof is to be made against the Borrower under this Section, notify the Borrower in writing of the commencement thereof; but the omission so to notify the Borrower shall not relieve it from any liability which it may have to any Indemnified Party otherwise than under this Section, except to the extent that the Borrower is able to demonstrate actual prejudice in not being so notified. In case any such action shall be brought against any Indemnified Party and such party shall notify the Borrower of the commencement thereof, the Borrower shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof, with counsel satisfactory to the party to be indemnified (who shall not, except with the consent of the party to be indemnified, be counsel to the Borrower); *provided, however,* that if the defendants in any such action include both an Indemnified Party and the Borrower 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 Borrower, 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 Borrower to such Indemnified Party of its election so to assume the defense thereof, the Borrower shall not be liable to such Indemnified Party under this Section 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 Borrower or such counsel, and shall not be liable to such Indemnified Party with respect to such action under this Section if such Indemnified Party effects the settlement of such action without the consent of the Borrower; but if settled with the consent of the Borrower or if there shall be a final judgment for the plaintiff in any such action, the Borrower agrees to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment.

(b) If the indemnification provided for in Section 10(a) is unavailable to the Remarketing Agent (or any controlling person thereof) in respect to any losses, claims, damages or liabilities referred to therein, then the Borrower shall, in lieu of indemnifying the Remarketing

Agent, contribute to the amount paid or payable by the Remarketing Agent as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative benefits received by the Borrower and the Remarketing Agent, respectively, from the remarketing of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Borrower shall contribute to such amount paid or payable by the Remarketing Agent in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Borrower and the Remarketing Agent, respectively, in connection with the statements or omission which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefit received by the Borrower or the Remarketing Agent, respectively, shall be deemed to be in the same proportion as the total proceeds from the remarketing of the Bonds (before deducting costs and expenses other than remarketing fees and expenses), on the one hand, bear to the total remarketing fees and expenses received by the Remarketing Agent, on the other hand. 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 Borrower or the Remarketing Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that in the case of an allegation or a determination that arises out of or is based upon a failure in connection with the public offering of the Bonds to register any security under the 1933 Act or to qualify any indenture under the 1939 Act, the fault shall be deemed entirely that of the Borrower. The Borrower and the Remarketing Agent, respectively, agree that it would not be just and equitable if contribution pursuant to this Section 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. The amount paid or payable by the Remarketing Agent as a result of the losses, claims, damages or liabilities referred to above in this Section shall be deemed to include any legal or other expenses reasonably incurred by the Remarketing Agent (or any controlling person thereof) in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (b), the Remarketing Agent shall not be required to contribute any amount in excess of the aggregate amount of remarketing fees paid to the Remarketing Agent under Section 7 hereof for that calendar year. 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.

11. Limitation on Liability of Remarketing Agent. The Remarketing Agent shall incur no liability to the Borrower or any person for its actions as remarketing agent pursuant to the terms of this Remarketing Agreement and the Loan and Trust Agreement except for its willful misconduct or gross negligence.

12. Term. This Remarketing Agreement will terminate upon the earlier of (a) the date on which the Bonds are no longer Outstanding under the Loan and Trust Agreement, (b) the date on which the Bonds are no longer in the Term Interest Rate Period unless this Remarketing Agreement has been amended as provided in Section 7(c), or (c) the effective date of any resignation or removal of the Remarketing Agent in accordance with the Loan and Trust Agreement.

The Remarketing Agent may at any time resign and be discharged of its duties and obligations by giving at least 30 days' prior written notice to the Authority, the Borrower, and the Trustee. The resignation of the Remarketing Agent shall be effective even if a successor Remarketing Agent has not been appointed by the Borrower.

The Authority or the Borrower may remove the Remarketing Agent at any time upon 30 days' written notice to the Remarketing Agent and the Trustee; provided, however, that the Borrower will not remove the Remarketing Agent without the prior written consent of the Remarketing Agent, unless concurrently with the removal of the Remarketing Agent, all Bonds owned by the Remarketing Agent in its individual capacity are purchased from the Remarketing Agent at a price of par plus accrued interest to the effective date of removal. No removal of the Remarketing Agent shall become effective unless a successor Remarketing Agent qualified under the Loan and Trust Agreement has been appointed by the Borrower to perform the duties of the Remarketing Agent and has accepted such appointment.

Notwithstanding the foregoing, nothing shall prevent the parties hereto from allowing the Remarketing Agent to resign and be discharged from its duties and obligations at any earlier date if the parties hereto so agree. The Remarketing Agent may also resign upon 21 days' prior written notice to the Trustee, the Authority, and the Borrower if (a) the Borrower fails to supply the Remarketing Agent with the Remarketing Materials and such documents, materials or information concerning the Borrower, or information concerning the Authority of which the Borrower has knowledge, as the Remarketing Agent reasonably deems necessary to be delivered to purchasers in connection with the remarketing of the Bonds or (b) the Borrower fails to pay when due any fee, reimbursement, indemnification or other amount due to the Remarketing Agent from the Borrower. The Remarketing Agent, after prior consultation with the Borrower, may cease offering and selling the Bonds with immediate effect if it determines, in its reasonable judgment that for any reason, including without limitation, (i) a pending or proposed change in applicable tax laws, (ii) a material adverse change in the financial condition of the Borrower, (iii) a banking moratorium, (iv) hostilities, (v) a down-rating or withdrawal of the rating on the Bonds or the Borrower, (vi) an imposition of material restrictions on the Bonds or similar obligations or (vii) a material misstatement or omission in the disclosure document as then modified or supplemented, it is not advisable to attempt to remarket the Bonds.

In the event that the Borrower or the Authority fails to appoint a Remarketing Agent hereunder, or in the event that the Remarketing Agent resigns, or is dissolved, or if the property or affairs of the Remarketing Agent are taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the institution or the Authority shall not have appointed its successor as Remarketing Agent, the Trustee shall ipso facto be deemed to be the Remarketing Agent for all purposes until the appointment by the Borrower or the Authority of the Remarketing Agent or successor Remarketing Agent, as the case may be; provided, however, that the Trustee, in its capacity as Remarketing Agent, shall not be required to solicit purchasers of, or to remarket, Bonds or determine the interest rate on the Bonds pursuant to the Loan and Trust Agreement and the Trustee shall have the right to appoint a successor Remarketing Agent meeting the qualifications set forth in the Loan and Trust Agreement.

Following termination, the provisions of Sections 7 and 10 hereof will continue in effect as to transactions prior to the date of termination, and each party will pay the other party any amounts owing at the time of termination.

13. Notices. Any notice or other communication to be given under this Remarketing Agreement shall be given in writing, delivered by confirmed facsimile, by hand or by first-class mail, and if by mail, by being deposited in the United States mail, addressed to the party to which such notice is to be given. Unless otherwise provided, the respective addresses for the Borrower and the Remarketing Agent for notices which are or may be required to be given hereunder are as follows:

If to the Borrower:

Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601
Attention: Corporate Secretary
Telecopy No. 813-228-1328

If to the Remarketing Agent:

J.P. Morgan Securities LLC
383 Madison Avenue, Floor 8
New York, New York 10179
Attention: Municipal Short Term Desk
Telephone: (212) 834-7224
Telecopier: (917) 456-3541
E-Mail: peter.mccarthy@chase.com

14. Amendment, Modification and Waiver. The provisions of this Remarketing Agreement may not be amended, modified or waived unless such amendment, modification or waiver is in writing and signed by the party against which enforcement is sought.

15. Successors. Any person or entity into which the Remarketing Agent may be merged, or with which it may be consolidated, or to which it may sell, release or transfer its investment banking business and assets as a whole or substantially as a whole, shall be and become successor of the Remarketing Agent hereunder and shall be vested with all the powers, rights, obligations and duties hereunder as was its predecessor, without the execution or filing of any instrument by any person or entity.

16. Waiver of Trial by Jury. Each of the parties hereto also irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of this Remarketing Agreement or the transactions contemplated hereby.

17. Governing Law. This Remarketing Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. The parties all agree that all actions and proceedings arising out of this Remarketing Agreement or any of the transactions contemplated hereby shall be brought exclusively in the County of New York and, in connection with any such action or

proceeding, submit to the exclusive jurisdiction of, and venue in, federal or state courts located in such County.

18. Executed Agreement. The Borrower hereby grants permission for the Remarketing Agent to distribute a copy of the executed Loan and Trust Agreement (and any supplements thereto) to prospective purchasers of the Bonds who request such information in connection with the remarketing of the Bonds by the Remarketing Agent under this Remarketing Agreement.

19. Counterparts. This Remarketing Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

[signatures on following page]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the date and year first written above.

TAMPA ELECTRIC COMPANY

By: KM Caruso
Name: Kim M. Caruso
Title: Treasurer

J.P. MORGAN SECURITIES LLC

By: _____
Name: Ivan Naguit
Title: Executive Director

[Signature Page to Remarketing Agreement]

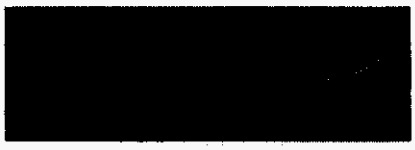
IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the date and year first written above.

TAMPA ELECTRIC COMPANY

By: _____
Name: Kim M. Caruso
Title: Treasurer

J.P. MORGAN SECURITIES LLC

By: _____
Name: Ivan Naguit
Title: Executive Director



TAMPA ELECTRIC

November 23, 2010

J.P. Morgan Securities LLC
383 Madison Ave, 3rd Floor
New York, New York 10179

Polk County Industrial Development Authority
330 West Church Street, 4th Floor
Bartow, Florida 33830

SunTrust Robinson Humphrey, Inc.
303 Peachtree Street, 24th Floor
Mail Code 3945
Atlanta, Georgia 30308

The Bank of New York Mellon Trust Company, N.A., as Trustee
10161 Centurion Parkway
Jacksonville, Florida 32256

Re: $75,000,000 Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010

Ladies and Gentlemen:

As Associate 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 Polk County Industrial Development Authority (the "Authority") of $75,000,000 aggregate principal amount of its Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010 (the "Bonds") pursuant to the Loan and Trust Agreement dated as of November 15, 2010 (the "Agreement") among the Company, the Authority and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee").

I am furnishing this opinion pursuant to Section 3(b)(i)(B) of the Bond Purchase Agreement dated November 22, 2010 (the "Purchase Contract"), between the Polk County Industrial Development Authority (the "Authority") and J.P. Morgan Securities LLC, as representative on behalf of itself and SunTrust Robinson Humphrey, Inc. (together the "Underwriters").

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 and Indemnity Agreement dated November 22, 2010 (the "Representation Letter") among the Company, the Authority and the Underwriters and the Continuing Disclosure Agreement dated November 23, 2010 between the Company and the Trustee (the "Continuing Disclosure Agreement," and together with the Agreement and the Representation Letter, the "Company Agreements"), the Purchase Contract and the Official Statement dated November 15, 2010 relating to the Bonds (the "Official Statement"), and such other documents and made such examination of law as I have deemed appropriate to give the opinions set forth below. I have relied, without independent verification, upon certificates of public officials and, as to matters of fact material to my opinions, on representations made in the Company Agreements and certificates and other inquiries 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.

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. 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. This opinion speaks only as of its date, and I undertake no obligation to update it for any subsequent events or legal developments.

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. 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 validly existing as a corporation and in good standing under the laws of Florida and has the corporate power to own its properties and conduct its business as described in the Official Statement, and to execute and deliver the Company Agreements and to perform its obligations thereunder.

2. The Company Agreements have been duly authorized, executed and delivered by the Company.

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 overtly threatened in writing against the Company challenging the validity or enforceability of, or seeking to enjoin the performance of, the Company Agreements.

4. All filings, registrations or qualifications required to be made, and all consents, governmental approvals, licenses or authorizations required to be obtained by the Company from any court or governmental agency or body on or before the date hereof for 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.

I, or attorneys under my supervision, have participated in conferences with officers and other representatives of the Company, representatives of the Underwriters and your counsel at which 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 The Depository Trust Company, the information in the Official Statement under the captions "The Authority," "Continuing Disclosure" (as it relates to the Authority), or the financial statements, including the notes thereto and supporting schedules, or other financial or statistical information and data contained or included in the Official Statement.

This opinion is being furnished only to you for your benefit and use solely in connection with the transaction described above and may not be relied on without my prior written consent for any other purpose or by anyone else.

Very truly yours,

David E. Schwartz
Associate General Counsel

BOS111 12394297.2

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

November 23, 2010

Polk County Industrial
Development Authority
330 West Church Street, 4th Floor
Bartow, Florida 33830

J.P. Morgan Securities LLC,
as representative of the Underwriters
383 Madison Avenue
New York, New York 10179

The Bank of New York Mellon Trust
Company, N.A., as Trustee
10161 Centurion Parkway
Jacksonville, Florida 32256

$75,000,000
Polk County Industrial Development Authority
Solid Waste Disposal Facility Revenue Refunding Bonds
(Tampa Electric Company Project)
Series 2010 (the "Bonds")

We have acted as bond counsel in connection with the issuance by the Polk 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 November 15, 2010 (the "Agreement") among the Authority, Tampa Electric Company (the "Company") and The Bank of New York Mellon 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

BOSTON MA | FT. LAUDERDALE FL | HARTFORD CT | MADISON NJ | NEW YORK NY | NEWPORT BEACH CA | PROVIDENCE RI
STAMFORD CT | WASHINGTON DC | WEST PALM BEACH FL | WILMINGTON DE | LONDON UK | HONG KONG (ASSOCIATED OFFICE)

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 our opinion of even date, being delivered in our capacity as 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 "solid waste disposal facilities" within the meaning of Section 142(a)(6) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, and such interest is not 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 Code. Further, the Code 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, as defined therein.

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

BOS111 12393718.3

OFFERING MEMORANDUM **CONFIDENTIAL**



TAMPA ELECTRIC COMPANY

Offer to Exchange
Any and all of its outstanding 6.875% Notes due 2012 (CUSIP No. 875127 AS 1)
and
any and all of its outstanding 6.375% Notes due 2012 (CUSIP No. 875127 AU 6)
for
newly issued 5.10% Notes due 2021

Notes to be Exchanged	CUSIP No.	Outstanding Principal Amount	Exchange Offer Consideration	Early Exchange Consideration	Total Early Exchange Consideration
6.875% Notes due 2012	875127 AS 1	$250,000,000	$970 principal amount of 5.10% Notes due 2021 for each $1,000 principal amount exchanged	$30 principal amount of 5.10% Notes due 2021 for each $1,000 principal amount exchanged	$1,000 principal amount of 5.10% Notes due 2021 for each $1,000 principal amount exchanged
6.375% Notes due 2012	875127 AU 6	$400,000,000	$970 principal amount of 5.10% Notes due 2021 for each $1,000 principal amount exchanged	$30 principal amount of 5.10% Notes due 2021 for each $1,000 principal amount exchanged	$1,000 principal amount of 5.10% Notes due 2021 for each $1,000 principal amount exchanged

THE EXCHANGE OFFER WILL EXPIRE AT 11:59 PM, NEW YORK CITY TIME, ON DECEMBER 8, 2010, UNLESS EXTENDED (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "EXPIRATION DATE"). TO BE ELIGIBLE TO RECEIVE THE TOTAL EARLY EXCHANGE CONSIDERATION (AS DEFINED BELOW) (WHICH INCLUDES THE EARLY EXCHANGE CONSIDERATION (AS DEFINED BELOW)), ELIGIBLE HOLDERS MUST VALIDLY TENDER AND NOT VALIDLY WITHDRAW THEIR OLD NOTES AT OR PRIOR TO 5:00 PM, NEW YORK CITY TIME, ON NOVEMBER 22, 2010, UNLESS EXTENDED (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "EARLY PARTICIPATION DATE"). HOLDERS WHO TENDER AFTER THE EARLY PARTICIPATION DATE BUT AT OR PRIOR TO THE EXPIRATION DATE WILL BE ELIGIBLE TO RECEIVE THE EXCHANGE OFFER CONSIDERATION (AS DEFINED BELOW) (WHICH DOES NOT INCLUDE THE EARLY EXCHANGE CONSIDERATION).

Tampa Electric Company is offering to Eligible Holders (as defined below), upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying letter of transmittal (the "Letter of Transmittal"), the opportunity to exchange (i) any and all of its outstanding 6.875% Notes due 2012 (CUSIP No. 875127 AS 1) (the "6.875% Notes") held by them and (ii) any and all of its outstanding 6.375% Notes due 2012 (CUSIP No. 875127 AU 6) (the "6.375% Notes" and, together with the 6.875% Notes, the "Old Notes") held by them, each for Tampa Electric Company's newly issued 5.10% Notes due 2021 (the "New Notes"), all as described below under "Determination of the Total Early Exchange Consideration; Early Exchange Consideration; Exchange Offer Consideration." We refer to the offer to exchange Old Notes for New Notes as the "Exchange Offer." The New Notes will not be listed on any securities exchange.

The New Notes will accrue interest at a rate of 5.10% per annum, payable on May 15 and November 15 of each year, beginning on May 15, 2011. The New Notes will mature on May 15, 2021.

We may at our option at any time and from time to time redeem all or part of the New Notes at the redemption prices described in this offering memorandum under "DESCRIPTION OF THE NEW NOTES — Optional Redemption." There is no sinking fund for the New Notes.

We will agree to file an exchange offer registration statement or, under some circumstances, a shelf registration statement, pursuant to a registration rights agreement. In the event we fail to comply with certain of our obligations under the registration rights agreement, we will make additional interest payments on the New Notes.

Investing in the New Notes involves risks. See "RISK FACTORS," beginning on page 6 of this offering memorandum.

*The New Notes are being offered for exchange only to "qualified institutional buyers" under Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to non-US persons outside the United States in accordance with Regulation S under the Securities Act. The New Notes have not been registered under the Securities Act or the securities laws of any other jurisdiction; therefore, they are subject to certain restrictions on resale described in this offering memorandum under the heading "TRANSFER RESTRICTIONS." **Only holders of Old Notes who have completed and returned an eligibility certification, whom we refer to as "Eligible Holders," are authorized to receive and review this offering memorandum and participate in the Exchange Offer.***

The Lead Dealer Managers for the Exchange Offer are:

Citi **J.P. Morgan**

The Co-Dealer Managers for the Exchange Offer are:

BofA Merrill Lynch **Morgan Stanley**

The date of this offering memorandum is November 9, 2010.

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Determination of the Total Early Exchange Consideration; Early Exchange Consideration; Exchange Offer Consideration

Upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying Letter of Transmittal, Eligible Holders who validly tender and who do not validly withdraw Old Notes at or prior to the Early Participation Date, and whose tenders are accepted for exchange by us, will receive the Total Early Exchange Consideration for each $1,000 principal amount of Old Notes, which will be payable in the forms of consideration described below.

The "Total Early Exchange Consideration" for Old Notes whose tenders are accepted for exchange by us will consist of New Notes in an aggregate principal amount of $970 per each $1,000 of Old Notes validly tendered and not validly withdrawn, plus the "Early Exchange Consideration" consisting of an additional $30 aggregate principal amount of New Notes for each $1,000 principal amount of Old Notes validly tendered and not validly withdrawn at or prior to the Early Participation Date.

Upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying Letter of Transmittal, Eligible Holders who validly tender Old Notes after the Early Participation Date but at or prior to the Expiration Date, and whose Old Notes are accepted for exchange by us, will receive the applicable Total Early Exchange Consideration *minus* the Early Exchange Consideration (the "Exchange Offer Consideration").

The New Notes will be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. Tendering holders of Old Notes must tender Old Notes in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. The amount of New Notes to be issued to any Eligible Holder will be based on the total principal amount of Old Notes tendered by such Eligible Holder and accepted for exchange, and the issuance of New Notes will be rounded down to the nearest $1,000 principal amount. We will pay any difference in cash on the applicable settlement date (the "Settlement Date"), as described below. For Old Notes that have been validly tendered, and not validly withdrawn, prior to the Early Participation Date and that are accepted for exchange, the Settlement Date will follow the Early Participation Date (the "Early Settlement Date"). The Early Settlement Date is expected to be November 29, 2010, which is the fourth business day after the Early Participation Date. For Old Notes that have been validly tendered after the Early Participation Date and that are accepted for exchange, the Settlement Date will be promptly following the Expiration Date (the "Regular Settlement Date"). The Regular Settlement Date is expected to be December 9, 2010, which is the first business day after the Expiration Date.

Interest on the New Notes, including those delivered on the Regular Settlement Date, will accrue from, and including, the Early Settlement Date. Each holder whose Old Notes are accepted for exchange by us will receive interest, if any, that has accrued from the most recent interest payment date in respect of the Old Notes up to but not including the applicable Settlement Date, minus, in the case of the Regular Settlement Date, accrued and unpaid interest on the New Notes up to, but not including, the Regular Settlement Date.

Withdrawal Rights

Old Notes tendered in the Exchange Offer may be validly withdrawn at any time at or prior to the Early Participation Date provided that we may extend the Early Participation Date without extending the deadline by which Old Notes tendered in the Exchange Offer may be validly withdrawn (such date and time, the "Withdrawal Date"), unless required by law. Old Notes tendered after the Withdrawal Date, which is currently the Early Participation Date, may not be withdrawn, except where additional withdrawal rights are required by law (as determined by Tampa Electric Company).

Exchange Offer Conditions

Our obligation to accept Old Notes tendered in the Exchange Offer is subject to the satisfaction of certain conditions described under "CONDITIONS TO THE EXCHANGE OFFER," including that we will not be obligated to consummate the Exchange Offer upon the occurrence of an event or events or the likely occurrence of an event or events that would or might reasonably be expected to prohibit, restrict or delay the consummation of the Exchange Offer or materially impair the contemplated benefits of the Exchange Offer and other customary conditions. The Exchange Offer is not conditioned upon any minimum amount of Old Notes being tendered. We may waive any of these conditions prior to the Expiration Date in our sole discretion.

Compliance with "Short Tendering" Rule

It is a violation of Rule 14e-4 (promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) for a person, directly or indirectly, to tender Old Notes for his own account unless the person so tendering (a) has a net long position equal to or greater than the aggregate principal amount of the Old Notes being tendered and (b) will cause such Old Notes to be delivered in accordance with the terms of the Exchange Offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person.

A tender of Old Notes in the Exchange Offer under any of the procedures described above will constitute a binding agreement between the tendering holder and us with respect to the Exchange Offer upon the terms and subject to the conditions of the Exchange Offer, including the tendering holder's acceptance of the terms and conditions of the Exchange Offer, as well as the tendering holder's representation and warranty that (a) such holder has a net long position in the Old Notes being tendered pursuant to the Exchange Offer within the meaning of Rule 14e-4 under the Exchange Act and (b) the tender of such Old Notes complies with Rule 14e-4.

Registration Rights

The New Notes have not been registered under the Securities Act or any state securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. We will agree to file an exchange offer registration statement or, under some circumstances, a shelf registration statement, with respect to the New Notes. See "REGISTERED EXCHANGE OFFER; REGISTRATION RIGHTS."

Important Dates and Times

Please take note of the following important dates and times in connection with the Exchange Offer. These dates assume no extension of the Early Participation Date or the Expiration Date.

Date	Calendar Date	Event
Early Participation Date	5:00 p.m., New York City time, on November 22, 2010	The last day for Eligible Holders to validly tender Old Notes in order to be eligible to receive the Total Early Exchange Consideration on the Early Settlement Date.
Withdrawal Date	5:00 p.m., New York City time, on November 22, 2010	The last day for Old Notes to be validly withdrawn, except where additional withdrawal rights are required by law (as determined by us), provided that we may extend the Early Participation Date without extending the Withdrawal Date, unless required by law.
Expiration Date	11:59 p.m. New York City time, on December 8, 2010	The last day for Eligible Holders to validly tender Old Notes in order to be eligible to receive the Exchange Offer Consideration on the Settlement Date.

Settlement Dates		
Early Settlement Date	We expect that this date will be the fourth business day following the Early Participation Date, upon satisfaction of the conditions specified herein.	New Notes will be issued in exchange for any Old Notes tendered and accepted in the Exchange Offer prior to the Early Participation Date in the amount and manner described in this offering memorandum. We will deposit as directed by the Exchange Agent (as defined below) an amount in cash sufficient to pay the accrued but unpaid interest on the Old Notes to, but not including, the Early Settlement Date with respect to any Old Notes tendered and accepted prior to the Early Participation Date.
Regular Settlement Date	We expect that this date will be the first business day following the Expiration Date, upon satisfaction of the conditions specified herein.	New Notes will be issued in exchange for any Old Notes tendered and accepted in the Exchange Offer after the Early Participation Date in the amount and manner described in this offering memorandum. We will deposit as directed by the Exchange Agent (as defined below) an amount in cash sufficient to pay the accrued but unpaid interest on the Old Notes to, but not including, the Regular Settlement Date with respect to any Old Notes tendered and accepted after the Early Participation Date. We will also deposit as directed by the Exchange Agent an amount of cash due to Eligible Holders as a result of rounding.

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You should rely only on the information included or incorporated by reference in this offering memorandum and in any written communication from Tampa Electric Company or the Dealer Managers (as defined below) specifying the final terms of this offering. Neither Tampa Electric Company nor any Dealer Manager has authorized anyone else to provide you with additional or different information. If anyone else provides you with additional, different or inconsistent information, you should not rely on it. This offering memorandum does not constitute an offer or an invitation by, or on behalf of, Tampa Electric Company or by, or on behalf of, the Dealer Managers to participate in the Exchange Offer in any jurisdiction in which it is unlawful to make such an offer or solicitation. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum or that the information incorporated by reference or any written communication from Tampa Electric Company or the Dealer Managers specifying the final terms of this offering is accurate as of any date other than their respective dates. Tampa Electric Company's business profile, financial condition, results of operations and prospects may have changed since that date.

NOTICE TO INVESTORS

This offering memorandum, and any supplemental document or other information furnished to the Dealer Managers or to the holders of the Old Notes, is confidential. We are providing this offering memorandum only to certain existing holders of the Old Notes. You should read this offering memorandum and the accompanying Letter of Transmittal before deciding whether to exchange your Old Notes. We have not authorized the use of this offering memorandum for any other purpose. You may not copy or distribute this offering memorandum in whole or in part to anyone without our prior consent or the prior consent of the Dealer Managers.

Notwithstanding anything herein to the contrary, except as reasonably necessary to comply with applicable securities laws, investors (and each employee, representative or other agent of the investors) may disclose to any and all persons, without limitation of any kind, the United States (US) federal income tax treatment and tax structure of this offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to understanding the US federal income tax treatment of the New Notes and the exchange of Old Notes for New Notes and does not include information relating to the identity of the issuer, its affiliates, agents or advisors.

The Dealer Managers have made no representation or warranty, express or implied, as to the accuracy or completeness of information we have provided, and you may not rely on anything contained in this offering memorandum as a promise or representation by the Dealer Managers as to our past or future results. The Dealer Managers assume no responsibility for the accuracy or completeness of such information.

In making your decision to participate in the Exchange Offer, you must rely on your own examination of us and the terms of the Exchange Offer, including the merits and risks involved. You should not consider any information in this offering memorandum to be legal, business or tax advice. Neither we nor the Dealer Managers are making any representations regarding the legality of investment in the New Notes by any holder of Old Notes under applicable legal investment or similar laws or regulations. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of the Exchange Offer.

None of Tampa Electric Company, the Dealer Managers, the trustee under Tampa Electric Company's Indenture, the Exchange Agent or the Information Agent (each as defined herein) makes any recommendation as to whether or not the holders of the Old Notes should exchange their Old Notes in the Exchange Offer.

This offering memorandum contains summaries of certain documents, which we believe are accurate and it incorporates certain information by reference. We refer you to the actual documents and information for a more complete understanding of what is discussed in this offering memorandum, and we qualify all summaries by such reference.

We are relying on exemptions from registration under the Securities Act for offers of the New Notes that do not involve a public offering. Because the New Notes have not been registered under the Securities Act, they are subject to certain restrictions on transfer. You should read the information contained under "TRANSFER RESTRICTIONS" in this offering memorandum for a description of the restrictions on transfers of beneficial interests in the New Notes. By tendering your Old Notes and accepting the New Notes in the Exchange Offer, you will be deemed to have made certain acknowledgements, representations and agreements described under "TRANSFER RESTRICTIONS" in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

Neither the Securities and Exchange Commission (the "SEC") nor any other regulatory body has registered, recommended or approved of these securities or passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

You should read this entire offering memorandum (including the information incorporated by reference) and the accompanying Letter of Transmittal and related documents and any amendments or supplements carefully before making your decision to participate in the Exchange Offer.

You should contact the Dealer Managers with any questions about this Exchange Offer or if you require additional information to verify the information contained in this offering memorandum. By tendering Old Notes, you will be deemed to

have acknowledged that you have reviewed this offering memorandum; that you have had an opportunity to request any additional information that you need from us or the Dealer Managers; and that the Dealer Managers are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

There are no guaranteed delivery provisions provided for in conjunction with the Exchange Offer under the terms of this offering memorandum and the accompanying Letter of Transmittal. Tendering holders must tender their Old Notes in accordance with the procedures described under "PROCEDURES OF THE EXCHANGE OFFER — Procedures for Tendering."

Notice to New Hampshire Residents

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes Annotated, 1955, as amended, with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the reporting requirements of the Exchange Act and file reports and other information with the SEC under File No. 001-05007. Such reports and other information can be inspected and copied at the public reference room maintained by the SEC 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 filings with the SEC are also available to the public on the SEC's website at http://www.sec.gov. Copies of our reports on Forms 10-K, 10-Q and 8-K filed by us with the SEC that are filed jointly with similar reports filed by TECO Energy, Inc. are also available on TECO Energy, Inc.'s website at www.tecoenergy.com. Other than any SEC filings incorporated by reference in this offering memorandum (see "INCORPORATION BY REFERENCE"), information on TECO Energy, Inc.'s website or available by hyperlink from TECO Energy, Inc.'s website is not part of this offering memorandum.

INCORPORATION BY REFERENCE

We disclose important information to you by referring you to documents that we have filed with the SEC which are "incorporated by reference" in this offering memorandum. The information incorporated by reference is an important part of this offering memorandum. Information that we file in the future with the SEC will automatically update and supersede the information included in this offering memorandum and will also automatically update and supersede any information previously incorporated by reference. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, excluding information deemed furnished and not filed pursuant to Item 2.02 or Item 7.01 of Form 8-K or as otherwise permitted by the SEC rules, until this offering is terminated:

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2009;
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010; and
- Our Current Reports on Form 8-K filed on July 20, 2010, August 4, 2010 and August 18, 2010.

You may request a copy of these filings, at no cost, by writing or contacting us at the following address: Director of Investor Relations, TECO Energy, Inc., 702 North Franklin Street, Tampa, Florida 33602; telephone number (813) 228-1111. We will provide to each person, including any beneficial owner, to whom this offering memorandum is delivered, a copy of any or all of the information that has been incorporated by reference in this offering memorandum, but not delivered with this

offering memorandum. These filings, which are filed jointly with TECO Energy, Inc., are also available on TECO Energy, Inc.'s website at www.tecoenergy.com under "Investors – SEC Filings." Other than these filings, the information available on TECO Energy, Inc.'s website is not a part of this offering memorandum.

REGISTRATION RIGHTS; SEC REVIEW

The New Notes have not been registered under the Securities Act or any state securities laws of any state of the US, and may not be offered or sold within the US except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

We will agree to file a registration statement with the SEC pursuant to which we will either offer to exchange the New Notes for substantially similar notes that are registered under the Securities Act, or in certain circumstances, register the resale of the New Notes. For a description of this agreement, see "REGISTERED EXCHANGE OFFER; REGISTRATION RIGHTS."

In the course of any review by the SEC of our 2009 Form 10-K, or any documents we file in the future with the SEC, or of the exchange offer registration statement and (if necessary) shelf registration statement that we will agree to file, we may be required to make changes to financial and other information and data included or incorporated by reference in this offering memorandum. Comments by the SEC on our 2009 Form 10-K, any future documents we file with the SEC or the exchange offer registration statement and any shelf registration statement may require modification or reformulation of the information we present in this offering memorandum and any required modification or reformulation could be significant.

New factors emerge from time to time, and it is not possible for us to predict all of them; nor can we assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum and the documents we have incorporated by reference into this offering memorandum 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 offering memorandum and the documents incorporated by reference, including the risks relating to us and our business set forth under "RISK FACTORS" in this offering memorandum and in our filings with the SEC.

You should keep in mind that any forward-looking statement made by us in this offering memorandum 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 offering memorandum after the date of this offering memorandum, 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 offering memorandum or elsewhere might not occur.

OFFERING MEMORANDUM SUMMARY

This summary highlights selected information appearing elsewhere in this offering memorandum. This summary is not complete and does not contain all of the information that you should consider before participating in the Exchange Offer and investing in the New Notes. You should carefully read the entire offering memorandum, the accompanying Letter of Transmittal and the information that is incorporated into this offering memorandum by reference. See the sections entitled "WHERE YOU CAN FIND MORE INFORMATION" and "INCORPORATION BY REFERENCE". Unless the context otherwise requires or as otherwise indicated, references in this offering memorandum to "we," "our" and "us" refer to Tampa Electric Company.

Tampa Electric Company

Tampa Electric Company is a wholly owned subsidiary of TECO Energy, Inc., or TECO Energy, an energy-related holding company. Other TECO Energy subsidiaries include TECO Coal, which owns and operates coal production facilities in Kentucky and Virginia, and TECO Guatemala, which is engaged in electric power generation in Guatemala. You can also 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 electric energy and related services to almost 667,000 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 4,719 megawatts in operation.

Peoples Gas System, also a division of Tampa Electric Company, is engaged in the purchase, distribution and sale of natural gas. With a presence in most of Florida's major metropolitan areas, it serves more than 334,000 residential, commercial, industrial and electric power generation customers. Annual natural gas throughput (the amount of gas delivered to its customers, including transportation-only service) in 2009 was 1.4 billion therms.

The principal executive offices of Tampa Electric Company are located at TECO Plaza, 702 North Franklin Street, Tampa, Florida 33602, telephone (813) 228-1111.

The Exchange Offer and the New Notes

The summary below describes the principal terms of the Exchange Offer and the New Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The PROCEDURES OF THE EXCHANGE OFFER and DESCRIPTION OF THE NEW NOTES sections of this offering memorandum contain more detailed descriptions of the terms and conditions of the Exchange Offer and the New Notes.

The Exchange Offer

The Exchange Offer.....	Tampa Electric Company is offering to Eligible Holders, upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying Letter of Transmittal, the opportunity to exchange any and all of its Old Notes held by them for newly issued New Notes, as described below under "— Total Early Exchange Consideration" and "Exchange Offer Consideration."
Eligibility to Participate in the Exchange Offer.....	We have not registered the Exchange Offer or the issuance of the New Notes under the Securities Act or any other laws. Only holders of Old Notes who have completed and returned the eligibility certification confirming that they are either a QIB or a non-US person in an offshore transaction pursuant to Regulation S under the Securities Act are authorized to receive this offering memorandum or to participate in the Exchange Offer.

Total Early Exchange Consideration.....	Upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying Letter of Transmittal, Eligible Holders who validly tender and who do not validly withdraw Old Notes at or prior to the Early Participation Date, and whose tenders are accepted for exchange by us, will receive the Total Early Exchange Consideration, which means, for each $1,000 principal amount of Old Notes tendered and accepted, consideration comprised of $1,000 principal amount of New Notes bearing interest at a rate of 5.10% per annum, and which Total Early Exchange Consideration includes the Early Exchange Consideration.
Exchange Offer Consideration	Upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying Letter of Transmittal, Eligible Holders who validly tender Old Notes after the Early Participation Date but at or prior to the Expiration Date, and whose tenders are accepted for exchange by us, will receive the Exchange Offer Consideration (the Total Early Exchange Consideration *minus the Early Exchange Consideration*), *which means for* each $1,000 principal amount of Old Notes tendered and accepted, consideration comprised of $970 principal amount of New Notes bearing interest at a rate of 5.10% per annum.
Accrued Interest.....	Interest on the New Notes, including those delivered on the Regular Settlement Date, will accrue from, and including, the Early Settlement Date. Each holder whose Old Notes are accepted for exchange by us will receive interest, if any, that has accrued from the most recent interest payment date in respect of the Old Notes up to but not including the applicable Settlement Date, minus, in the case of the Regular Settlement Date, accrued and unpaid interest on the New Notes up to, but not including, the Regular Settlement Date.
Exchange Amount	Subject to the satisfaction or waiver of the conditions to the Exchange Offer, we will accept for exchange any and all of the Old Notes validly tendered (and not validly withdrawn) in the Exchange Offer at or prior to the Expiration Date.
Conditions to the Exchange Offer	Our obligation to accept Old Notes tendered in the Exchange Offer is subject to the satisfaction of certain customary conditions, including that we will not be obligated to consummate the Exchange Offer upon the occurrence of an event or events or the likely occurrence of an event or events that would or might reasonably be expected to prohibit, restrict or delay the consummation of the Exchange Offer or materially impair the contemplated benefits of the Exchange Offer. The Exchange Offer is not conditioned upon any minimum amount of Old Notes being tendered. Prior to the Expiration Date, we may waive any of these conditions in our sole discretion. See "CONDITIONS TO THE EXCHANGE OFFER."
Early Participation Date.....	5:00 p.m., New York City time, on November 22, 2010, unless we extend the Early Participation Date.
Withdrawal Date.....	5:00 p.m., New York City time, on November 22, 2010.
Expiration Date.....	11:59 p.m., New York City time, on December 8, 2010, unless we extend or terminate the Exchange Offer.

Early Settlement Date	For Old Notes validly tendered and accepted in the Exchange Offer prior to the Early Participation Date, the Early Settlement Date for the Exchange Offer will follow the Early Participation Date and is currently expected to be the fourth business day following the Early Participation Date (November 29, 2010).
Regular Settlement Date	For Old Notes validly tendered and accepted in the Exchange Offer after to the Early Participation Date, the Regular Settlement Date for the Exchange Offer will follow the Expiration Date and is currently expected to be the first business day following the Expiration Date (December 9, 2010).
Withdrawal of Tenders	Old Notes tendered in the Exchange Offer may be validly withdrawn at any time at or prior to the Withdrawal Date provided that we may extend the Early Participation Date without extending the Withdrawal Date unless required by law. Old Notes tendered after the Early Participation Date may not be withdrawn except where additional withdrawal rights are required by law (as determined by Tampa Electric Company). See ACCEPTANCE OF OLD NOTES; ISSUANCE OF NEW NOTES; WITHDRAWAL OF TENDERS.
Procedures for Tendering	For a holder to validly tender Old Notes pursuant to the Exchange Offer, a properly completed and duly executed Letter of Transmittal (or a manually executed facsimile thereof), with any required signature guarantee, or (in the case of a book-entry transfer) an Agent's Message (as defined below) in lieu of the Letter of Transmittal, and any other required documents, must be received by the Exchange Agent at its address set forth on the back cover of this offering memorandum at or prior to the Early Participation Date if such holder wants to be eligible to receive the Total Early Exchange Consideration or at or prior to the Expiration Date if such holder wants to be eligible to receive the Exchange Offer Consideration. See "PROCEDURES OF THE EXCHANGE OFFER — Procedures for Tendering."
Consequences of Failure to Exchange	Eligible Holders of Old Notes that do not tender in the Exchange Offer at or prior to the Early Participation Date will not be eligible to receive the Early Exchange Consideration. Any of the 6.875% Notes and the 6.375% Notes that are not tendered to us prior to the Expiration Date or are not accepted for exchange will remain outstanding, will mature on June 15, 2012 and August 15, 2012, respectively, and will continue to accrue interest in accordance with, and will otherwise be entitled to all the rights and privileges under the indenture governing the 6.875% Notes and the 6.375% Notes. The trading market for Old Notes that are not exchanged could become more limited than the existing trading market for the Old Notes and could cease to exist altogether due to the reduction in the principal amount of the Old Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Old Notes. If a market for Old Notes that are not exchanged exists or develops, the Old Notes may trade at a discount to the price at which they would trade if the principal amount currently outstanding was not reduced. For a description of the consequences of failing to exchange your Old Notes, see "RISK FACTORS" and "PROCEDURES OF THE EXCHANGE OFFER — Certain Consequences to Holders of Old Notes Not Tendering in the Exchange Offer."

United States Federal Tax Consequences	For a summary of certain material United States federal tax consequences of the Exchange Offer, see "MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES."
Use of Proceeds	We will not receive any cash proceeds from the Exchange Offer.
Exchange Agent and Information Agent	Global Bondholder Services Corporation is the exchange agent (the "Exchange Agent") and also is the information agent (the "Information Agent") for the Exchange Offer. The address and telephone numbers of Global Bondholder Services Corporation are listed on the back cover page of this offering memorandum.
Dealer Managers	Citigroup Global Markets Inc. and J.P. Morgan Securities LLC are the lead dealer managers for the Exchange Offer (the "Lead Dealer Managers"). The addresses and telephone numbers of the Lead Dealer Managers are listed on the back cover page of this offering memorandum. The Lead Dealer Managers, together with the other dealer managers for the Exchange Offer, are referred to collectively as Dealer Managers.
Further Information; Questions	Any questions concerning the terms of the Exchange Offer should be directed to the Lead Dealer Managers at the telephone numbers listed on the back cover page of this offering memorandum. Questions concerning tender procedures and requests for additional copies of this offering memorandum and the Letter of Transmittal should be directed to the Information Agent at its address or telephone numbers listed on the back cover page of this offering memorandum.
The New Notes	
Issuer	Tampa Electric Company
The New Notes	In exchange for any and all of the Old Notes we are offering newly issued 5.10% Notes due 2021.
Indenture	We will issue the New Notes under the indenture (the "Indenture") dated as of July 1, 1998, as amended and supplemented, between Tampa Electric Company and The Bank of New York Mellon, as trustee (the "Trustee").
Ranking	The New 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 September 30, 2010, we had no secured indebtedness outstanding other than $27.0 million aggregate principal amount outstanding under our accounts receivable collateralized borrowing facility.
Maturity	May 15, 2021.

Interest Rate	The New Notes will bear interest at a rate equal to 5.10% per annum. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and, with respect to any period less than a full month, on the basis of the actual number of days elapsed during the period.
Interest Payment Dates	May 15 and November 15 commencing May 15, 2011.
Optional Redemption	The New Notes will be redeemable, at our option, in whole or in part at any time, at the redemption prices described in this offering memorandum under "DESCRIPTION OF THE NEW NOTES — Optional Redemption."
Risk Factors	Participation in the Exchange Offer and an investment in the New Notes involves risks. You should carefully consider each of the factors described in the section of this offering memorandum titled "RISK FACTORS" and risk factors incorporated herein by reference.
Form and Denomination	New Notes issued in exchange for Old Notes to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) will be represented by global certificates deposited with, or on behalf of, The Depository Trust Company ("DTC") or its nominee. New Notes issued in exchange for Old Notes in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by separate global certificates deposited with, or on behalf of, DTC or its nominee for the accounts of Euroclear and Clearstream Banking. See "DESCRIPTION OF THE NEW NOTES — Book-Entry." The New Notes will be issuable in denominations of $1,000 and integral multiples of $1,000 in excess thereof.
Resale and Transfer Restrictions	The New Notes have not been registered under the Securities Act. Resales and transfers of the New Notes may be made only in accordance with an applicable exemption from, or in transactions not subject to, registration under the Securities Act. See "TRANSFER RESTRICTIONS."
Exchange Offer; Registration Rights	Under a registration rights agreement to be entered into in connection with this Exchange Offer, we will agree to, subject to certain exceptions, file a registration statement with the SEC with respect to a registered offer to exchange the New Notes for publicly registered notes, or under certain circumstances, a shelf registration statement to cover resales of the New Notes. We will also agree to make additional interest payments on the New Notes if we do not comply with certain of our obligations under the registration rights agreement. See "REGISTERED EXCHANGE OFFER; REGISTRATION RIGHTS."
Trustee and Paying Agent	The Bank of New York Mellon.
Governing Law	The Indenture and the New Notes will be governed by and construed in accordance with the laws of the State of New York.

RISK FACTORS

Investing in the New Notes involves risk. In deciding whether to participate in the Exchange Offer, you should consider carefully the factors that could cause our operating results and financial condition to be materially adversely affected and the factors that could cause the consolidated operating results and financial condition of our parent, TECO Energy, to be materially adversely affected. Please see the risk factors included in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which we file jointly with TECO Energy, as updated by our and TECO Energy's filings with the SEC.

Risks Related to the Exchange Offer and the New Notes

Your decision to tender your Old Notes exposes you to the risk of non-payment for a longer period of time.

The 6.875% Notes and the 6.375% Notes mature on June 15, 2012 and August 15, 2012, respectively, while the New Notes will mature on May 15, 2021. If, following the maturity date of your Old Notes but prior to the maturity dates of the New Notes, we were to become subject to a bankruptcy or similar proceeding, the holders of Old Notes who did not exchange their Old Notes for New Notes could be paid in full and there would exist a risk that holders of Old Notes who exchanged their Old Notes for New Notes would not be paid in full, if at all. Your decision to tender your Old Notes should be made with the understanding that the lengthened maturity date of the New Notes exposes you to the risk of non-payment for a longer period of time.

The New Notes contain restrictions on transfer.

The New Notes have not been registered under the Securities Act or any state securities laws and any resales of the New Notes will be subject to transfer restrictions. See "TRANSFER RESTRICTIONS." Accordingly, the New Notes may only be offered or sold pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws or pursuant to an effective registration statement. Although we have agreed to file, and use our commercially reasonable efforts to have declared effective, a registration statement relating to an exchange offer for the New Notes or, in certain circumstances, register the resale of the New Notes, we cannot assure you that a registration statement will become or remain effective.

We cannot assure you that an active trading market will develop for the New Notes.

The New Notes constitute a new issue of securities with no established trading market. We do not intend to list the series (or any exchange notes that may be issued pursuant to the exchange offer we have agreed to make) on any securities exchange. Certain of the Dealer Managers have informed us that they intend to make a market in the New Notes (and the exchange notes, if issued) after the Exchange Offer is completed. However, the Dealer Managers may cease their market-making efforts at any time. If no active trading market develops, you may not be able to resell the New Notes (or any exchange notes that may be issued pursuant to the exchange offer we have agreed to make) at their fair market value or at all.

The consummation of the Exchange Offer may be delayed or may not occur.

Consummation of the Exchange Offer is subject to the satisfaction of certain customary conditions, including that we will not be obligated to consummate the Exchange Offer upon the occurrence of an event or events or the likely occurrence of an event or events that would or might reasonably be expected to prohibit, restrict or delay the consummation of the Exchange Offer or materially impair the contemplated benefits of the Exchange Offer. Even if the Exchange Offer is completed, it may not be completed on the schedule or on the terms and conditions described in this offering memorandum. Accordingly, holders participating in the Exchange Offer may have to wait longer than expected to receive their New Notes, during which time those holders of Old Notes will not be able to effect transfers of their Old Notes validly tendered and not validly withdrawn in the Exchange Offer.

The Exchange Offer will result in reduced liquidity for the Old Notes that are not exchanged.

Any of the 6.875% Notes and the 6.375% Notes that are not tendered to us or are not accepted for exchange will remain outstanding, will mature on June 15, 2012 and August 15, 2012, respectively, and will continue to accrue interest in

accordance with, and will otherwise be entitled to all the rights and privileges under, the indentures governing them. The trading market for Old Notes that are not exchanged could become more limited than the existing trading market for the Old Notes. A more limited trading market (whether due to reduced principal amount outstanding of the Old Notes or otherwise) might adversely affect the liquidity, market price and price volatility of the Old Notes. If a market for Old Notes that are not exchanged exists or develops, the Old Notes may trade at a discount to the price at which they would trade if the principal amount outstanding was not reduced. There can, however, be no assurance that an active market in the Old Notes will exist, develop or be maintained, or as to the prices at which the Old Notes may trade, whether or not the Exchange Offer is consummated.

You should not tender any Old Notes that you do not wish to be accepted for exchange by us.

Any Old Notes tendered in the Exchange Offer that are not validly withdrawn at or prior to the Early Participation Date (5:00 p.m., New York City time, on November 22, 2010, unless extended in our sole discretion) may not, subject to limited exceptions, be withdrawn thereafter. See "ACCEPTANCE OF OLD NOTES; ISSUANCE OF NEW NOTES; WITHDRAWAL OF TENDERS." In addition, except as required by law, we may extend or otherwise amend the Early Participation Date or the Expiration Date without reinstating withdrawal rights. Accordingly, you should not tender any Notes that you do not wish to be accepted for exchange by us.

The consideration to be received in the Exchange Offer does not reflect any fairness valuation.

Our board of directors has made no determination that the consideration to be received in the Exchange Offer represents a fair valuation of either the Old Notes or the New Notes. We have not obtained a fairness opinion from any financial advisor about the fairness to us or to you of the consideration to be received by holders of Old Notes.

The market prices of the New Notes will fluctuate.

Any material differences between our actual results and the historical results contained in our annual, quarterly and current reports filed with the SEC and incorporated by reference in this offering memorandum could have a significant adverse impact on the market prices of the New Notes, assuming markets for the New Notes develop. In addition, any downgrade of our credit ratings could have an adverse impact on the market prices of the New Notes.

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the New Notes in connection with the Exchange Offer. The Old Notes surrendered in connection with the Exchange Offer will be retired and cancelled.

CAPITALIZATION

The following table summarizes our historical capitalization at September 30, 2010. The following material, which is presented in this offering memorandum solely to furnish limited introductory information, is qualified in its entirety by, and should be considered in conjunction with, the more detailed information appearing elsewhere in this offering memorandum and the documents incorporated by reference herein.

	September 30, 2010	
	Actual	Percent
	(In millions)	
Short-term debt	$ 27.0	0.6%
Long-term debt due within one year	3.4	0.1
Long-term debt, less amount due within one year	1,991.0	47.5
Total debt	2,021.4	48.2
Common equity	2,172.9	51.8
Total capitalization	$ 4,194.3	100.0%

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for each of the periods shown:

	Nine Months Ended Sep. 30, 2010	Twelve Months Ended Sep. 30, 2010	Year Ended December 31, 2009	2008	2007	2006	2005
Ratio of Earnings to Fixed Charges	3.84x	3.72x	3.15x	2.93x	3.12x	3.12x	3.50x

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. Interest expense includes total interest expense, excluding Allowance for Funds Used During Construction ("AFUDC"), and an estimate of the interest component of rentals. 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.

PROCEDURES OF THE EXCHANGE OFFER

Eligibility to Participate in the Exchange Offer

We will conduct the Exchange Offer in accordance with the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC thereunder. We have not registered the Exchange Offer or the issuance of the New Notes under the Securities Act or any other laws. The Information Agent and Dealer Managers will distribute to holders of Old Notes a letter requesting confirmation whether a holder is a QIB or a non-US person in an offshore transaction pursuant to Regulation S under the Securities Act. The letter includes an eligibility certification that holders are asked to complete and return. Only holders of Old Notes who have completed and returned the eligibility certification, whom we refer to as Eligible Holders, are authorized to receive or review this offering memorandum or to participate in the Exchange Offer.

Terms of the Exchange Offer

We are offering to Eligible Holders, upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying Letter of Transmittal, the opportunity to exchange (i) any and all of the 6.875% Notes and (ii) any and all of the 6.375% Notes, each for newly issued 5.10% Notes due 2021.

Determination of Total Early Exchange Consideration; Early Exchange Consideration; Exchange Offer Consideration

Upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying Letter of Transmittal, Eligible Holders who validly tender and who do not validly withdraw Old Notes at or prior to the Early Participation Date, and whose tenders are accepted for exchange by us, will receive on the Early Settlement Date the Total Early Exchange Consideration, which means, for each $1,000 principal amount of Old Notes tendered and accepted, $1,000 principal amount of New Notes bearing interest at a rate of 5.10% per annum, and which Total Early Exchange Consideration includes the Early Exchange Consideration.

Upon the terms and subject to the conditions set forth in this offering memorandum and the accompanying Letter of Transmittal, Eligible Holders who validly tender Old Notes after the Early Participation Date but at or prior to the Expiration Date, and whose tenders are accepted for exchange by us, will receive on the Regular Settlement Date the Exchange Offer Consideration (the Total Early Exchange Consideration minus the Early Exchange Consideration), which means, for each $1,000 principal amount of Old Notes tendered and accepted, consideration comprised of $970 principal amount of New Notes bearing interest at a rate of 5.10% per annum.

In addition, each holder whose Old Notes are accepted for exchange by us will receive a cash payment representing interest, if any, that has accrued from the most recent interest payment date of the Old Notes up to, but not including, the applicable Settlement Date, minus, in the case of the Regular Settlement Date, accrued and unpaid interest on the New Notes

up to, but not including, the Regular Settlement Date. Interest on the New Notes will accrue from, and including, the Early Settlement Date.

Denominations

The New Notes will be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. Tendering holders of Old Notes must tender Old Notes in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. The amount of New Notes to be issued to any Eligible Holder will be based on the total principal amount of Old Notes tendered by such Eligible Holder and accepted for exchange, and the issuance of New Notes will be rounded down to the nearest $1,000 principal amount. We will pay any difference in cash on the applicable Settlement Date.

Early Participation Date; Expiration Date; Extensions; Amendments

The Early Participation Date is 5:00 p.m., New York City time, on November 22, 2010, unless extended, in which case the Early Participation Date will be such time and date to which the Early Participation Date is extended. The Expiration Date is 11:59 p.m., New York City time, on December 8, 2010, unless extended, in which case the Expiration Date will be such time and date to which the Expiration Date is extended.

We may, in our sole discretion, extend the Early Participation Date or the Expiration Date for any reason. To extend the Early Participation Date or the Expiration Date, we will notify the Exchange Agent and will make a public announcement thereof before 9:00 a.m., New York City time, on the next business day after the previously scheduled Early Participation Date or Expiration Date, as applicable. Such announcement will state that we are extending the Early Participation Date or the Expiration Date, as the case may be, for a specified period or on a daily basis. During any such extension, all Old Notes previously tendered will remain subject to the Exchange Offer and may be accepted for exchange by us. We may extend the Early Participation Date without extending the Withdrawal Date, unless otherwise required by law.

Tampa Electric Company expressly reserves the right, subject to applicable law, to:

- delay accepting any Old Notes, to extend the Exchange Offer or to terminate the Exchange Offer and not accept any Old Notes; and

- amend, modify or waive at any time, or from time to time, the terms of the Exchange Offer in any respect, including waiver of any conditions to consummation of the Exchange Offer or decrease of the percentage of Old Notes sought.

If we exercise any such right, we will give written notice thereof to the Exchange Agent and will make a public announcement thereof as promptly as practicable. Without limiting the manner in which we may choose to make a public announcement of any extension, amendment or termination of the Exchange Offer, we will not be obligated to publish, advertise or otherwise communicate any such public announcement, other than by making a timely press release.

The minimum period during which the Exchange Offer will remain open following material changes in the terms of the Exchange Offer or in the information concerning the Exchange Offer will depend upon the facts and circumstances of such change, including the relative materiality of the changes. With respect to a change in consideration or, if required by law, percentage of Old Notes sought, the Exchange Offer will remain open for a minimum ten business day period following the announcement of such change to allow for adequate dissemination of such change. If the terms of the Exchange Offer are amended in a manner determined by us to constitute a material change adversely affecting any holder, we will promptly disclose any such amendment in a manner reasonably calculated to inform holders of such amendment, and we will extend the Exchange Offer for a time period that we deem appropriate, depending upon the significance of the amendment and the manner of disclosure to holders, if the Exchange Offer would otherwise expire during such time period.

Settlement Dates

We will deliver the New Notes and pay any applicable cash amounts on the Early Settlement Date or the Regular Settlement Date, as applicable. For Old Notes validly tendered and accepted in the Exchange Offer prior to the Early Participation Date, the Early Settlement Date for the Exchange Offer will follow the Early Participation Date and is currently expected to be the fourth business day following the Early Participation Date. For Old Notes validly tendered and accepted in

the Exchange Offer after the Early Participation Date, the Regular Settlement Date for the Exchange Offer will follow the Expiration Date and is currently expected to be the first business day following the Expiration Date. We will not be obligated to deliver New Notes unless the Exchange Offer is consummated.

Additional Purchases of Old Notes

We reserve the right, in our absolute discretion, to purchase or make offers to purchase any Old Notes that remain outstanding subsequent to the Expiration Date and, to the extent permitted by applicable law, and subject to market conditions, to purchase Old Notes in the open market, in privately negotiated transactions, in exchange or tender offers, through redemptions or otherwise. The terms of any such purchases or offers could differ from the terms of the Exchange Offer. Any purchase or offer to purchase will not be made except in accordance with applicable law.

Procedures for Tendering

The following summarizes the procedures to be followed by all holders in tendering their Old Notes.

For a holder to validly tender Old Notes pursuant to the Exchange Offer, a properly completed and duly executed Letter of Transmittal (or a manually executed facsimile thereof), with any required signature guarantee, or (in the case of a book-entry transfer) an Agent's Message in lieu of the Letter of Transmittal, and any other required documents, must be received by the Exchange Agent at its address set forth on the back cover of this offering memorandum at or prior to the Early Participation Date or the Expiration Date, as applicable. In addition, at or prior to the Early Participation Date (if such holder wants to be eligible to receive the Early Exchange Consideration) or the Expiration Date, as applicable, either (a) such holder's Old Notes must be transferred pursuant to the procedures for book-entry transfer described below (and a confirmation of such tender must be received by the Exchange Agent, including an Agent's Message if the tendering holder has not delivered a Letter of Transmittal) or (b) certificates for tendered Old Notes must be received by the Exchange Agent at such address. To tender Old Notes that are held through DTC, DTC participants should transmit their acceptance through the Automated Tender Offer Program (ATOP) procedures of DTC, and DTC is expected to then edit and verify the acceptance and send an Agent's Message to the Exchange Agent for its acceptance.

If the Old Notes are registered in the name of a person other than the signer of the Letter of Transmittal, or if certificates for untendered Old Notes are to be issued to a person other than the registered holder, the certificates must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name of the registered holder appears on the certificates, with the signature on the certificates or bond powers guaranteed as described below.

Any beneficial owner whose Old Notes are registered in the name of a broker-dealer, commercial bank, trust company or other nominee and who wishes to tender Old Notes should contact such registered holder promptly and instruct the holder to tender such Old Notes on the beneficial owner's behalf. If such beneficial owner wishes to tender such Old Notes itself, such beneficial owner must, before completing and executing the Letter of Transmittal and delivering such Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name or follow the procedures described in the immediately preceding paragraph. The transfer of record ownership may take considerable time. The tender by a holder pursuant to the procedures set forth herein will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth herein.

By tendering Old Notes pursuant to the Exchange Offer, a holder will be deemed to have represented, warranted and agreed that such holder is the beneficial owner of, or a duly authorized representative of one or more such beneficial owners of, and has full power and authority to tender, sell, assign and transfer, the Old Notes tendered thereby and that when such Old Notes are accepted for exchange and issuance of New Notes by us, we will acquire good, indefeasible, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim or right and will cause such Old Notes to be delivered in accordance with the terms of the Exchange Offer. The holder will also be deemed to have agreed to (a) not sell, pledge, hypothecate or otherwise encumber or transfer any Old Notes tendered from the date of such tender and that any such purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect and (b) execute and deliver further documents and give any further assurances that may be required in connection with the Exchange Offer and the transactions contemplated thereby, in each case on and subject to the terms and conditions of the Exchange Offer. In addition, the holder will be deemed to have released us and our affiliates from any and all claims that holders may have arising out of or relating to the Old Notes.

Holders desiring to tender Old Notes pursuant to ATOP must allow sufficient time for completion of the ATOP procedures during normal business hours of DTC. Except as otherwise provided herein, delivery of Old Notes will be deemed made only when (a) the Agent's Message or (b) the Letter of Transmittal and certificates of the tendered Old Notes are actually received by the Exchange Agent. No documents should be sent to us or the Dealer Managers. If you are tendering through a nominee, you should check to see whether there is an earlier deadline for instructions with respect to your decision.

Guarantee of Signature

Signatures on a Letter of Transmittal must be guaranteed by a recognized participant (Medallion Signature Guarantor) in the Securities Transfer Agents' Medallion Program, unless the Old Notes tendered thereby are tendered (a) by the registered holder of such Old Notes and that holder has not completed the box entitled "Special Delivery Instructions" on the Letter of Transmittal, or (b) for the account of an Eligible Institution (as defined below). An "Eligible Institution" is one of the following firms or other entities identified in Rule 17Ad-15 under the Exchange Act (as the terms are defined in such Rule 17Ad-15):

- a bank;
- a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker;
- a credit union;
- a national securities exchange, registered securities association or clearing agency; or
- a savings institution that is a participant in a Securities Transfer Association recognized program.

Book-Entry Transfer

The Exchange Agent will establish an account with respect to the Old Notes at DTC for purposes of the Exchange Offer and any financial institution that is a participant in DTC may make book-entry delivery of Old Notes by causing DTC to transfer such Old Notes into the Exchange Agent's account in accordance with DTC's procedures for such transfer. However, although delivery of Old Notes may be effected through book-entry transfer into the Exchange Agent's account at DTC, an Agent's Message, and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at its address set forth on the back cover of this offering memorandum at or prior to the Early Participation Date or the Expiration Date, as applicable. The confirmation of a book-entry transfer into the Exchange Agent's account at DTC as described above is referred to herein as a "Book-Entry Confirmation." Delivery of documents to DTC does not constitute delivery to the Exchange Agent.

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Exchange Agent and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from the participant in DTC described in such Agent's Message, stating (a) the aggregate principal amount of Old Notes that have been tendered by such participant pursuant to the Exchange Offer, (b) that such participant has received this offering memorandum and the Letter of Transmittal and agrees to be bound by the terms of the Exchange Offer as described in this offering memorandum and the Letter of Transmittal, and (c) that we may enforce such agreement against such participant.

Any acceptance of an Agent's Message transmitted through ATOP is at the election and risk of the person transmitting an Agent's Message and delivery will be deemed made only when actually received by the Exchange Agent.

No Guaranteed Delivery

There are no guaranteed delivery provisions applicable to the Exchange Offer under the terms of this offering memorandum or any other of the offer materials. Holders must tender their Old Notes in accordance with the procedures set forth above under "— Procedures for Tendering."

Transfer of Ownership of Tendered Old Notes

Holders may not transfer record ownership of any Old Notes validly tendered and not validly withdrawn in the Exchange Offer. Beneficial ownership in tendered Old Notes may be transferred by the holder by delivering to the Exchange Agent at its address set forth on the back cover of this offering memorandum an executed Letter of Transmittal identifying the name of the person who deposited the Old Notes to be transferred and completing the "Special Delivery Instructions" box with the name of the transferee (or, if tendered by book-entry transfer, the name of the DTC participant on the security listing position listed as the transferee of such Old Notes) and the principal amount of the Old Notes to be transferred (provided that the transferee shall be required to execute an eligibility certification in the form executed by the transferor). If certificates have been delivered or otherwise identified (through a Book-Entry Confirmation with respect to such Old Notes) to the Exchange Agent, the name of the holder who deposited the Old Notes, the name of the transferee and the certificate numbers relating to such Old Notes should also be provided in the Letter of Transmittal. A person who succeeds to the beneficial ownership of tendered Old Notes pursuant to these procedures will be entitled to receive the New Notes issued in exchange for those tendered Old Notes, the Early Exchange Consideration, if applicable, the balance of the Total Early Exchange Consideration, and any applicable accrued and unpaid interest if the Old Notes are accepted for exchange, or to receipt of the tendered Old Notes if the related Exchange Offer is terminated, provided, in each case, that we have been given proper and timely instructions as to the identity of such person and the address where such delivery should be made.

Other Matters

Subject to, and effective upon, the acceptance of, and the issuance of the New Notes and the balance of the Total Early Exchange Consideration or the Exchange Offer Consideration, as applicable, in exchange for, the principal amount of Old Notes tendered in accordance with the terms and subject to the conditions of the Exchange Offer, a tendering holder by executing and delivering a Letter of Transmittal (or agreeing to the terms of a Letter of Transmittal pursuant to an Agent's Message) will be deemed to have:

- irrevocably agreed to sell, assign and transfer to or upon our order or our nominees' order, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of the tendering holder's status as a holder of, all Old Notes tendered, such that thereafter it shall have no contractual or other rights or claims in law or equity against us or any fiduciary, trustee, fiscal agent or other person connected with the Old Notes arising under, from or in connection with such Old Notes;

- *waived any and all rights with respect to the Old Notes tendered (including, without limitation, any existing or past* defaults and their consequences in respect of such Old Notes and the Indenture);

- released and discharged us and the trustee under the Indenture from any and all claims the holder may have, now or in the future, arising out of or related to the Old Notes tendered, including, without limitation, any claims that the holder is entitled to receive additional principal or interest payments with respect to the Old Notes tendered (other than as expressly provided in this offering memorandum and in the Letter of Transmittal) or to participate in any repurchase, redemption or *defeasance of the Old Notes tendered; and*

- irrevocably constituted and appointed the Exchange Agent the true and lawful agent and attorney-in-fact of such holder (with full knowledge that the Exchange Agent also acts as our agent) with respect to any tendered Old Notes, with full power of substitution and resubstitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver such Old Notes or transfer ownership of such Old Notes on the account books maintained by DTC together with all accompanying evidences of transfer and authenticity, to or upon our order, (b) present such *Old Notes for transfer on the register, and (c) receive all benefits or otherwise exercise all rights of* beneficial ownership of such Old Notes, including receipt of New Notes issued in exchange therefor and the balance of the Total Early Exchange Consideration or Exchange Offer Consideration, as applicable, for any Old Notes tendered pursuant to the Exchange Offer with respect to the Old Notes that are accepted by us and transfer such New Notes and such funds to the holder, all in accordance with the terms of the Exchange Offer.

By tendering Old Notes pursuant to the Exchange Offer, the holder will be deemed to have agreed that the delivery and surrender of the Old Notes is not effective, and the risk of loss of the Old Notes does not pass to the Exchange Agent, until receipt by the Exchange Agent of (a) a properly completed and duly executed Letter of

Transmittal and the certificates of the tendered Old Notes accompanying the Letter of Transmittal together with all accompanying evidences of authority and any other required documents in form satisfactory to us or (b) a properly transmitted Agent's Message. All questions as to the form of all documents and the validity (including time of receipt) and acceptance of tenders and withdrawals of Old Notes will be determined by us, in our sole discretion, which determination shall be final and binding.

Notwithstanding any other provision of the Exchange Offer, delivery of the Total Early Exchange Consideration, including the Early Exchange Consideration, or the Exchange Offer Consideration, in each case, as applicable, and accrued and unpaid interest, if any, with respect to the Old Notes, in exchange for any Old Notes tendered and accepted for exchange pursuant to the Exchange Offer will occur only after timely receipt by the Exchange Agent of (a) a Book-Entry Confirmation with respect to such Old Notes, together with an Agent's Message and any other required documents or (b) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantee, for the Old Notes accompanying the Letter of Transmittal and any other required documentation. The tender of Old Notes pursuant to the Exchange Offer by one of the procedures set forth above will constitute an agreement between the tendering holder and us in accordance with the terms and subject to the conditions of the Exchange Offer. The method of delivery of the Letter of Transmittal, certificates for Old Notes and all other required documents is at the election and risk of the tendering holder. If a holder chooses to deliver by mail, the recommended method is by registered mail with return receipt requested, properly insured. In all cases, sufficient time should be allowed to ensure timely delivery.

Alternative, conditional or contingent tenders will not be considered valid. We reserve the absolute right to reject any or all tenders of Old Notes that are not in proper form or the acceptance of which would, in our opinion, be unlawful. We also reserve the right, subject to applicable law, to waive any defects, irregularities or conditions of tender as to particular Old Notes. A waiver of any defect or irregularity with respect to the tender of one note shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other note. Our interpretations of the terms and conditions of the Exchange Offer will be final and binding on all parties. Any defect or irregularity in connection with tenders of Old Notes must be cured within such time as we determine, unless waived by us. Tenders of Old Notes shall not be deemed to have been made until all defects and irregularities have been waived by us or cured. None of us, the trustee for the Old Notes, the Dealer Managers, the Exchange Agent, the Information Agent or any other person will be under any duty to give notice of any defects or irregularities in tenders of Old Notes or will incur any liability to holders for failure to give any such notice.

CONDITIONS TO THE EXCHANGE OFFER

Notwithstanding any other provision of the Exchange Offer, we will not be obligated to (i) accept for exchange any validly tendered Old Notes or (ii) issue any New Notes in exchange for validly tendered Old Notes or complete the Exchange Offer, if any of the following events occurs or exists at or prior to the Expiration Date:

(1) (a) any general suspension of, shortening of hours for or limitation on prices for, trading in securities in the United States securities or financial markets (whether or not mandatory), (b) a material impairment in the trading markets for the Old Notes or securities generally, (c) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (d) any limitation (whether or not mandatory) by any governmental authority on, or other event having a reasonable likelihood of affecting, the extension of credit by banks or other lending institutions in the United States, (e) any attack on, outbreak or escalation of hostilities or acts of terrorism directly or indirectly involving the United States that would reasonably be expected to have a material, disproportionate effect on our business, operations, condition or prospects relative to other companies in the same industry, (f) any significant adverse change in the United States securities or financial markets generally or in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof, or (g) any other change or development, including a prospective change or development, in general economic, financial, monetary or market conditions that, in our reasonable judgment, has or may have a material adverse effect on the market price or trading of the Old Notes or upon the value of the Old Notes to us;

(2) the existence of an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction that shall have been enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in our reasonable judgment, would or would be reasonably likely to prohibit, prevent or materially restrict or delay consummation of the Exchange Offer;

(3) any instituted, pending or threatened action or proceeding before or by any court or governmental, regulatory or administrative agency or instrumentality, or by any other person, that challenges the making of the Exchange Offer or is reasonably likely to directly or indirectly prohibit, prevent, restrict or delay the consummation of the Exchange Offer or otherwise adversely affects the Exchange Offer in any material manner;

(4) there occurs or exists, in our reasonable judgment, any other actual or threatened legal impediment to the Exchange Offer or any other circumstances that would materially adversely affect the transactions contemplated by the Exchange Offer, or the contemplated benefits of the Exchange Offer to us;

(5) the occurrence of an event or events or the likely occurrence of an event or events that would or might reasonably be expected to prohibit, restrict or delay the consummation of the Exchange Offer or materially impair the contemplated benefits of the Exchange Offer; or

(6) the trustee for the Old Notes objects in any respect, or takes any action, or refuses or fails to take any action, that would, in our reasonable judgment, be reasonably likely to materially and adversely affect the consummation of the Exchange Offer, or takes any action that challenges the validity or effectiveness of the procedures used by us in the making of the Exchange Offer or in the acceptance of Old Notes or the delivery of any cash amounts.

The conditions described above are solely for our benefit and may be asserted only by us regardless of the circumstances giving rise to any such condition, including any action or inaction by us, and may be waived by us, in whole or in part, at any time and from time to time, in our sole discretion. If any of the foregoing conditions have not been met, we may (but will not be obligated to), at any time at or prior to the Expiration Date, subject to applicable law, (a) terminate the Exchange Offer, (b) extend the Exchange Offer, on the same or amended terms, and thereby delay acceptance for exchange of any tendered and not withdrawn Old Notes, or (c) waive the unsatisfied condition or conditions and accept for exchange all validly tendered and not validly withdrawn Old Notes. Our failure at any time to exercise any of our rights will not be deemed a waiver of any other right, and each right will be deemed an ongoing right which may be asserted at any time and from time to time.

Subject to applicable law, we expressly reserve the right, in our sole discretion, to terminate the Exchange Offer at any time. If we terminate the Exchange Offer, all of the Old Notes theretofore tendered and not validly withdrawn pursuant to such terminated Exchange Offer and not accepted for exchange will be returned promptly to the tendering holders thereof in accordance with applicable law at our expense. See "ACCEPTANCE OF OLD NOTES; ISSUANCE OF NEW NOTES; WITHDRAWAL OF TENDERS — Withdrawal of Tenders" below.

ACCEPTANCE OF OLD NOTES; ISSUANCE OF NEW NOTES; WITHDRAWAL OF TENDERS

Assuming the conditions to the Exchange Offer are satisfied or waived, we will issue the New Notes in book-entry form on the applicable Settlement Date, or as soon as practicable after that date in exchange for Old Notes that are properly tendered (and not validly withdrawn) and accepted in the Exchange Offer.

We expressly reserve the right, in our sole discretion, but subject to applicable law, to (a) delay acceptance of Old Notes for exchange tendered under the Exchange Offer or the issuance of New Notes in exchange for validly tendered Old Notes (subject to Rule 14e-1 under the Exchange Act, which requires that we pay the consideration offered or return Old Notes deposited by or on behalf of the holders promptly after the termination or withdrawal of the Exchange Offer) or (b) terminate the Exchange Offer at any time.

For purposes of the Exchange Offer, we will be deemed to have accepted for exchange validly tendered Old Notes (or defectively tendered Old Notes with respect to which we have waived such defect) if, as and when we give oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. Subject to the terms and conditions of the Exchange Offer, delivery of the New Notes will be made by the Exchange Agent on the applicable Settlement Date upon receipt of such notice. The Exchange Agent will act as agent for participating holders of the Old Notes for the purpose of receiving Old Notes from, and transmitting New Notes to, such holders. With respect to tendered Old Notes that are to be returned to holders, such Old Notes will be returned without expense to the tendering holder promptly (or, in the case of Old Notes

tendered by book-entry transfer, such Old Notes will be credited to the account maintained at DTC from which such Old Notes were delivered) after the expiration or termination of the Exchange Offer.

The New Notes will be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. Tendering holders of Old Notes must tender Old Notes in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. The amount of New Notes to be issued to any Eligible Holder will be based on the total principal amount of Old Notes tendered by such Eligible Holder and accepted for exchange, and the issuance of New Notes will be rounded down to the nearest $1,000 principal amount. We will pay any difference in cash on the applicable Settlement Date.

If, for any reason, acceptance for exchange of tendered Old Notes, or issuance of New Notes in exchange for validly tendered Old Notes, pursuant to the Exchange Offer is delayed, or we are unable to accept tendered Old Notes for exchange or to issue New Notes or deliver any cash amounts in exchange for validly tendered Old Notes pursuant to the Exchange Offer, then the Exchange Agent may, nevertheless, on behalf of us, retain the tendered Old Notes, without prejudice to our rights described under "PROCEDURES OF THE EXCHANGE OFFER — Early Participation Date; Expiration Date; Extensions; Amendments" and "CONDITIONS TO THE EXCHANGE OFFER" above and "— Withdrawal of Tenders" below, but subject to Rule 14e-1 under the Exchange Act, which requires that we deliver the consideration offered or return the Old Notes tendered promptly after the termination or withdrawal of the Exchange Offer.

If any tendered Old Notes are not accepted for exchange for any reason pursuant to the terms and conditions of the Exchange Offer, (a) such Old Notes will be credited to an account maintained at DTC, designated by the participant therein who so delivered such Old Notes promptly following the Expiration Date or the termination of the Exchange Offer or (b) if the holder of record holds physical Old Notes, such Old Notes will be returned by delivery of a certificate representing such returned principal amount (including delivery of the original certificate tendered if none of such holder's tendered Old Notes are accepted).

Holders of Old Notes tendered and accepted for exchange pursuant to the Exchange Offer will receive interest, if any, that has accrued from the most recent interest payment date in respect of the Old Notes up to but not including the applicable Settlement Date, minus, in the case of the Regular Settlement Date, accrued and unpaid interest on the New Notes up to, but not including, the Regular Settlement Date. Interest on the New Notes, including those delivered on the Regular Settlement Date, will accrue from, and including, the Early Settlement Date. Under no circumstances will any additional interest be payable because of any delay by the Exchange Agent or DTC in the transmission of funds to the holders of accepted Old Notes or otherwise.

Tendering holders of Old Notes accepted in the Exchange Offer will not be obligated to pay brokerage commissions or fees to us, the Dealer Managers, the Exchange Agent or the Information Agent.

Withdrawal of Tenders

Old Notes validly tendered in the Exchange Offer may be validly withdrawn at any time at or prior to the Withdrawal Date, *provided that we may extend the Early Participation Date without extending the Withdrawal Date, unless required by* law. We may also, subject to applicable law, amend, modify or waive at any time, the terms of the Exchange Offer in any respect, including waiving any conditions to consummation of the Exchange Offer or increasing the principal amount of either series of Old Notes sought. In certain such cases, we may extend the Exchange Offer for a time period we consider appropriate or as required by law, but we are not required to, and most likely will not, extend the Withdrawal Date in connection with any such extension. See "PROCEDURES OF THE EXCHANGE OFFER — Early Participation Date; Expiration Date; Extensions; Amendments." Old Notes tendered after the Withdrawal Date may not be withdrawn, except *where additional withdrawal rights are required by law (as determined by us).* If the Exchange Offer is terminated, Old Notes tendered pursuant to the Exchange Offer will promptly be returned to the tendering holders.

For a withdrawal of a tender of Old Notes to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Exchange Agent at its address set forth on the back cover of this offering memorandum before the Withdrawal Date, by mail, fax or hand delivery or by a properly transmitted "Request Message" through ATOP. Any such notice of withdrawal must:

- specify the name of the holder who tendered the Old Notes to be withdrawn and, if different, the name of the registered holder of such Old Notes (or, in the case of Old Notes tendered by book-entry transfer, the name of the DTC participant whose name appears on the security position as the owner of such Old Notes);

- contain the description of the Old Notes to be withdrawn (including the principal amount of the Old Notes to be withdrawn and, in the case of Old Notes tendered by delivery of certificates rather than book-entry transfer, the certificate numbers thereof);

- unless transmitted through ATOP, be signed by the holder of such Old Notes in the same manner as the original signature on the Letter of Transmittal, including any required signature guarantees (or, in the case of Old Notes tendered by a DTC participant through ATOP, be signed by such participant in the same manner as the participant's name is listed in the applicable Agent's Message), or be accompanied by evidence satisfactory to us that the person withdrawing the tender has succeeded to the beneficial ownership of such Old Notes; and

- if the Letter of Transmittal was executed by a person other than the registered holder, be accompanied by a properly completed irrevocable proxy that authorized such person to effect such withdrawal on behalf of such holder.

The signature on the notice of withdrawal must be guaranteed by a Medallion Signature Guarantor unless such Old Notes have been tendered for the account of an Eligible Institution. If certificates for the Old Notes to be withdrawn have been delivered or otherwise identified to the Exchange Agent, a signed notice of withdrawal will be effective immediately upon receipt by the Exchange Agent of written or facsimile transmission notice of withdrawal even if physical release is not yet effected.

Withdrawal of tenders of Old Notes may not be rescinded, and any Old Notes properly withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer. Withdrawal of Old Notes may only be accomplished in accordance with the foregoing procedures. Old Notes validly withdrawn may thereafter be retendered at any time on or before the Expiration Date by following the procedures described under "PROCEDURES OF THE EXCHANGE OFFER — Procedures for Tendering."

We will determine all questions as to the form and validity (including time of receipt) of any notice of withdrawal of a tender, which determination shall be final and binding. None of us, the trustee for the Old Notes, the Dealer Managers, the Exchange Agent or the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal of a tender or incur any liability for failure to give any such notification.

If we are delayed in our acceptance for exchange of, or issuance of New Notes in exchange for, any Old Notes or if we are unable to accept for exchange any Old Notes or issue New Notes in exchange therefor pursuant to the Exchange Offer for any reason, then, without prejudice to our rights hereunder, but subject to applicable law, tendered Old Notes may be retained by the Exchange Agent on our behalf and may not be validly withdrawn (subject to Rule 14e-1 under the Exchange Act, which requires that we issue or pay the consideration offered or return the Old Notes deposited by or on behalf of the holders promptly after the termination or withdrawal of the Exchange Offer).

Certain Consequences to Holders of Old Notes Not Tendering in the Exchange Offer

Holders of Old Notes that do not tender in the Exchange Offer at or prior to the Early Participation Date will not be eligible to receive the Early Exchange Consideration.

The trading market for Old Notes that are not exchanged could become more limited than the existing trading market for the Old Notes and could cease to exist altogether due to the reduction in the principal amount of the Old Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Old Notes. If a market for Old Notes that are not exchanged exists or develops, the Old Notes may trade at a discount to the price at which they would trade if the principal amount outstanding was not reduced.

For a summary of certain material US federal tax consequences to a holder of an Old Note who does not tender an Old Note in the Exchange Offer, see "MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES."

Exchange Agent

Global Bondholder Services Corporation has been appointed the Exchange Agent for the Exchange Offer. Letters of Transmittal and all correspondence in connection with the Exchange Offer should be sent or delivered by each holder of Old Notes, or a beneficial owner's custodian bank, depositary, broker, trust company or other nominee, to the Exchange Agent at the address and telephone numbers set forth on the back cover page of this offering memorandum. We will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable, out-of-pocket expenses in connection therewith.

Information Agent

Global Bondholder Services Corporation has also been appointed as the Information Agent for the Exchange Offer and will receive customary compensation for its services. Questions concerning tender procedures and requests for additional copies of this offering memorandum or the Letter of Transmittal should be directed to the Information Agent at the address and telephone numbers set forth on the back cover page of this offering memorandum. Holders of Old Notes may also contact their custodian bank, depositary, broker, trust company or other nominee for assistance concerning the Exchange Offer.

Dealer Managers

We have retained Citigroup Global Markets Inc. and J.P. Morgan Securities LLC to act as Lead Dealer Managers, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated to act as co-dealer managers, in connection with the Exchange Offer. We will pay the Dealer Managers a reasonable and customary fee for soliciting tenders in the Exchange Offer. We will also reimburse the Dealer Managers for their reasonable out-of-pocket expenses. The obligations of the Dealer Managers to perform such function are subject to certain conditions. We have agreed to indemnify the several Dealer Managers against certain liabilities, including liabilities under the federal securities laws in connection with their services. Questions regarding the terms of the Exchange Offer may be directed to the Lead Dealer Managers at the addresses and telephone numbers set forth on the back cover page of this offering memorandum.

From time to time, the Dealer Managers have provided, and may provide in the future, investment banking and other services for us.

Other Fees and Expenses

The expenses of soliciting tenders of the Old Notes will be borne by us.

Tendering holders of Old Notes will not be required to pay any fee or commission to the Dealer Managers. However, if a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, such holder may be required to pay brokerage fees or commissions.

DESCRIPTION OF THE NEW NOTES

The following summaries of certain provisions of the New Notes and 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 Mellon, as trustee, and as supplemented by an eighth supplemental indenture thereto between us and The Bank of New York Mellon, as trustee, copies of the terms of which may be obtained from us by contacting us at the address set forth under "INCORPORATION BY REFERENCE." The indenture provides for the issuance from time to time of various series of debt securities, including the New Notes.

For purposes of the following description, unless otherwise indicated, a business day is any day that is not (i) a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close, or (ii) a day on which the Corporate Trust Office of the Trustee is closed for business.

General

The New Notes will mature on May 15, 2021 and will bear interest at a rate equal to 5.10% per annum. Interest on the New Notes will:

- be payable in US dollars;
- be computed for each interest period on the basis of a 360-day year consisting of twelve 30-day months and, with respect to any period less than a full month, on the basis of the actual number of days elapsed during the period;
- be payable semi-annually in arrears on May 15 and November 15 of each year, and at maturity, beginning on May 15, 2011;
- accrue from, and including, the Early Settlement Date; and
- be paid to the persons in whose names the New Notes are registered at the close of business on the 15th calendar day before each interest payment date for the New Notes. We will not be required to make transfers or exchanges of the New Notes for a period of 15 calendar days before an interest payment date.

If any interest payment date, maturity date or redemption date falls on a day that is not a business day, such interest payment date will be postponed to the next succeeding business day, and no interest on such payment will accrue for the period from and after the interest payment date, maturity date or redemption date to such next succeeding business day.

The New Notes do not have a sinking fund.

Ranking

The New 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 New 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 New 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 New 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. We will not charge a service fee for the registration, transfer or exchange of the New Notes, but we may require a payment sufficient to cover any tax or other governmental charge payable in connection with registration, transfer or exchange. The New Notes will be initially issued as global securities. See "Book-Entry" below

for additional information concerning the New Notes and the book-entry system. The Depository Trust Company, or DTC, will be the depositary with respect to the New Notes. 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 New 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 New Notes outstanding to be redeemed, or
- the sum of the present values of the remaining scheduled payments of principal and interest on the New Notes then outstanding to be redeemed (not including any portion of any 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 with respect to any redemption date 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 LLC 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 LLC or their affiliates and each of their respective successors; provided that if any of them ceases to be a primary US Government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute another Primary Treasury Dealer; and
- up to three 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 3:30 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.

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 New Notes and other 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, and in connection with an asset sale we will be released.

Modification of the Indenture

The Indenture provides that we and 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 New Notes affected by that modification, we may not:

- change the date stated on the New Notes on which any payment of principal or interest is stated to be due;
- reduce the principal amount or any premium or interest on, the New Notes, including in the case of New Notes, 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, the New Notes;
- impair the right to institute suit for the enforcement of any payment on or with respect to the New Notes 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 New Notes, 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 New Notes.

The holders of not less than a majority in aggregate principal amount of the outstanding New Notes may waive any past default under the Indenture with respect to the New Notes except:

- a default in the payment of principal of, or any premium or interest on, the New Notes;
- 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 New Note.

Events of Default

An event of default with respect to the New Notes is any one of the following events:

- we fail to pay any interest on the New Notes when due, and such failure has continued for 30 days;
- we fail to pay principal of or any premium on the New Notes when due;
- we fail to make any Additional Payments (as defined in the Registration Rights Agreement) on the New Notes 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 the New Notes), and such failure has continued for 90 days after we and the Trustee receive written notice as provided in the Indenture; and
- events of bankruptcy, insolvency or reorganization.

If an event of default with respect to the New Notes occurs and is continuing, the Trustee or the holders of not less than 25% in principal amount of the outstanding New Notes may declare the principal amount (or, if any New Notes are discounted debt securities, a portion of the principal amount that the terms of the New Notes may specify) of all New Notes to be immediately due and payable. Under some circumstances, the holders of a majority in principal amount of the New Notes may rescind and annul that declaration and its consequences.

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 New Notes 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 New Notes.

The holder of any New Notes 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 New Notes 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 issued under the Indenture 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 the New Notes

Subject to the terms of the Indenture, we may request to be discharged from any and all obligations with respect to New Notes (except for certain obligations to register the transfer or exchange of such New Notes, to replace such New Notes 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 US 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 New Notes 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 the New Notes.

Under current federal income tax law, the defeasance of the New Notes would be treated as a taxable exchange of the New Notes in which holders of the New Notes 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 Mellon, 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.

Governing Law

The Indenture and the New Notes will be governed by and construed in accordance with the laws of the State of New York.

Book-Entry

The certificates representing the New Notes will be issued in fully registered form, without coupons. The New Notes will be deposited with, or on behalf of, DTC, and registered in the name of Cede & Co., as DTC's nominee in the form of one or more global certificates or will remain in the custody of the Trustee pursuant to a FAST Balance Certificate Agreement between DTC and the Trustee. Upon the issuance of the global certificates, DTC or its nominee will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global certificates to the accounts of persons who have accounts with such depositary. Such accounts initially will be designated by or on behalf of the Dealer Managers. Ownership of beneficial interests in a global certificate will be limited to persons who have accounts with DTC (participants) or persons who hold interests through participants. Ownership of beneficial interests in a global certificate will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a global certificate directly through DTC if they are participants in such system or indirectly through organizations which are participants in such system.

Investors that participate in the Exchange Offer and receive New Notes pursuant to Regulation S may hold their interests directly through Clearstream Banking or Euroclear, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Clearstream Banking and Euroclear will hold interests in the global certificate representing New Notes purchased pursuant to Regulations S on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a global certificate, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the New Notes represented by such global certificate for all purposes under the Indenture and the New Notes. No beneficial owner of an interest in a global certificate will be able to transfer the interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream Banking.

Payments of the principal of and interest on a global certificate will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither Tampa Electric Company, the Trustee nor any paying agent 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 certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global certificate, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global certificate as shown on the records of DTC or its nominee. Tampa Electric Company also expects that

payments by participants to owners of beneficial interests in such global certificate held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules. If a holder requires physical delivery of a certificated New Note for any reason, including to sell New Notes to persons in jurisdictions which require such delivery of such New Notes or to pledge such New Notes, such holder must transfer its interest in a global certificate in accordance with the procedures described under "TRANSFER RESTRICTIONS" in this offering memorandum, as well as DTC's applicable procedures and the procedures set forth in the Indenture and, if applicable, those of Euroclear and Clearstream Banking.

DTC will take any action permitted to be taken by a holder of New Notes (including the presentation of New Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a global certificate is credited and only in respect of such portion of the aggregate principal amount of the New Notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the New Notes, DTC will exchange a global certificate for certificated Notes, which it will distribute to its participants and which may be legended as set forth under "TRANSFER RESTRICTIONS."

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants). The rules applicable to DTC and its participants are on file with the SEC.

Although DTC, Euroclear and Clearstream Banking are expected to follow the foregoing procedures in order to facilitate transfers of interests in the New Notes represented by global certificates among their respective participants, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Tampa Electric Company nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for a global certificate and a successor depositary is not appointed by Tampa Electric Company within 90 days, Tampa Electric Company will issue certificated Notes in exchange for a global certificate which will bear the restrictive legend referred to under "TRANSFER RESTRICTIONS," subject to the provisions of such legend.

Tampa Electric Company will make all payments of principal and interest in immediately available funds. Secondary trading in long-term bonds and notes of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, beneficial interests in the New Notes that are not certificated Notes will trade in DTC's Same-Day Funds Settlement System until maturity. Therefore, the secondary market trading activity in such interests will settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the New Notes.

The information in this subsection, — "Book-Entry," concerning DTC and DTC's book-entry system has been obtained from sources that Tampa Electric Company believes to be reliable, but Tampa Electric Company does not take any responsibility for the accuracy of this information.

Restrictions on Transfer

The New Notes will be subject to restrictions on transfer and will bear a restrictive legend substantially as described in "TRANSFER RESTRICTIONS."

REGISTERED EXCHANGE OFFER; REGISTRATION RIGHTS

We and the Lead Dealer Managers will enter into a registration rights agreement (the "Registration Rights Agreement") on or prior to the original issue date of the New Notes (the "Issue Date"). The following description is a summary of the material provisions of the Registration Rights Agreement. It does not restate the agreement in its entirety and is qualified in its entirety by reference to all provisions of the agreement, a copy of the form of which may be obtained from us by contacting us at the address set forth under "INCORPORATION BY REFERENCE."

Pursuant to the Registration Rights Agreement, we will agree to:

- file with the SEC on or prior to 120 days after the Issue Date an exchange offer registration statement on an appropriate form under the Securities Act relating to a registered exchange offer for the New Notes under the Securities Act; and

- use all commercially reasonable efforts to cause the exchange offer registration statement to be declared effective under the Securities Act as soon as practicable and in any event within 270 days after the Issue Date.

As soon as practicable after the effectiveness of the exchange offer registration statement, we will offer to the holders of Transfer Restricted Securities (as defined below) who are not prohibited by any law or policy of the SEC from participating in the exchange offer the opportunity to exchange their Transfer Restricted Securities for a like aggregate principal amount of exchange notes (the "Exchange Notes"). The Exchange Notes will be registered under the Securities Act and identical in all material respects to the New Notes (except that the Exchange Notes will not contain terms with respect to transfer restrictions, as described under "TRANSFER RESTRICTIONS," and additional payments, as described below, will not be payable in respect of the Exchange Notes).

The Exchange Notes, if issued, will be issued under the Indenture. The New Notes and, if issued, the Exchange Notes, will constitute a single series of notes under the Indenture. This means that, in circumstances where the Indenture provides for holders of notes to vote or take any other action as a single class, holders of the New Notes who do not exchange their New Notes for Exchange Notes will vote or take that action as a single class. Under existing SEC interpretations set forth in no-action letters to third parties, the Exchange Notes would generally be freely transferable, other than by holders who are broker-dealers or by a holder who is an affiliate of ours.

We understand that the staff of the SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to the Exchange Notes with the prospectus contained in the exchange offer registration statement. Under the Registration Rights Agreement, for a period of 180 days following the consummation of the registered exchange offer, participating broker-dealers will be entitled to use the prospectus contained in the exchange offer registration statement in connection with the resale of the Exchange Notes, subject to exceptions, including our right to suspend the use of that prospectus as described below.

We will keep the registered exchange offer open for not less than 20 business days (or longer, if required by applicable law) after the date notice of the registered exchange offer is mailed to the holders of the New Notes.

If:

(i) because of any change in law or applicable interpretations thereof by the staff of the SEC, we are not permitted to effect the registered exchange offer as contemplated hereby; or

(ii) any holder of Transfer Restricted Securities notifies us prior to the 20th business day following consummation of the registered exchange offer that:

  (a) it is prohibited by law or SEC policy from participating in the registered exchange offer;

  (b) it may not resell the Exchange Notes acquired by it in the registered exchange offer to the public without delivering a prospectus and the prospectus contained in the exchange offer registration statement is not appropriate or available for such resales; or

(c) it is a broker-dealer and owns New Notes acquired directly from us or an affiliate of ours (the date on which any of the foregoing occurs is referred to as a "Trigger Date"),

then we will file with the SEC a shelf registration statement to cover resales of Transfer Restricted Securities by such holders who satisfy certain conditions relating to the provision of information in connection with the shelf registration statement.

For purposes of the foregoing, "Transfer Restricted Securities" means each New Note until the earliest to occur of:

(i) the date on which such New Note has been exchanged by a person other than a broker-dealer for a freely transferable registered Exchange Note in the registered exchange offer;

(ii) following the exchange by a broker-dealer in the registered exchange offer of a New Note for a registered Exchange Note, the date on which the registered Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the exchange offer registration statement;

(iii) the date on which the New Note has been effectively registered under the Securities Act and disposed of in accordance with the shelf registration statement; or

(iv) the date on which the New Note is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144 under the Securities Act.

We will use all commercially reasonable efforts to have the exchange offer registration statement or, if applicable, the shelf registration statement declared effective by the SEC as soon as practicable and in any event within 270 days after the Issue Date or within 150 days of the Trigger Date, as the case may be. Unless the registered exchange offer would not be permitted by applicable law, we will commence the registered exchange offer and will be required to consummate the registered exchange offer as promptly as practicable, but in any event on or prior to 30 business days, or longer, if required by the federal securities laws, after the date on which the exchange offer registration statement is declared affective by the SEC. If applicable, we will use all commercially reasonable efforts to keep the shelf registration statement effective for a period of two years after the Issue Date.

If:

(i) any registration statement is not filed with the SEC on or prior to 120 days after the Issue Date or 120 days after the Trigger Date, as the case may be;

(ii) any registration statement is not declared effective by the SEC within 270 days after the Issue Date or 150 days after the Trigger Date, as the case may be;

(iii) the registered exchange offer is not consummated on or prior to 30 business days, or longer, if required by the federal securities laws, after the date on which the exchange offer registration statement is declared effective by the SEC; or

(iv) any registration statement has been declared effective by the SEC but such registration statement thereafter ceases to be effective or such registration statement or the related prospectus ceases to be usable in connection with resales of Transfer Restricted Securities because either:

(A) any event occurs as a result of which the related prospectus forming part of such registration statement would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading; or

(B) it shall be necessary to amend such registration statement or supplement the related prospectus to comply with the Securities Act or the Exchange Act or the respective rules thereunder,

(each such event referred to in clauses (i) through (iv), a "Registration Default"), we will make additional payments over and above the stated interest rate of the New Notes from and including the date on which any such Registration Default

shall occur to, but excluding, the date on which all such Registration Defaults have been cured, to each holder of Transfer Restricted Securities at a rate of 0.25% per year for the first 90-day period immediately following the occurrence of the Registration Default; provided, however, that we shall in no event be required to make additional payments for more than one Registration Default with respect to the same New Notes at any given time. The rate at which additional payments are made shall increase by an additional 0.25% per year with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum of 1.0% per year. Any amounts of additional payments shall be paid to holders of Transfer Restricted Securities in the same manner as interest payments on the New Notes on semi-annual payment dates which correspond to interest payment dates for the notes and determined on the basis of a 360-day year, comprised of twelve 30-day months.

A Registration Default will be deemed not to have occurred and be continuing in relation to a shelf registration statement or the related prospectus if such Registration Default has occurred solely as a result of:

(i) the filing of a post-effective amendment to such shelf registration statement to incorporate annual audited financial information with respect to us where such post-effective amendment is not yet effective and needs to be declared effective to permit holders to use the related prospectus; or

(ii) other material events that would need to be described in such shelf registration statement or the related prospectus and we are either proceeding promptly and in good faith to amend or supplement such shelf registration statement and the related prospectus to describe such events or we have delayed filing and distributing any such amendment or supplement if there is a possible acquisition or business combination or other transaction involving us that would require disclosure in the shelf registration statement or the related prospectus, and we determine in the exercise of our reasonable judgment that such disclosure is not in our best interests or the best interests of the stockholders of our parent at such time; provided that we will not be entitled to delay filing or distributing any such supplement or amendment for more than 30 days (whether or not consecutive) in any period of three consecutive months or more than 90 days for all such periods in any period of twelve consecutive months; and, provided further, that in any case if such Registration Default occurs for a continuous period in excess of 30 days, additional payments shall be payable from the day such Registration Default occurs until such Registration Default is cured.

The Registration Rights Agreement also will provide that we:

(i) shall make available for a period of up to 180 days after the consummation of the registered exchange offer a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of any such Exchange Notes; and

(ii) shall pay all expenses incident to the registered exchange offer (including the expenses of one counsel to the holders of the New Notes) other than commissions or underwriting discounts of any brokers or dealers and will indemnify certain holders of the New Notes (including any broker-dealer) against certain liabilities, including liabilities under the Securities Act. A broker-dealer that delivers such a prospectus to purchasers in connection with such resales may be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the Registration Rights Agreement (including certain indemnification rights and obligations).

Each holder of New Notes who wishes to exchange such notes for Exchange Notes in the registered exchange offer will be required to make certain representations, including representations that:

(i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business;

(ii) it has no arrangement or understanding with any person to participate in the distribution of the New Notes or the Exchange Notes within the meaning of the Securities Act; and

(iii) it is not an "affiliate," as defined in Rule 405 under the Securities Act, of ours or, if it is an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

If the holder is not a broker-dealer, it will be required to represent that it is not engaged in, and does not intend to engage in, the distribution of the Exchange Notes. If the holder is a broker-dealer, then it will be required to represent that it will

receive Exchange Notes for its own account in exchange for New Notes that were acquired as a result of market-making activities or other trading activities and it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes.

We may require holders of the New Notes to make certain representations to us in order to participate in the registered exchange offer and to deliver information to be used in connection with the shelf registration statement in order to have their New Notes included in the shelf registration statement. A holder who sells New Notes pursuant to the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement which are applicable to such a holder (including certain indemnification obligations).

TRANSFER RESTRICTIONS

The New Notes have not been registered under the Securities Act and, unless so registered, may not be offered or sold in the United States or to, or for the account or benefit of, US Persons (within the meaning of the Securities Act) except in compliance with the registration requirements of the Securities Act and all other applicable securities laws or pursuant to an exemption from, or in a transaction not subject to, the registration requirements thereof and any other applicable securities laws. Accordingly, the Exchange Offer is being made and the New Notes are being offered and issued only (1) in the US to QIBs under Rule 144A in private sales exempt from the registration requirements of the Securities Act, and (2) outside the US to non-US Persons in reliance upon Regulation S under the Securities Act. The only New Notes that will be eligible to be initially deposited with DTC are New Notes held by qualified institutional buyers or exchanged with non-US Persons outside the US in reliance upon Regulation S under the Securities Act.

Investor Representations and Restrictions on Resale

Each holder of Old Notes tendering for New Notes that submits a Letter of Transmittal, or agrees to the terms of the Letter of Transmittal pursuant to an Agent's Message, will be deemed to have represented, warranted and agreed as follows:

(1) it is, or in the event that the signatory is acting on behalf of a beneficial owner of the Old Notes tendered, it has received a written certification from such beneficial owner (dated as of a specific date on or since the close of such beneficial owner's most recent fiscal year) to the effect that such beneficial owner is, (i) a QIB, and is acquiring the New Notes for its own account or for an account with respect to which it exercises sole investment discretion, in each case for investment and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, subject to any requirement of law that the disposition of its property be at all times within its control and subject to its ability to resell the New Notes pursuant to Rule 144A, Regulation S or any exemption from registration available under the Securities Act, or (ii) a non-US Person outside the US and is acquiring the New Notes in an offshore transaction in accordance with Regulation S under the Securities Act;

(2) it acknowledges that the New Notes to be exchanged for the Old Notes tendered have not been registered under the Securities Act and may not be sold except as permitted below;

(3) it acknowledges and understands that it is a violation of Rule 14e-4 promulgated under the Exchange Act for a person, directly or indirectly, to tender Old Notes for his own account unless the person so tendering (a) has a net long position equal to or greater than the aggregate principal amount of the Old Notes being tendered and (b) will cause such Old Notes to be delivered in accordance with the terms of the Exchange Offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person;

(4) it understands and agrees that the New Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that if it is a person other than a non-US Person outside the US (A) if it decides to resell, pledge or otherwise transfer such New Notes on which the legend set forth below appears, such New Notes may be resold, pledged or transferred only (i) to Tampa Electric Company, (ii) in a transaction entitled to an exemption from registration provided by Rule 144 under the Securities Act, (iii) so long as such security is eligible for resale pursuant to Rule 144A under the Securities Act, to a person whom the seller reasonably believes is a QIB that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A under the Securities Act (as indicated by the box checked by the transferor on the Certificate of Transfer on the reverse of the New Note if such New Note is not in book-entry form), (iv) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act (as indicated by the box checked by the transferor on the Certificate of Transfer on the reverse of the New Note if such New Note is not in book-entry form), (v) in accordance with another applicable exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to Tampa Electric Company) or (vi) pursuant to an effective registration statement under the Securities Act and (B) the purchaser will, and each subsequent holder is required to, notify any purchaser of New Notes from it of the resale restrictions referred to in (A) above, if then applicable;

(5) it understands that the notification requirement referred to in (4)(B) above will be satisfied, in the case only of transfers by physical delivery of certificated New Notes other than a global certificate, by virtue of the fact that the following legend will be placed on the New Notes unless otherwise agreed by Tampa Electric Company:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY ACQUIRING THIS SECURITY AGREES FOR THE BENEFIT OF TAMPA ELECTRIC COMPANY (THE "COMPANY") THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OTHER THAN (A)(1) TO THE COMPANY, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (4) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (5) IN ACCORDANCE WITH ANOTHER APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY) OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR IN ANY OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A OR (2) A NON-US PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF, OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2) OF RULE 902 UNDER, REGULATION S UNDER THE SECURITIES ACT.";

(6) it acknowledges that the Trustee will not be required to accept for registration of transfer any New Notes acquired by it, except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth herein have been complied with;

(7) it (or the account for which it is acting) (i) is able to fend for itself in the transactions contemplated by this offering memorandum, (ii) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the New Notes, (iii) has the ability to bear the economic risks of its prospective investment and can afford the complete loss of such investment and (iv) may be required to bear the financial risks of this investment for an indefinite period of time;

(8) if the Old Notes are assets of (i) an "employee benefit plan" as defined in Section 3(3) of the ERISA, that is subject to part 4 of Subtitle B of Title I of ERISA, (ii) a "plan" as defined in Section 4975 of the Internal Revenue Code of 1986, as amended (Code), that is subject to Section 4975 of the Code, (iii) any entity whose underlying assets are deemed to include plan assets by reason of an employee benefit plan's or plan's investment in such entity, or (iv) a "governmental plan" as defined in Section 3(32) of ERISA or any other plan that is subject to any law substantially similar to part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code, the exchange of the Old Notes and the acquisition, holding and disposition of the New Notes will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any substantially similar applicable law;

(9) it acknowledges that (a) none of us, the Trustee, the Information Agent, the Exchange Agent, the Dealer Managers or any person acting on behalf of any of the foregoing has made any statement, representation, or warranty, express or implied, to it with respect to us or the offer or exchange of any New Notes, other than the information we have included or incorporated by reference in this offering memorandum (as amended or supplemented prior to the Expiration Date), and (b) any information it desires concerning us and the New Notes or any other matter relevant to its decision to exchange its Old Notes for New Notes (including a copy of this offering memorandum) is or has been made available to it;

(10) it understands that we, the Dealer Managers, the Trustee, the Information Agent, the Exchange Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements made by it by its submission of a Letter of

Transmittal, or its agreement to the terms of a Letter of Transmittal pursuant to an Agent's Message, are, at any time prior to the consummation of the Exchange Offer, no longer accurate, it shall promptly notify us and the Dealer Managers. If it is acquiring the New Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account;

(11) in evaluating the Exchange Offer and in making its decision whether to participate therein by submitting a Letter of Transmittal (or agreeing to the terms of the Letter of Transmittal pursuant to an Agent's Message) and tendering its Old Notes, it has made its own independent appraisal of the matters referred to in this offering memorandum and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to it by Tampa Electric Company, the Trustee, the Information Agent, the Exchange Agent or the Dealer Managers other than those contained or incorporated by reference in this offering memorandum (as amended or supplemented prior to the Expiration Date); and

(12) if you are located outside the US, the offer to you and your acceptance of it does not contravene the applicable laws where you are located and that your participation in the Exchange Offer will not impose on us any requirement to make any deliveries, filings or registrations.

In addition, each subsequent holder of New Notes will be deemed to represent and warrant that if its acquisition of the New Notes is funded with the assets of (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to part 4 of Subtitle B of Title I of ERISA, (ii) a "plan" as defined in Section 4975 of the Code that is subject to Section 4975 of the Code, (iii) any entity whose underlying assets are deemed to include plan assets by reason of an employee benefit plan's or plan's investment in such entity, or (iv) a "governmental plan" as defined in Section 3(32) of ERISA or any other plan that is subject to any law substantially similar to part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code, the transfer and disposition of the New Notes to such subsequent holder by the prior holder, and the acquisition, holding and disposition of the New Notes by such subsequent holder, will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any substantially similar applicable law.

MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS OF OLD NOTES OR NEW NOTES ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS EXCHANGE OFFER IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY HOLDERS OF OLD NOTES OR NEW NOTES FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE OF 1986; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING BY TAMPA ELECTRIC COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN, AND (C) HOLDERS OF OLD NOTES OR NEW NOTES SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of the material United States federal income tax consequences of the Exchange Offer to beneficial owners of the Old Notes and of the ownership and disposition of the New Notes to beneficial owners who receive the New Notes pursuant to the Exchange Offer. The following does not address the United States federal income tax consequences of the ownership of the New Notes to subsequent purchasers of the New Notes. This summary is based on the Internal Revenue Code of 1986, as amended, which we refer to as the "Code," administrative pronouncements, judicial decisions and final, temporary and proposed regulations, all of which are subject to change. Any change could be applied retroactively in a way that could cause the tax consequences to differ from the consequences described below, possibly with adverse effect.

This summary applies only to persons who hold Old Notes and New Notes as capital assets within the meaning of Section 1221 of the Code, that is, for investment purposes. This summary does not discuss all aspects of United States federal income taxation that may be relevant to holders in light of their particular circumstances, nor does it address tax considerations applicable to investors that may be subject to special tax rules (such as financial institutions, insurance companies, tax-exempt organizations, broker-dealers, dealers in securities or currencies, persons who hold Old Notes or New

Notes through an S corporation, a partnership or other pass-through entity, individual retirement accounts or other tax-deferred accounts, persons subject to the alternative minimum tax, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, insurance, real estate investment trusts, regulated investment companies, persons that hold Old Notes or will hold New Notes as a part of a hedge, straddle, conversion, constructive sale or other integrated transaction, persons whose functional currency is not the US dollar or persons who have ceased to be US citizens or to be taxed as resident aliens). This summary also does not discuss any tax consequences arising under the United States federal estate and gift tax laws or the law of any state, local, foreign or other taxing jurisdiction.

If an entity classified as a partnership for United States federal income tax purposes holds Old Notes and New Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding Old Notes and New Notes, you should consult your own tax advisor.

You are urged to consult your own tax advisor regarding the application of United States federal income tax laws to your particular situation and the consequences of federal estate and gift tax laws and state, local and foreign tax laws.

As used in this summary, the term "US holder" means a beneficial owner of a Note that is for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate, the income of which is subject to United States federal income tax regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or if a valid election is in place to treat the trust as a United States person.

As used in this summary, the term "non-US holder" means a beneficial owner of a Note that is neither a US holder nor a partnership (or other entity treated as a partnership for United States federal income tax purposes).

United States Federal Income Tax Consequences to US Holders

Exchange of Old Notes for New Notes

The exchange of Old Notes for New Notes pursuant to the Exchange Offer will be a taxable transaction for United States federal income tax purposes unless the exchange qualifies as a tax-free recapitalization under Section 368(a)(1)(E) of the Code. The exchange of Old Notes for New Notes would constitute a recapitalization under Section 368(a)(1)(E) of the Code if both the Old Notes and the New Notes are treated as "securities" for United States federal income tax purposes. The term "security" is not defined for this purpose in the Code or the Treasury Regulations, and there is only little authority that exists on the scope of the definition of "securities" and existing interpretations have not been entirely consistent. The determination of whether a debt instrument is a security involves an overall evaluation of the nature of the debt instrument, the debt holder's exposure to the substantial risks of the enterprise, the extent of the debt holder's proprietary interest in the issuer compared with the similarity of the debt instrument to a right to receive a cash payment and certain other considerations. One of the most significant factors considered in determining whether a particular debt instrument is a security is its original term. In general, debt instruments with a term of ten years or more are likely to be considered securities. Although not free from doubt, Tampa Electric Company intends to take the position that the Old Notes and the New Notes are "securities" and the exchange of the Old Notes for the New Notes is a recapitalization. However, this treatment is not binding on the IRS or the courts. In particular, it is possible that the IRS could assert, and a court could agree, that the Old Notes or New Notes should not be classified as securities and, accordingly, the exchange thereof does not qualify as a redemption for United States federal income tax purposes. In such circumstances, the exchange of Old Notes for New Notes would likely be treated as a fully taxable event for United States federal income tax purposes (although loss may be disallowed or deferred). US Holders are strongly urged to consult their own tax advisors with respect to the tax consequences of the exchange of the Old Notes for New Notes and the treatment of the Old Notes and New Notes as "securities." If treated as a recapitalization, a US Holder

who exchanges Old Notes for New Notes and cash would not recognize loss or gain on the exchange. The US Holder's holding period for the New Notes will include its holding period for the Old Notes exchanged therefor. The holder's initial adjusted tax basis in the New Notes received will be equal to its adjusted tax basis in the Old Notes exchanged therefor. The cash payment received by a US holder representing accrued and unpaid interest on the Old Notes will be taxable to the holder as ordinary interest income to the extent not previously included in income.

If the exchange of the Old Notes for the New Notes does not constitute a recapitalization under Section 368(a)(1)(E) of the Code, a US holder of Old Notes who participates in the Exchange Offer would generally recognize gain or loss (although the loss may be disallowed or deferred) equal to the difference between the amount realized on the exchange and the holder's adjusted tax basis in the Old Notes on the applicable Settlement Date. Subject to the discussion below under the heading "Early Exchange Consideration," the amount realized on the exchange would equal the issue price, determined in the manner discussed below, of the New Notes received in the exchange. Subject to the treatment of a portion of any gain as ordinary income to the extent of any market discount accrued on the Old Notes, such gain or loss generally will be long-term capital gain or loss if the holder held the Old Notes for more than one year on the applicable Settlement Date.

The remainder of this discussion assumes that the Old Notes and the New Notes are treated as "securities" and the exchange of the Old Notes for the New Notes is treated as a recapitalization.

Market Discount. Accrued market discount on Old Notes not previously recognized as ordinary income by a holder will carry over to the New Notes received in exchange therefor. In addition, any market discount on an Old Note (excluding market discount disregarded under the statutory de minimis rule) that has not accrued at the time it is exchanged for a New Note will be treated as market discount on the New Note. A US Holder is required to treat any gain on the sale, exchange, retirement or other taxable disposition of a New Note as ordinary income to the extent of the accrued market discount on the New Note at the time of the disposition unless such market discount has been previously included in income by the holder pursuant to an election by the holder to include the market discount in income as it accrues. If a New Note is disposed of in certain nontaxable transactions, accrued market discount will be includible as ordinary income to a US Holder as if such holder had sold the note in a taxable transaction at its fair market value at the time of such disposition.

Issue Price of the New Notes. The determination of the issue price of the New Notes received in the exchange, which is relevant in determining whether there is original issue discount on the New Notes, will depend on whether the Old Notes or the New Notes are "publicly traded" within the meaning of the applicable Treasury regulations at any time during the 60-day period ending 30 days after the date of the completion of the Exchange Offer. In general, a debt instrument will be treated as publicly traded if it is listed on a major securities exchange, appears on a system of general circulation that provides a reasonable basis to determine fair market value or otherwise is readily quotable by dealers, brokers or traders. The issue price of a debt instrument that is publicly traded or that is issued in exchange for a debt instrument that is publicly traded is the fair market value of the debt instrument or such other debt instrument on the issue date. The issue price of a debt instrument that is neither publicly traded nor issued in exchange for a debt instrument that is publicly traded generally is its stated principal amount. Although the matter is not free from doubt, we believe that the Old Notes are publicly traded within the meaning of the applicable Treasury regulations and that the New Notes will be so traded. Accordingly, we intend to take the position, and this discussion assumes that the issue price of a New Note exchanged for an Old Note will be the fair market value of the New Note on the date of issuance. If the New Notes are not publicly traded but the Old Notes are so traded, then the issue price of a New Note will be the fair market value of the Old Note exchanged therefor. If neither an Old Note nor a New Note exchanged therefor is publicly traded, then the issue price of the New Note so exchanged would equal its stated principal amount.

Early Exchange Consideration. The United States federal income tax treatment of a US holder's receipt of the applicable Early Exchange Consideration is unclear. The receipt of the Early Exchange Consideration by a US holder may be treated for United States federal income tax purposes either as (a) additional consideration in exchange for the Old Notes, or (b) a separate fee paid for the holder's early tender of Old Notes. Tampa Electric Company intends to take the position that the Early Exchange Consideration is additional consideration received in exchange for the Old Notes. In the event, however, that the Early Exchange Consideration is treated as a separate fee, such payment would be treated as ordinary income to a US holder. US holders should consult their tax advisors regarding the United States federal income tax treatment of the Early Exchange Consideration.

United States Federal Income Tax Consequences to US Holders Who Do Not Participate in the Exchange Offer

The Exchange Offer will not be a taxable event for United States federal income tax purposes for US holders who do not exchange their Old Notes for New Notes. Such holders will recognize income in respect of their Old Notes at the same time and in the same amounts as they would have recognized income had the Exchange Offer not occurred.

United States Federal Income Tax Consequences of Holding and Disposing of the New Notes

Interest on the New Notes. Stated interest on a New Note will be includible in gross income as ordinary interest income in accordance with a US holder's regular method of accounting for tax purposes.

Original Issue Discount. If the principal amount of a New Note exceeds its issue price by more than a *de minimis* amount (which is generally ¼ of one percent of the principal amount multiplied by the number of complete years to maturity), the excess will constitute original issue discount. A US holder of a New Note with original issue discount will be required to include the original issue discount in gross income as it accrues on a constant yield to maturity basis, regardless of such holder's regular method of accounting for United States federal income tax purposes. The amount of original issue discount included in income by such a US holder will be the sum of the daily portions of original issue discount with respect to the New Note for each day during the taxable year (or portion of the taxable year) on which the holder held the New Note. The daily portion of original issue discount on a New Note is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of a New Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of (x) the New Note's adjusted issue price at the beginning of such accrual period and (y) the yield of the New Note (appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The adjusted issue price of a New Note at the beginning of any accrual period is the sum of the issue price of the New Note plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the New Note that were not qualified stated interest payments. Under these rules, US holders generally would have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Bond Premium; Acquisition Premium. If a US holder's initial tax basis in a New Note is greater than its principal amount, such holder will be treated as having acquired the New Note with "amortizable bond premium" equal in amount to such excess. A holder may elect to amortize such premium using a constant yield method over the remaining term of the New Note by offsetting stated interest allocable to an accrual period with bond premium allocable to that period when the holder takes the interest into income under the holder's regular method of accounting. Because the New Notes are redeemable at our option (see "DESCRIPTION OF THE NEW NOTES–Optional Redemption"), a holder must determine the yield and maturity of a New Note for purposes of calculating and amortizing bond premium by assuming that we will exercise our option to redeem the holder's New Note in a manner that maximizes the holder's yield. If we do not exercise our option to redeem the New Note in the manner assumed, then solely for purposes of calculating and amortizing any remaining bond premium, the holder must treat the New Note as retired and reissued on the deemed redemption date for its adjusted acquisition price as of that date. The adjusted acquisition price of a New Note is the holder's initial investment in the New Note, decreased by the amount of any payments, other than qualified stated interest payments, received with respect to such New Note and any bond premium previously amortized by the holder.

Once made, the election to amortize bond premium on a constant yield method applies to all debt instruments (other than debt instruments the interest on which is excludable from gross income) held or subsequently acquired by the holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

If a US Holder's initial tax basis in a New Note immediately after the exchange is greater than their issue price and less than or equal to their stated principal amount, the New Notes will be considered to have been issued at an "acquisition premium". Under the acquisition premium rules, the amount of any OID that a US Holder must include in gross income with respect to a New Note for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

Sale, Exchange, Redemption or Other Taxable Disposition of the New Notes. A US holder of a New Note will recognize gain or loss (except to the extent attributable to accrued interest) upon the sale, redemption, retirement or other taxable disposition of the New Note equal to the difference between:

- the amount of cash and the fair market value of any property received; and
- the holder's adjusted tax basis in the New Note.

A holder's adjusted tax basis in a New Note generally will equal the issue price of the New Note, increased by any original issue discount included in income and decreased by the amount of any principal payments received with respect to that New Note and any amortized bond premium.

If a US holder disposes of a New Note between interest payment dates, a portion of the amount received represents stated interest accrued to the date of disposition and must be reported as ordinary interest income and not as proceeds from the disposition, in accordance with the holder's regular method of accounting for federal income tax purposes. Any gain or loss recognized by a holder on the disposition of a New Note generally will be capital gain or loss and will be long-term capital gain or loss if the holder's holding period is more than one year.

Additional Tax on Net Investment Income. Beginning in 2013, individuals, estates and trusts will be subject to an additional 3.8% federal tax on, among other things, interest and capital gains from the sale or other disposition of the New Notes if their modified adjusted gross income exceeds certain threshold amounts. The income thresholds range from $125,000 for married individuals filing separately to $250,000 for married individuals filling jointly. US holders should consult their own tax advisors regarding the effect, if any, of this new tax on their ownership and disposition of the New Notes.

United States Federal Income Tax Consequences to Non-US Holders

The following discussion only applies to non-US holders. This discussion does not address all aspects of United States federal income taxation that may be relevant to such non-US holders in light of their special circumstances. For example, special rules may apply to a non-US holder that is a "controlled foreign corporation" or a "passive foreign investment company," and such holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

Exchange of Old Notes for New Notes

If the exchange of Old Notes for New Notes constitutes a recapitalization under Section 368(a)(1)(E) of the Code, a non-US holder generally will not recognize any gain or loss for United States federal income tax purposes (see "United States Federal Income Tax Consequences to US Holders – Exchange of Old Notes for New Notes"). Subject to the discussion below concerning effectively connected income, if the exchange of the New Notes for the Old Notes does not constitute a recapitalization, a non-US holder generally will not be subject to United States federal income and withholding tax on any gain recognized on the exchange of Old Notes for New Notes unless the holder is an individual who is present in the United States for at least 183 days during the year of disposition of the Old Note and other conditions are satisfied.

The cash payment received by a non-US holder representing accrued and unpaid interest on the Old Notes will be subject to United States federal income tax to the same extent as interest on the New Notes, as describe below under "MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES–Interest Payments on the New Notes."

Early Exchange Consideration. As discussed above under "MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES–Early Exchange Consideration," there is uncertainty under current United States federal income tax law as to whether the Early Exchange Consideration should be treated as additional consideration received in exchange for an Old Note or as a separate fee. If the Early Exchange Consideration is treated as a separate fee paid to a non-US holder, the payment may be taxable as United States source ordinary income subject to United States withholding tax. Tampa Electric Company intends to take the position that the Early Exchange Consideration is additional consideration received in exchange for an Old Note, in which case, subject to the discussion below concerning effectively connected income, the payment will

not be subject to United States federal income or withholding tax except as described above. Non-US holders should consult their own tax advisors concerning the US federal income tax consequences of receipt of the Early Participation Payment.

United States Federal Income Tax Consequences of Holding and Disposing of the New Notes

Interest Payments on the New Notes. Subject to the discussion below concerning effectively connected income, the 30% United States federal withholding tax should not apply to any payment of interest (including original issue discount) on the New Notes provided that: (i) the holder does not own actually or constructively 10% or more of the total combined voting power of Tampa Electric Company; (ii) the holder is not a controlled foreign corporation related to Tampa Electric Company through actual or constructive stock ownership; (iii) the holder is not a bank whose receipt of interest on the New Notes is described in Section 881(c)(3)(A) of the Code; and (iv) either (a) the holder provides the holder's name and address on an IRS Form W-8BEN (or other applicable form) and certifies, under penalty of perjury that the holder is not a United States person, or (b) a financial institution holding the New Notes on the holder's behalf certifies, under penalty of perjury, that it has received an IRS Form W-8BEN (or other applicable form) from the beneficial owner and provides a copy or, in the case of certain foreign intermediaries, satisfies other certification requirements under the applicable United States Treasury regulations. Special certification requirements apply to certain non-US holders that are entities rather than individuals.

If a holder cannot satisfy the requirements described above, payments of interest (including original issue discount) made to the holder will be subject to the 30% United States federal withholding tax, unless the holder qualifies for a reduced rate of withholding under a tax treaty or the payments are exempt from withholding because they are effectively connected with the holder's conduct of a trade or business in the United States (or, where a tax treaty applies, are attributable to a United States permanent establishment maintained by the holder) and the holder satisfies the applicable certification and disclosure requirements. In order to claim a reduction in or exemption from the 30% withholding tax under an applicable tax treaty, a holder must provide a properly executed IRS Form W-8BEN (or a suitable substitute form). A holder must provide an IRS Form W-8ECI (or a suitable substitute form) in order to claim that the interest payments are exempt from the withholding tax because they are effectively connected with the holder's conduct of a trade or business in the United States.

A non-US holder eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Sale, Exchange or Retirement of the New Notes. Subject to the discussion below concerning effectively connected income, a non-US holder will not be subject to US federal income tax on any gain realized on the sale, exchange or retirement of a New Note unless the holder is an individual who is present in the United States for at least 183 days during the year of disposition of the New Note and other conditions are satisfied.

Effectively Connected Income. If a holder is engaged in a trade or business in the United States and the holder's investment in a New Note is effectively connected with such trade or business, the holder will be exempt from the 30% withholding tax on interest (provided a certification requirement, generally on IRS Form W-8ECI, is met) and will instead generally be subject to regular United States federal income tax on a net income basis on any interest and gain with respect to the New Notes in the same manner as if the holder were a US holder. In addition, if a holder is a foreign corporation, the holder may be subject to a branch profits tax of 30% (or the lower rate provided by an applicable income tax treaty) of the holder's earnings and profits for the taxable year that are effectively connected with the holder's conduct of a trade or business in the United States. If a holder is eligible for the benefits of a tax treaty, any effectively connected income or gain generally will be subject to United States federal income tax only if it is also attributable to a permanent establishment maintained by the holder in the United States.

Information Reporting and Backup Withholding

Interest on and proceeds received from the disposition of the Old Notes or the New Notes will be reported to US holders, other than certain exempt recipients, such as corporations, on IRS Form 1099. In addition, a backup withholding tax may apply to payments with respect to the Old Notes or the New Notes if the US holder fails to furnish the payor with a correct taxpayer identification number or other required certification or fails to report interest or dividends required to be shown on the holder's federal income tax returns.

In general, a non-US holder will not be subject to backup withholding with respect to interest payments (including original issue discount) on the Old Notes or the New Notes if such holder has provided the statement described above under "MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES–United States Federal Income Tax Consequences of Holding and Disposing of the New Notes–Interest Payments on the New Notes." Information reporting on IRS Form 1042-S may still apply to interest payments, however. In addition, a non-US holder will not be subject to backup withholding with respect to the proceeds of the disposition of the Old Notes or the New Notes made within the United States or through certain United States financial intermediaries if the payor receives the statement described above and does not have actual knowledge or reason to know that such holder is a United States person or if such holder otherwise establishes an exemption. Non-US holders should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of exemptions and the procedure for obtaining such exemptions, if available.

Backup withholding is not an additional tax, and amounts withheld as backup withholding will be allowed as a refund or credit against a holder's federal income tax liability, provided that the required information is furnished to the IRS.

NOTICE TO CERTAIN NON-US HOLDERS

General

Countries outside the US may have their own legal requirements that govern securities offerings made to persons resident in those countries and may impose requirements about the form, content and process of offers made to the general public. No action has been or will be taken in any jurisdiction outside of the US for the purpose of compliance with the securities laws of such a jurisdiction, that would permit a public offering of the New Notes or the possession, circulation or distribution of this offering memorandum or any material relating to us, the Old Notes or the New Notes in any jurisdiction where action for that purpose is required. Accordingly, the New Notes included in the Exchange Offer may not be offered, sold or exchanged, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Exchange Offer may be distributed or published, in or from any such country or jurisdiction, except in compliance with any applicable rules or regulations of any such country or jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the New Notes to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation or in any jurisdiction where action, for the purpose of making such an offer, is required.

Non-US holders should consult their advisors in considering whether they may participate in the Exchange Offer in accordance with the laws of their home countries and, if they do participate, whether there are any restrictions or limitations on transactions in the New Notes that may apply in their home countries or if the participation would result in a requirement for us to make any deliveries, filings or registrations. We and the Dealer Managers cannot provide any assurance about whether such limitations may exist, The Dealer Managers are only acting as dealer managers for the Exchange Offer in the US. By signing or being deemed to sign the Letter of Transmittal, you are representing that, if you are located outside the US, the offer to you and your acceptance of it does not contravene the applicable laws where you are located and that your participation in the Exchange Offer will not impose on us any requirement to make any deliveries, filings or registrations,

Notice to Investors in Certain Jurisdictions

European Economic Area

In relation to each Member State of the European Economic Area (the "EEA") which has implemented the Prospectus Directive (each, a "Relevant Member State"), and with effect from and including the date on which the Prospectus Directive is implemented in that Relevant State ("Relevant Implementation Date"), an offer to the public of any New Notes may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any New Notes may, with effect from and including the Relevant Implementation Date, be made in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons per member state (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

- in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any the New Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any New Notes to be offered so as to enable an investor to decide to exchange any Old Notes for New Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The New Notes are being offered in EEA jurisdictions only in circumstances which do not require the publication of a prospectus by us or any of the Dealer Managers, the Information Agent and the Exchange Agent pursuant to the requirements of the Prospectus Directive. This offering memorandum is not a prospectus for the purposes of the Prospectus Directive.

Any person making or intending to make any offer within the EEA of the New Notes should only do so in circumstances in which no obligation arises for us or any of the Dealer Managers, the Information Agent and the Exchange Agent to produce a prospectus for such offer pursuant to the requirements of the Prospectus Directive or otherwise.

Neither we nor any of the Dealer Managers, the Information Agent or the Exchange Agent has authorized, nor do they authorize, the making of any offer of the New Notes through any financial intermediary, other than offers to be made by the Dealer Managers, the Information Agent or the Exchange Agent as contemplated in this offering memorandum.

United Kingdom

This offering memorandum and any other documents or materials relating to the Exchange Offer is not being made and such documents and/or materials have not been approved for the purposes of Section 21(2)(b) of the Financial Services and Markets Act 2000 (FSMA). Accordingly, this offering memorandum and all associated documents and/or materials are not being distributed to, and must not be passed on to, persons within the United Kingdom other than those falling within the definition of "investment professionals" (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (Order)), certain members or creditors of Tampa Electric Company falling within Article 43(2) of the Order, or to other persons to whom they may lawfully be communicated in accordance with the Order.

INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

The financial statements and financial statement schedule of Tampa Electric Company incorporated in this offering memorandum by reference to the Annual Report on Form 10-K for the year ended December 31, 2009, and the effectiveness of internal controls over financial reporting as of December 31, 2009, have been audited by PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, as stated in their report incorporated by reference herein.

LEGAL MATTERS

Certain legal matters with respect to the validity of the New Notes offered in the Exchange Offer will be passed upon for us by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. Certain legal matters with respect to the New Notes offered in the Exchange Offer will be passed upon for the Dealer Managers by Ropes & Gray LLP, Boston, Massachusetts.

Tampa Electric Company

Offer to Exchange
Outstanding 6.875% Notes due 2012
and
Outstanding 6.375% Notes due 2012
for
Newly Issued 5.10% Notes due 2021

CONFIDENTIAL OFFERING MEMORANDUM

In order to tender, a holder of Old Notes should send or deliver a properly completed and signed letter of transmittal and any other required documents to the Exchange Agent at its address set forth below or tender pursuant to DTC's Automated Tender Offer Program.

The Exchange Agent for the Exchange Offer is:

Global Bondholder Services Corporation
By facsimile:
(For Eligible Institutions only):
(212) 430-3775/3779
Confirmation:
(212) 430-3774

By Mail:	***By Overnight Courier:***	***By Hand:***
65 Broadway – Suite 404 New York, NY 10006	65 Broadway – Suite 404 New York, NY 10006	65 Broadway – Suite 404 New York, NY 10006

The Information Agent for the Exchange Offer is:

Global Bondholder Services Corporation
65 Broadway – Suite 404
New York, NY 10006
Attn: Corporation Actions
Toll free: (866) 470-4200
Banks and brokers: (212) 430-3774

Questions or requests for assistance related to the Exchange Offer may be directed to the Dealer Managers at its respective telephone number and address listed below. For additional copies of this offering memorandum and the Letter of Transmittal you may contact the Information Agent at its telephone numbers and address listed above.

You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

The Lead Dealer Managers for the Exchange Offer are:

CITIGROUP GLOBAL MARKETS INC.
Liability Management Group
390 Greenwich Street, 1st Floor
New York, NY 10013
Toll free: (800) 558-3745
Collect: (212) 723-6106

J.P. MORGAN SECURITIES LLC
383 Madison Avenue, 3rd Floor
New York, NY 10179
Toll free: (866) 834-4666
Collect: (212) 834-3424
Attention: Liability Management Group

The Co-Dealer Managers for the Exchange Offer are:

BofA Merrill Lynch

Morgan Stanley

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CONFIDENTIAL

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LETTER OF TRANSMITTAL

Offer to Exchange

Any and all of its outstanding 6.875% Notes due 2012 (CUSIP No. 875127 AS 1)
and
any and all of its outstanding 6.375% Notes due 2012 (CUSIP No. 875127 AU 6)
for
newly issued 5.10% Notes due 2021

Tampa Electric Company is offering to Eligible Holders (as defined below), upon the terms and subject to the conditions set forth in the offering memorandum, dated as of November 9, 2010 (the "**Offering Memorandum**") and this letter of transmittal (this "**Letter of Transmittal**"), the opportunity to exchange (i) any and all of its outstanding 6.875% Notes due 2012 (CUSIP No. 875127 AS 1) (the "**6.875% Notes**") held by them and (ii) any and all of its outstanding 6.375% Notes due 2012 (CUSIP No. 875127 AU 6) (the "**6.375% Notes**" and, together with the 6.875% Notes, the "**Old Notes**") held by them, each for its newly issued 5.10% Notes due 2021 (the "**New Notes**").

We refer to the offer to exchange Old Notes for New Notes as the "**Exchange Offer**." Capitalized terms used but not defined herein shall have the same meanings given to them in the Offering Memorandum.

THE EXCHANGE OFFER WILL EXPIRE AT 11:59 PM, NEW YORK CITY TIME, ON DECEMBER 8, 2010, UNLESS EXTENDED (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "EXPIRATION DATE"). TO BE ELIGIBLE TO RECEIVE THE TOTAL EARLY EXCHANGE CONSIDERATION (AS DEFINED BELOW) (WHICH INCLUDES THE EARLY EXCHANGE CONSIDERATION (AS DEFINED BELOW)), ELIGIBLE HOLDERS MUST VALIDLY TENDER AND NOT VALIDLY WITHDRAW THEIR OLD NOTES AT OR PRIOR TO 5:00 PM, NEW YORK CITY TIME, ON NOVEMBER 22, 2010, UNLESS EXTENDED (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "EARLY PARTICIPATION DATE"). HOLDERS WHO TENDER AFTER THE EARLY PARTICIPATION DATE BUT AT OR PRIOR TO THE EXPIRATION DATE WILL BE ELIGIBLE TO RECEIVE THE EXCHANGE OFFER CONSIDERATION (AS DEFINED BELOW) (WHICH DOES NOT INCLUDE THE EARLY EXCHANGE CONSIDERATION).

Our obligation to accept Old Notes tendered in the Exchange Offer is subject to the satisfaction of certain customary conditions, including that we will not be obligated to consummate the Exchange Offer upon the occurrence of an event or events or the likely occurrence of an event or events that would or might reasonably be expected to prohibit, restrict or delay the consummation of the Exchange Offer or materially impair the contemplated benefits of the Exchange Offer. The Exchange Offer is not conditioned upon any minimum amount of Old Notes being tendered. We may waive any of these conditions prior to the Expiration Date in our sole discretion. For information about the conditions to Tampa Electric Company's obligation to complete the Exchange Offer, see "CONDITIONS TO THE EXCHANGE OFFER" in the Offering Memorandum.

Old Notes tendered in the Exchange Offer may be validly withdrawn at any time at or prior to the Withdrawal Date provided that we may extend the Early Participation Date without extending the deadline by which Old Notes tendered in the Exchange Offer may be validly withdrawn, unless required by law. Old Notes tendered after the Withdrawal Date may not be withdrawn, except where additional withdrawal rights are required by law (as determined by Tampa Electric Company).

We have not registered the New Notes under the Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws. The New Notes may not be offered or sold in the United States or to any U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Notes are being offered for exchange only (1) to "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("**QIBs**"), in a private transaction in reliance upon an exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof and (2) outside the United States, to persons other than "**U.S. persons**" as defined in Rule 902 under the Securities Act in offshore transactions in compliance with Regulation S under the Securities Act. Only

holders of Old Notes who have completed and returned an eligibility certification, whom we refer to as "Eligible Holders," are authorized to receive and review the Offering Memorandum and this Letter of Transmittal and to participate in the Exchange Offer.

Tampa Electric Company will agree to file a registration statement pursuant to which they will either offer to exchange the New Notes for substantially similar notes of Tampa Electric Company that are registered under the Securities Act or, in certain circumstances, register the resale of the New Notes. For a description of this agreement, see "REGISTERED EXCHANGE OFFER; REGISTRATION RIGHTS" in the Offering Memorandum.

Each Eligible Holder of Old Notes wishing to participate in the Exchange Offer, except for Eligible Holders executing their tenders through the Automated Tender Offer Program ("**ATOP**") procedures of The Depository Trust Company ("**DTC**"), should complete, execute and deliver this Letter of Transmittal to the exchange agent, Global Bondholder Services Corporation (the "**Exchange Agent**"), at its address or facsimile set forth herein at or prior to the Expiration Date. The Exchange Agent will establish an account with respect to the Old Notes at DTC for purposes of the Exchange Offer.

The Exchange Agent for the Exchange Offer is:

Global Bondholder Services Corporation
By facsimile:
(For Eligible Institutions only):
(212) 430-3775/3779

Confirmation:
(212) 430-3774

By Mail:	***By Overnight Courier:***	***By Hand:***
65 Broadway — Suite 404 New York, NY 10006	65 Broadway — Suite 404 New York, NY 10006	65 Broadway — Suite 404 New York, NY 10006

Delivery of this Letter of Transmittal to an address other than as listed above, or transmission of this Letter of Transmittal to a facsimile number other than as listed above, shall not constitute a valid delivery.

The instructions contained herein should be read carefully before this Letter of Transmittal is completed and signed.

Questions regarding tender procedures, requests for additional copies of the Offering Memorandum or the completion of this Letter of Transmittal should be directed to the information agent, Global Bondholder Services Corporation (the "**Information Agent**"), at the following telephone numbers: (866) 470-4200 (toll-free) / (212) 430-3774 (banks and brokers).

Questions concerning the terms of the Exchange Offer should be directed to Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, the Lead Dealer Managers for the Exchange Offer, at the addresses and the telephone numbers listed on the back cover page of the Offering Memorandum.

All terms and conditions contained in the Offering Memorandum are deemed to be incorporated in and form a part of this Letter of Transmittal, unless otherwise specified herein. In the event of any conflict between this Letter of Transmittal and the Offering Memorandum, the Offering Memorandum shall govern. Therefore, you are urged to read the Offering Memorandum carefully. The terms and conditions contained in the Offering Memorandum, together with the terms and conditions governing this Letter of Transmittal and the instructions herein, are collectively referred to below as the "**Terms and Conditions.**"

This Letter of Transmittal is to be used by Eligible Holders of Old Notes if certificates representing those Old Notes are to be physically delivered to the Exchange Agent or if Old Notes are to be tendered by effecting a book-entry transfer into the Exchange Agent's account at DTC and instructions are not being transmitted through ATOP. If an Eligible Holder of Old Notes is tendering by effecting a book-entry transfer to the Exchange Agent's account at DTC through ATOP procedures, such holder does not need to use this Letter of Transmittal. Unless an Eligible Holder of Old Notes intends to transfer its Old Notes through ATOP procedures, such holder should complete, execute and deliver this

Letter of Transmittal, along with any physical certificates for the Old Notes specified herein, to indicate the action it desires to take with respect to the Exchange Offer.

Eligible Holders of Old Notes tendering by book-entry transfer to the Exchange Agent's account at DTC may execute the tender through ATOP, for which the Exchange Offer is eligible. Financial institutions that are DTC participants may execute tenders through ATOP by transmitting acceptance of the Exchange Offer to DTC at or prior to the Expiration Date. In order to receive the Early Exchange Consideration, an Eligible Holder of Old Notes tendering through ATOP must transmit such acceptance at or prior to the Early Participation Date. DTC will verify such acceptance, execute a book-entry transfer of the tendered Old Notes into the account of the Exchange Agent at DTC and send to the Exchange Agent a "**Book-Entry Confirmation**," which shall include an Agent's Message. An "**Agent's Message**" is a message transmitted by DTC to, and received by, the Exchange Agent and forming a part of a Book-Entry Confirmation, which states that DTC has received an express acknowledgment from the participant in DTC described in such Agent's Message, stating (a) the aggregate principal amount of Old Notes that have been tendered by such participant pursuant to the Exchange Offer, (b) that such participant has received the Offering Memorandum and this Letter of Transmittal and agrees to be bound by the terms of the Exchange Offer as described in the Offering Memorandum and this Letter of Transmittal, and makes the representation and warranties contained in this Letter of Transmittal, and (c) that Tampa Electric Company may enforce such agreement against such participant. **Accordingly, Eligible Holders who tender their Old Notes through DTC's ATOP procedures shall be bound by, but need not complete, this Letter of Transmittal.**

The "**Total Early Exchange Consideration**" for Old Notes whose tenders are accepted for exchange by Tampa Electric Company will consist of New Notes in an aggregate principal amount of $970 per each $1,000 principal amount of Old Notes validly tendered and not validly withdrawn, plus the "**Early Exchange Consideration**" consisting of an additional $30 aggregate principal amount of New Notes for each $1,000 principal amount of Old Notes validly tendered and not validly withdrawn at or prior to the Early Participation Date.

Upon the terms and subject to the conditions set forth in the Offering Memorandum and this Letter of Transmittal, Eligible Holders who validly tender Old Notes after the Early Participation Date but at or prior to the Expiration Date, and whose Old Notes are accepted for exchange by Tampa Electric Company, will receive the Total Early Exchange Consideration minus the Early Exchange Consideration (the "**Exchange Offer Consideration**").

There are no guaranteed delivery provisions applicable to the Exchange Offer under the terms of the Offering Memorandum.

The New Notes will be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. Tendering holders of Old Notes must tender Old Notes in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. If, under the terms of the Exchange Offer, any tendering holder is entitled to receive New Notes in a principal amount that is not an integral multiple of $1,000, Tampa Electric Company will round downward the amount of New Notes to the nearest integral multiple of $1,000. Tampa Electric Company will pay any difference in cash on the applicable settlement date (the "**Settlement Date**"), as described below. For Old Notes that have been validly tendered, and not validly withdrawn, prior to the Early Participation Date and that are accepted for exchange, the Settlement Date will follow the Early Participation Date (the "**Early Settlement Date**"). The Early Settlement Date is expected to be November 29, 2010, which is the fourth business day after the Early Participation Date. For Old Notes that have been validly tendered after the Early Participation Date and that are accepted for exchange, the Settlement Date will follow the Expiration Date (the "**Regular Settlement Date**"). The Regular Settlement Date is expected to be December 9, 2010, which is the first business day after the Expiration Date. For purposes of this Transmittal Letter, the term "**business day**" means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in The City of New York are generally authorized or required by law, regulation or executive order to remain closed.

No action has been or will be taken in any jurisdiction that would permit a public offering of the New Notes in any jurisdiction where action for such purpose is required. See "NOTICE TO CERTAIN NON-U.S. HOLDERS" in the Offering Memorandum for more information.

The New Notes will be issued by deposit in book-entry form with the Exchange Agent to Eligible Holders. Accordingly, Eligible Holders who anticipate tendering other than through DTC are urged to contact promptly a bank, broker or other intermediary (that has the capability to hold securities custodially through DTC) to arrange for the New Notes to be delivered pursuant to the Exchange Offer and to obtain the information necessary to provide the required DTC participant and account information in this Letter of Transmittal.

Tampa Electric Company will deliver the New Notes on the applicable Settlement Date. Tampa Electric Company will not be obligated to deliver New Notes unless the Exchange Offer is consummated.

Each holder whose Old Notes are accepted for exchange by Tampa Electric Company will receive interest, if any, that has accrued from the most recent interest payment date in respect of the Old Notes up to but not including the applicable Settlement Date, minus, in the case of the Regular Settlement Date, accrued and unpaid interest on the New Notes up to, but not including, the Regular Settlement Date. Interest on the New Notes, including those delivered on the Regular Settlement Date, will accrue from, and including, the Early Settlement Date.

Tampa Electric Company will pay any accrued and unpaid interest with respect to the Old Notes accepted for exchange in the Exchange Offer by depositing such payment in cash with the Exchange Agent, or at the direction of the Exchange Agent, with DTC, on the applicable Settlement Date.

DELIVERY OF DOCUMENTS TO DTC DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

TENDER OF OLD NOTES

To effect a valid tender of Old Notes using this Letter of Transmittal, the undersigned must:

- complete the table below entitled "Method of Delivery;"
- complete the table below entitled "Description of Old Notes Tendered Hereby;"
- sign this Letter of Transmittal where indicated;
- if appropriate, check and complete the boxes relating to the "Special Delivery Instructions;" and
- complete the attached Substitute Form W-9 or appropriate IRS Form W-8 (e.g., IRS Form W-8 BEN, W-8 ECI, etc.), as applicable.

New Notes will be delivered in book-entry form through DTC and only to the DTC account of the undersigned or the undersigned's custodian, as specified in the table below entitled "Method of Delivery," on the applicable Settlement Date or as soon as practicable thereafter.

Failure to provide the information necessary to effect delivery of the New Notes will render such holder's tender defective, and Tampa Electric Company will have the right, which it may waive, to reject such tender without notice.

METHOD OF DELIVERY

☐ **CHECK HERE IF PHYSICAL CERTIFICATES FOR TENDERED OLD NOTES ARE BEING DELIVERED HEREWITH.**

☐ **CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC.**

PROVIDE BELOW THE NAME OF THE DTC PARTICIPANT AND PARTICIPANT'S ACCOUNT NUMBER IN WHICH THE TENDERED OLD NOTES ARE HELD AND/OR INTO WHICH THE CORRESPONDING NEW NOTES ARE TO BE DELIVERED.

Name of Tendering Institution:_____

DTC Participant Number:_____

Account Number:_____ Transaction Code Number:_____

DESCRIPTION OF OLD NOTES TENDERED HEREBY (see Instructions 2 and 3) NOTE: SIGNATURES MUST BE PROVIDED BELOW. PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.		
Old Notes Being Tendered	**Aggregate Principal Amount of Old Notes**	**Aggregate Principal Amount of Old Notes being Tendered (if less than all)***
6.875% Notes due 2012 (CUSIP No. 875127 AS 1)		
6.375% Notes due 2012 (CUSIP No. 875127 AU 6)		
* **The principal amount of Old Notes tendered hereby must be in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. All Old Notes shall be deemed tendered unless a lesser number is specified in this column. See Instruction 3.**		

Please check the following boxes to confirm whether the undersigned, or the Beneficial Owner (as defined below) on behalf of which the undersigned is acting, has returned the eligibility certification (as described in the Offering Memorandum) to the Information Agent AND is either:

☐ **A QIB, and represents, warrants and agrees as set forth in paragraph (1)(i) on page 8;**

OR

☐ **(i) Not a "U.S. person" or (ii) a dealer or other professional fiduciary organized, incorporated or (if an individual) residing in the United States holding a discretionary account or similar account (other than an estate or a trust) for the benefit or account of a non-"U.S. person" and, in each case, represents, warrants and agrees as set forth in paragraph (1)(ii) on page 8;**

If the aggregate principal amount of the Old Notes specified was held as of the date of tender by more than one Beneficial Owner, you may specify below the breakdown of this aggregate principal amount by Beneficial Owner, and, in doing so, hereby instruct the Exchange Agent to treat such Beneficial Owner as a separate holder when performing any rounding. If the space below is inadequate, attach a separate signed schedule using the same format.

Beneficial Owner's Name or Account Number	**Principal amount of Old Notes**
Total:	

Note: Signatures must be provided below.
Please read the accompanying Instructions carefully.

Ladies and Gentlemen:

The undersigned hereby tenders to Tampa Electric Company the aggregate principal amount of Old Notes indicated in the table above entitled "Description of Old Notes Tendered Hereby."

The undersigned understands that the Early Exchange Consideration will only be delivered with respect to tenders of Old Notes delivered at or prior to the Early Participation Date, not validly withdrawn prior to the Withdrawal Date and accepted for exchange. After the Withdrawal Date tenders of Old Notes may not be withdrawn except in limited circumstances as set forth in the Offering Memorandum.

If the undersigned is not the Registered Holder (as defined below, see Instruction 4), or such holder's legal representative or attorney-in-fact, in order to validly tender its Old Notes, the undersigned must obtain a properly completed irrevocable proxy that authorizes the undersigned (or the undersigned's legal representative or attorney-in-fact) to tender such Old Notes on behalf of the holder thereof, and such proxy must be delivered with this Letter of Transmittal.

Tampa Electric Company's obligation to complete the Exchange Offer is conditioned upon the satisfaction of the conditions as set forth in the Offering Memorandum. If the Exchange Offer is consummated, the New Notes will be issued under Tampa Electric Company's Indenture, dated as of July 1, 1998, as amended by a third supplemental indenture thereto, each between us and The Bank of New York Mellon (formerly known as The Bank of New York), as trustee (the "**Trustee**"), and as supplemented by an eighth supplemental indenture thereto between us and the Trustee (as amended and supplemented, the "**Indenture**").

The undersigned understands that the Old Notes validly tendered and not withdrawn (or defectively tendered Old Notes with respect to which Tampa Electric Company has, or has caused to be, waived such defect) will be deemed to have been accepted by Tampa Electric Company if, as and when Tampa Electric Company gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned understands that subject to the Terms and Conditions, Old Notes accepted by Tampa Electric Company in accordance with such Terms and Conditions will be exchanged for the New Notes. The undersigned understands that, under certain circumstances, Tampa Electric Company may not be required to accept any of the Old Notes tendered. If any Old Notes are not accepted for exchange for any reason (or if Old Notes are validly withdrawn), such unexchanged (or validly withdrawn) Old Notes will be returned without expense to the undersigned's account at DTC or such other account as designated herein pursuant to the book-entry transfer procedures described in the Offering Memorandum as promptly as practicable after the expiration or termination of the Exchange Offer.

Subject to, and effective upon, the acceptance of, and issuance of the New Notes and the balance of the Total Early Exchange Consideration or the Exchange Offer Consideration, as applicable, in exchange for, the principal amount of Old Notes tendered in accordance with the terms and subject to the conditions of the Exchange Offer, the undersigned by executing and delivering this Letter of Transmittal (or agreeing to the terms of this Letter of Transmittal pursuant to an Agent's Message) hereby:

(1) irrevocably agrees to sell, assign and transfer to or upon the order of Tampa Electric Company or its nominees, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of the undersigned's status as a holder of, all Old Notes tendered hereby, such that thereafter it shall have no contractual or other rights or claims in law or equity against Tampa Electric Company or any fiduciary, trustee, fiscal agent or other person connected with the Old Notes arising under, from or in connection with such Old Notes;

(2) waives any and all rights with respect to the Old Notes tendered hereby (including, without limitation, any existing or past defaults and their consequences in respect of such Old Notes and the Indenture);

(3) releases and discharges Tampa Electric Company and the Trustee from any and all claims the undersigned may have, now or in the future, arising out of or related to the Old Notes tendered hereby, including, without limitation, any claims that the undersigned is entitled to receive additional principal or interest payments with respect to the Old Notes tendered hereby (other than as expressly provided in the Offering Memorandum and in this Letter of Transmittal) or to participate in any repurchase, redemption or defeasance of the Old Notes tendered hereby;

(4) irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of such holder (with full knowledge that the Exchange Agent also acts as the agent of Tampa Electric Company) with respect to any tendered Old Notes, with full power of substitution and resubstitution (such power of attorney being

deemed to be an irrevocable power coupled with an interest) to (a) deliver such Old Notes or transfer ownership of such Old Notes on the account books maintained by DTC together with all accompanying evidences of transfer and authenticity, to or upon the order of Tampa Electric Company, (b) present such Old Notes for transfer on the register, and (c) receive all benefits or otherwise exercise all rights of Beneficial Ownership (as defined below) of such Old Notes, including receipt of New Notes issued in exchange therefor and transfer such New Notes to the holder, all in accordance with the terms of the Exchange Offer; and

(5) agrees that the delivery and surrender of the Old Notes is not effective, and the risk of loss of the Old Notes does not pass to the Exchange Agent, until receipt by the Exchange Agent of (a) a properly completed and duly executed Letter of Transmittal and the certificates of the tendered Old Notes accompanying the Letter of Transmittal together with all accompanying evidences of authority and any other required documents in form satisfactory to Tampa Electric Company or (b) a properly transmitted Agent's Message.

All questions as to the form of all documents and the validity (including time of receipt) and acceptance of tenders and withdrawals of Old Notes will be determined by Tampa Electric Company, which determination shall be final and binding. The undersigned understands that tenders of Old Notes pursuant to any of the procedures described in the Offering Memorandum and in the instructions in this Letter of Transmittal and acceptance of such Old Notes by Tampa Electric Company will, following the Expiration Date, constitute a binding agreement between the undersigned and Tampa Electric Company upon the Terms and Conditions.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall not be affected by, and shall survive, the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

The undersigned, by executing and delivering this Letter of Transmittal (or agreeing to the terms of this Letter of Transmittal pursuant to an Agent's Message) hereby represents, warrants and agrees that:

(1) it is, or in the event that the signatory is acting on behalf of a Beneficial Owner of the Old Notes tendered, it has received a written certification from such Beneficial Owner (dated as of a specific date on or since the close of such Beneficial Owner's most recent fiscal year) to the effect that such Beneficial Owner is, (i) a QIB, and is acquiring the New Notes for its own account or for an account with respect to which it exercises sole investment discretion, in each case for investment and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, subject to any requirement of law that the disposition of its property be at all times within its control and subject to its ability to resell the New Notes pursuant to Rule 144A, Regulation S or any exemption from registration available under the Securities Act, or (ii) a non-U.S. person outside the United States and is acquiring the New Notes in an offshore transaction in accordance with Regulation S under the Securities Act;

(2) it acknowledges that the New Notes to be exchanged for the Old Notes tendered have not been registered under the Securities Act and may not be sold except as permitted below;

(3) it acknowledges and understands that it is a violation of Rule 14e-4 (promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) for a person, directly or indirectly, to tender Old Notes for his own account unless the person so tendering (a) has a net long position equal to or greater than the aggregate principal amount of the Old Notes being tendered and (b) will cause such Old Notes to be delivered in accordance with the terms of the Exchange Offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person.

(4) it understands and agrees that the New Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that if it is a person other than a non-U.S. person outside the United States (A) if it decides to resell, pledge or otherwise transfer such New Notes on which the legend set forth below appears, such New Notes may be resold, pledged or transferred only (i) to us, (ii) in a transaction entitled to an exemption from registration provided by Rule 144 under the Securities Act, (iii) so long as such security is eligible for resale pursuant to Rule 144A under the Securities Act, to a person whom the seller reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A under the Securities Act (as indicated by the box checked by the transferor on the Certificate of Transfer on the reverse of the New Note if such New Note is not in book-entry form),

(iv) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act (as indicated by the box checked by the transferor on the Certificate of Transfer on the reverse of the New Note if such New Note is not in book-entry form), (v) in accordance with another applicable exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to us) or (vi) pursuant to an effective registration statement under the Securities Act and (B) the purchaser will, and each subsequent holder is required to, notify any purchaser of New Notes from it of the resale restrictions referred to in (A) above, if then applicable;

(5) it understands that the notification requirement referred to in clause (4)(B) above will be satisfied by virtue of the fact that the following legend will be placed on the New Notes unless otherwise agreed by us:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY ACQUIRING THIS SECURITY AGREES FOR THE BENEFIT OF TAMPA ELECTRIC COMPANY (THE "COMPANY") THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OTHER THAN (A)(1) TO THE COMPANY, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER *REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE* MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (4) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (5) IN ACCORDANCE WITH ANOTHER APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE *COMPANY) OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT* UNDER THE SECURITIES ACT AND (B) IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR IN ANY OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A OR (2) A NON-U.S. PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF, OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (K)(2) OF RULE 902 UNDER, REGULATION S UNDER THE SECURITIES ACT.";

(6) it acknowledges that the Trustee will not be required to accept for registration of transfer any New Notes acquired by it, except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth herein have been complied with;

(7) it (or the account for which it is acting) (i) is able to fend for itself in the transactions contemplated by the Offering Memorandum, (ii) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the New Notes, (iii) has the ability to bear the economic risks of its prospective investment and can afford the complete loss of such investment and (iv) may be required to bear the financial risks of this investment for an indefinite period of time;

(8) if the Old Notes are assets of (i) an "employee benefit plan" as defined in Section 3(3) of Employee Retirement Income Security Act of 1974 ("**ERISA**") that is subject to Title I of ERISA, (ii) a "plan" as defined in Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), (iii) a "governmental plan" as defined in Section 3(32) of ERISA or any other plan that is subject to a law substantially similar to Title I of ERISA or Section 4975 of the Code or (iv) an entity deemed to hold plan assets of any of the foregoing, the exchange of the Old Notes and the acquisition, holding and disposition of the New Notes will not result in a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or any substantially similar applicable law;

(9) it acknowledges that (a) none of us, the Trustee, the Information Agent, the Exchange Agent, the Dealer Managers or any person acting on behalf of any of the foregoing has made any statement, representation, or warranty, express or implied, to it with respect to us or the offer or exchange of any New Notes, other than the information we have included in the Offering Memorandum (as amended or supplemented to the Expiration Date), and (b) any information it desires concerning us and the New Notes or any other matter relevant to its decision to exchange its Old Notes for New Notes (including a copy of the Offering Memorandum) is or has been made available to it;

(10) it understands that we, the Dealer Managers, the Information Agent, the Trustee, the Exchange Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements made by it by its submission of a letter of transmittal, or its agreement to the terms of a letter of transmittal pursuant to an Agent's Message, are, at any time prior to the consummation of the Exchange Offer, no longer accurate, it shall promptly notify us and the Dealer Managers. If it is acquiring the New Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account;

(11) in evaluating the Exchange Offer and in making its decision whether to participate therein by submitting a letter of transmittal (or agreeing to the terms of the letter of transmittal pursuant to an Agent's Message) and tendering its Old Notes, it has made its own independent appraisal of the matters referred to in the Offering Memorandum and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to it by Tampa Electric Company, the Trustee, the Information Agent, the Exchange Agent or the Dealer Managers other than those contained in the Offering Memorandum (as amended or supplemented to the Expiration Date); and

(12) if you are located outside the U.S., the offer to you and your acceptance of it does not contravene the applicable laws where you are located and that your participation in the Exchange Offer will not impose on us any requirement to make any deliveries, filings or registrations

In addition, each subsequent holder of New Notes will be deemed to represent and warrant that if its acquisition of the New Notes is funded with the assets of (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in Section 4975 of the Code, (iii) a "governmental plan" as defined in Section 3(32) of ERISA or any other plan that is subject to a law substantially similar to Title I of ERISA or Section 4975 of the Code or (iv) an entity deemed to hold plan assets of any of the foregoing, the transfer, acquisition, holding and disposition of the New Notes to it by the prior holder will not result in a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or any substantially similar applicable law.

The representations and warranties and agreements of an Eligible Holder tendering Old Notes shall be deemed to be repeated and reconfirmed on and as of the Expiration Date and the applicable Settlement Date. For purposes of this Letter of Transmittal, the "**Beneficial Owner**" of any Old Notes shall mean any Eligible Holder that exercises sole investment discretion with respect to such Old Notes.

Tampa Electric Company expressly reserves the right, subject to applicable law, to:

- delay accepting any Old Notes, extend the Exchange Offer, decrease the amount of Old Notes sought or accepted in the Exchange Offer or terminate the Exchange Offer and not accept any Old Notes; and

- amend, modify or waive at any time, or from time to time, the terms of the Exchange Offer in any respect, including waiver of any conditions to consummation of the Exchange Offer or decrease of the percentage of Old Notes sought.

If Tampa Electric Company exercises any such right, Tampa Electric Company will give written notice thereof to the Exchange Agent and will make a public announcement thereof as promptly as practicable. Without limiting the manner in which Tampa Electric Company may choose to make a public announcement of any extension, amendment or termination of the Exchange Offer, Tampa Electric Company will not be obligated to publish, advertise or otherwise communicate any such public announcement, other than by making a timely press release.

The minimum period during which the Exchange Offer will remain open following material changes in the terms of the Exchange Offer or in the information concerning the Exchange Offer will depend upon the facts and circumstances of such

changes, including the relative materiality of the changes. With respect to a change in consideration or amount of Old Notes sought, the Exchange Offer will remain open for a minimum ten business day period following the announcement of such change to allow for adequate dissemination of such change. If the terms of the Exchange Offer are amended in a manner determined by Tampa Electric Company to constitute a material change adversely affecting any holder, Tampa Electric Company will promptly disclose any such amendment in a manner reasonably calculated to inform holders of such amendment, and Tampa Electric Company will extend the Exchange Offer for a time period that Tampa Electric Company deems appropriate, depending upon the significance of the amendment and the manner of disclosure to holders, if the Exchange Offer would otherwise expire during such time period.

Special Delivery Instructions

If the "Special Delivery Instructions" box (below) is completed, please credit the DTC account for any book-entry transfers of Old Notes not accepted for exchange into the account so indicated.

The undersigned recognizes that Tampa Electric Company has no obligation under the "Special Delivery Instructions" provision of this Letter of Transmittal to effect the transfer of any Old Notes from the holder(s) of Old Notes thereof if Tampa Electric Company does not accept any of the principal amount of the Old Notes tendered pursuant to this Letter of Transmittal.

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 2 and 5)

To be completed ONLY if Old Notes in the principal amount not accepted by Tampa Electric Company are to be returned in the name of someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal and/or sent to a DTC participant account different from that indicated in the table entitled "Method of Delivery."

Please issue Old Notes not accepted, to:_____

Name of DTC Participant:_____

DTC Participant Account Number:_____

Contact at DTC Participant:_____

SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS OF OLD NOTES HEREBY)

By completing, executing and delivering this Letter of Transmittal, the undersigned hereby tenders to Tampa Electric Company the principal amount of the Old Notes listed in the table on page 6 labeled "Description of Old Notes Tendered Hereby."

_____ _____
Signature of Registered Holder(s) or Authorized Signatory (see guarantee requirement below) (Date)

_____ _____
Signature of Registered Holder(s) or Authorized Signatory (see guarantee requirement below) (Date)

_____ _____
Signature of Registered Holder(s) or Authorized Signatory (see guarantee requirement below) (Date)

Area Code and Telephone Number: _____

This Letter of Transmittal must be signed by the Registered Holder(s) exactly as the name(s) appear(s) on a securities position listing of DTC or by any person(s) authorized to become the Registered Holder(s) by endorsements and documents transmitted herewith. If the signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person, acting in a fiduciary or representative capacity, please set forth at the line entitled "Capacity (full title)" and submit evidence satisfactory to the Exchange Agent and Tampa Electric Company of such person's authority to so act. See Instruction 4.

Names(s): _____

_____
(Please Type or Print)

Capacity (full title): _____
(Please Type or Print)

Address: _____
(Including Zip Code)

MEDALLION SIGNATURE GUARANTEE
(If required — See Instruction 4)

Signature(s) Guaranteed by
an Eligible Institution: _____
(Authorized Signature)

_____
(Title)

_____
(Name of Firm)

_____
(Address)

Date: _____

INSTRUCTIONS FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. **Delivery of this Letter of Transmittal and the Old Notes.** This Letter of Transmittal is to be completed by Eligible Holders of Old Notes if certificates are to be forwarded herewith or if Old Notes are to be tendered by effecting a book-entry transfer into the Exchange Agent's account at DTC and instructions are not being transmitted through ATOP. If tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in the section of the Offering Memorandum entitled "PROCEDURES OF THE EXCHANGE OFFER — Book-Entry Transfer" and an Agent's Message is delivered, then delivery of this Letter of Transmittal is not necessary. Certificates for all physically tendered Old Notes, or Book-Entry Confirmation, as the case may be, as well as this properly completed and duly executed Letter of Transmittal (or manually signed facsimile hereof or Agent's Message in lieu thereof) and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at the address set forth herein at or prior to the Expiration Date.

The method of delivery of this Letter of Transmittal, the Old Notes and all other required documents is at the election and risk of the tendering Eligible Holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Old Notes are sent by regular U.S. mail, it is suggested that the mailing be registered mail, properly insured, with return receipt requested, made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent at or prior to the Expiration Date. See the section of the Offering Memorandum entitled "PROCEDURES OF THE EXCHANGE OFFER —Procedures for Tendering."

2. **Delivery of the New Notes.** The New Notes will be delivered in book-entry form through DTC and only to the DTC account of the tendering holder or the tendering holder's custodian. Accordingly, the appropriate DTC participant name and account number (along with any other required account information) needed to permit such delivery must be provided in the table on page 5 hereof entitled "Method of Delivery." Failure to do so will render a tender of Old Notes defective, and Tampa Electric Company will have the right, which it may waive, to reject such tender without notice. Eligible Holders who anticipate tendering by a method other than through DTC are urged to promptly contact a bank, broker or other intermediary (that has the facility to hold securities custodially through DTC) to arrange for receipt of any New Notes delivered pursuant to the Exchange Offer and to obtain the information necessary to complete the table.

3. **Amount of Tenders; Partial Tenders.** Tenders of Old Notes will be accepted only in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. Book-entry transfers to the Exchange Agent should be made in the exact principal amount of Old Notes tendered. The amount of New Notes to be issued will be based on the total principal amount of Old Notes tendered and accepted for exchange, and the issuance of New Notes will be rounded down to the nearest $1,000 principal amount. Tampa Electric Company will pay any difference in cash on the applicable Settlement Date.

If less than all of the Old Notes evidenced by a submitted certificate are to be tendered, the tendering Eligible Holder(s) should fill in the aggregate principal amount of Old Notes to be tendered in the table above entitled "Description of Old Notes Tendered Hereby." In such case, new certificates representing the balance of non-tendered Old Notes will be sent to such tendering holder, unless otherwise provided in the "Special Delivery Instructions" box on this Letter of Transmittal, promptly after the Expiration Date. ALL OF THE OLD NOTES DELIVERED TO THE EXCHANGE AGENT WILL BE DEEMED TO HAVE BEEN TENDERED UNLESS OTHERWISE INDICATED.

4. **Signatures on this Letter of Transmittal; Instruments of Transfer; Guarantee of Signatures.** For purposes of this Letter of Transmittal, the term "Registered Holder" means an owner of record as well as any DTC participant that has Old Notes credited to its DTC account. Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program (each, a "**Medallion Signature Guarantor**"). Signatures on this Letter of Transmittal need not be guaranteed if:

- this Letter of Transmittal is signed by a participant in DTC whose name appears on a security position listing as the owner of the Old Notes and the holder(s) has not completed the box entitled "Special Delivery Instructions" on this Letter of Transmittal; or

- the Old Notes are tendered for the account of an "eligible institution."

An "**eligible institution**" is one of the following firms or other entities identified in Rule 17Ad-15 under the Securities Exchange Act of 1934 (as the terms are defined in Rule 17Ad-15):

(a) a bank;

(b) a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker;

(c) a credit union;

(d) a national securities exchange, registered securities association or clearing agency; or

(e) a savings institution that is a participant in a Securities Transfer Association recognized program.

If any of the Old Notes tendered are held by two or more Registered Holders, all of the Registered Holders must sign this Letter of Transmittal.

Tampa Electric Company will not accept any alternative, conditional, irregular or contingent tenders. By executing this Letter of Transmittal (or facsimile thereof) or directing DTC to transmit an Agent's Message, you waive any right to receive any notice of the acceptance of your Old Notes for exchange.

If this Letter of Transmittal or instruments of transfer are signed by trustees, executors, administrators, guardians or attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and, unless waived by Tampa Electric Company, evidence satisfactory to Tampa Electric Company of their authority to so act must be submitted with this Letter of Transmittal.

Beneficial Owners whose tendered Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if they desire to tender such Old Notes.

5. Special Delivery Instructions. All Old Notes tendered hereby and not accepted for exchange will be returned to the undersigned according to the information provided in the table entitled "Method of Delivery" or, if completed, according to the "Special Delivery Instructions" box in this Letter of Transmittal.

6. Validity of Tenders. All questions concerning the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Old Notes will be determined by Tampa Electric Company, which determination will be final and binding. Tampa Electric Company also reserves the right, subject to applicable law, to waive any defects, irregularities or conditions of tender as to particular Old Notes. A waiver of any defect or irregularity with respect to the tender of one note shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other note. Tampa Electric Company's interpretations of the Terms and Conditions will be final and binding on all parties. Any defect or irregularity in connection with tenders of Old Notes must be cured within such time as Tampa Electric Company determines, unless waived by Tampa Electric Company. Tenders of Old Notes shall not be deemed to have been made until all defects and irregularities have been waived by Tampa Electric Company or cured. None of Tampa Electric Company, the Trustee, the Dealer Managers, the Exchange Agent, the Information Agent or any other person will be under any duty to give notice of any defects or irregularities in tenders of Old Notes or will incur any liability to holders for failure to give any such notice.

Any Old Notes received by the Exchange Agent that are not validly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the holders of Old Notes, unless otherwise provided in this Letter of Transmittal, as soon as practicable following the Expiration Date or the withdrawal or termination of the Exchange Offer.

7. Waiver of Conditions. Tampa Electric Company reserves the absolute right to amend or waive any of the conditions in the Exchange Offer at any time.

8. Withdrawal. Old Notes tendered in the Exchange Offer may be validly withdrawn at any time prior to the Withdrawal Date provided that Tampa Electric Company may extend the Early Participation Date without extending the deadline by which Old Notes tendered in the Exchange Offer may be validly withdrawn, unless required by law. Old Notes tendered after the Withdrawal Date may not be withdrawn, except in limited circumstances. Tenders may be withdrawn only pursuant to the procedures and subject to the terms set forth in the Offering Memorandum under the caption

"ACCEPTANCE OF OLD NOTES; ISSUANCE OF NEW NOTES; WITHDRAWAL OF TENDERS — Withdrawal of Tenders."

9. Requests for Assistance or Additional Copies. Questions concerning tender procedures and requests for additional copies of the Offering Memorandum and this Letter of Transmittal should be directed to the Information Agent at its address or telephone numbers listed on the back cover page of the Offering Memorandum. Any questions concerning the terms of the Exchange Offer should be directed to the Lead Dealer Managers at the telephone numbers listed on the back cover page of the Offering Memorandum.

10. Important Tax Information; Backup Withholding; Substitute Form W-9 or IRS Form W-8. TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (1) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN *BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY YOU*, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON YOU UNDER THE INTERNAL REVENUE CODE; (2) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (3) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Under the U.S. federal income tax law, a U.S. Holder (as defined below) whose tendered Old Notes are accepted for exchange is required to provide the Exchange Agent with such holder's correct taxpayer identification number ("**TIN**") on Substitute Form W-9 below. If the Exchange Agent is not provided with the correct TIN or an adequate basis for exemption, the Internal Revenue Service (the "**IRS**") may subject the holder or other payee to a $50 penalty. In addition, tendering U.S. Holders may be subject to backup withholding at the applicable rate (currently 28% and scheduled to increase to 31% in 2011) on all reportable payments made pursuant to or after the Exchange Offer. A Non-U.S. Holder (as defined below) should not use the Substitute Form W-9. Instead, in order for a Non-U.S. Holder to qualify as an exempt recipient, such Non-U.S. Holder should submit the appropriate IRS Form W-8 (which is available from the Exchange Agent upon request or at the IRS website (www.irs.gov)) signed under penalties of perjury, attesting to such Non-U.S. Holder's foreign status. A Non-U.S. Holder's failure to submit the appropriate Form W-8 may require the Exchange Agent to backup withhold at the applicable rate on any payments made pursuant to the Exchange Offer.

You are a U.S. Holder if you are, for U.S. federal income tax purposes, (i) a citizen or an individual resident of the United States (including a U.S. resident alien), (ii) a partnership, corporation, company, or association created or organized in the United States or under the laws of the United States or any political subdivision thereof or therein, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (a) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons, within the meaning of Section 7701(a)(30) of the Code, are authorized to control all substantial decisions of the trust; or (b) if, in general, the trust was in existence on August 20, 1996 and was treated as a U.S. person under the Code on the previous day and made a valid election under applicable Treasury regulations to continue to be so treated. You are a Non-U.S. Holder if you are not a U.S. Holder for U.S. federal income tax purposes.

To prevent backup withholding, each tendering U.S. Holder of Old Notes must provide its correct TIN by completing the attached Substitute Form W-9 certifying that the U.S. Holder is a United States person (including a United States resident alien), that the TIN provided is correct (or that such U.S. Holder is awaiting a TIN) and that the U.S. Holder is not subject to backup withholding because (1) the U.S. Holder is exempt from backup withholding, (2) the U.S. Holder has not been notified by the IRS that such U.S. Holder is subject to backup withholding as a result of a failure to report all interest or dividends or (3) the IRS has notified the U.S. Holder that such U.S. Holder is no longer subject to backup withholding.

If you do not have a TIN, write "Applied For" in Part 1, sign and date the form, and give it to the Exchange Agent. You must also complete and remit the attached Certificate of Awaiting Taxpayer Identification Number. The Exchange Agent will withhold at the applicable rate on all reportable payments made prior to the time a properly certified TIN is provided to the Exchange Agent. The Exchange Agent will retain such amounts withheld during the 60-day period following the date of the Substitute Form W-9. If the U.S. Holder furnishes the Exchange Agent with its TIN within 60 days after the date of the Substitute Form W-9, the amounts retained during the 60-day period will be remitted to the U.S. Holder, and no further amounts shall be retained or withheld from payments made to the U.S. Holder thereafter. If, however, the U.S. Holder has not provided the Exchange Agent with its TIN within such 60-day period, amounts withheld will be remitted to the IRS as backup withholding. In addition, all reportable payments made thereafter will be subject to backup withholding at the then applicable rate and the amounts so withheld will be remitted to the IRS until a correct TIN is provided by the U.S. Holder.

The U.S. Holder is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the registered owner of the Old Notes or of the last transferee appearing on the transfers attached to, or endorsed on, the Old Notes. If the Old Notes are registered in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

Certain holders of Old Notes (including, among others, corporations, financial institutions and certain foreign persons) may not be subject to the backup withholding and reporting requirements. Exempt U.S. Holders should nevertheless complete the attached Substitute Form W-9 below, and check the "exempt" box in Part 2, and sign and date the form, to avoid possible erroneous backup withholding. A Non-U.S. Holder may establish an exemption from backup withholding by submitting a properly completed IRS Form W-8 BEN, "Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding," or, if applicable, Form W-8 ECI, "Certificate of Foreign Person's Claim That Income is Effectively Connected with the Conduct of a Trade or Business in the United States," or other appropriate IRS Form W-8, signed under penalties of perjury, attesting to that holder's exempt status. Special rules apply to foreign partnerships. Non-U.S. Holders, including foreign partnerships, are urged to consult with their tax advisors on completing the appropriate IRS Form W-8. The appropriate IRS Form W-8 will be provided by the Exchange Agent upon request and is also available at the IRS website (www.irs.gov). Please consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which holders are exempt from backup withholding.

Backup withholding is not an additional U.S. federal income tax. Rather, amounts withheld under the backup withholding rules will be allowed as a credit or refund against a holder's U.S. federal income tax liability if certain required information is timely provided to the IRS.

[Remainder of page intentionally left blank.]

PAYER'S NAME: [Depositary]

SUBSTITUTE Form W-9 ***Department of the Treasury Internal Revenue Service*** ***Payer's Request for Taxpayer Identification Number ("TIN ") and Certification***	**Name (as shown on your income tax return):** **Business Name, if different from above:** **Check appropriate box:** ☐ Individual/Sole proprietor ☐ Corporation ☐ Partnership ☐ Limited liability company. Enter the tax classification (D =disregarded entity, C=corporation, P=partnership) ► ____ ☐ Other:_____ **Address (Number and Street):** **City, State and Zip Code:**
	Part 1 — Taxpayer Identification Number — Please provide your TIN in the box at right and certify by signing and dating below. If awaiting TIN, write "Applied For" and sign and date the "Certificate of Awaiting Taxpayer Identification Number" Below Social Security Number OR Employer Identification Number
	PART 2 — For Exempt Payees — Check the box and certify by signing and dating below. ☐
	PART 3 — Certification — Under penalties of perjury, I certify that: (1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), (2) *I am not subject to backup withholding* because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding and (3) I am a U.S. person (including a U.S. resident alien). *Certification Instructions*. — *You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. However, if after being notified by the IRS stating that you were subject to backup withholding you received another notification from the IRS stating you are no longer subject to backup withholding, do not cross out item 2.*

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ **DATE**_____

You must complete the following certificate if you wrote "Applied For" in Part 1 of this Substitute W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (i) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (ii) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 28% of all reportable payments made to me will be withheld.

Signature:_____ Date:_____

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines For Determining the Proper Identification Number to Give the Payer – Social Security Numbers ("**SSNs**") have nine digits separated by two hyphens: *i.e.*, 000-00-0000. Employer Identification Numbers ("**EINs**") have nine digits separated by only one hyphen: *i.e.*, 00-0000000. The table below will help determine the number to give the payer. All "section" references are to the Code.

For this type of account:	GIVE THE NAME AND SOCIAL SECURITY NUMBER or EMPLOYER IDENTIFICATION NUMBER of —
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account (1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor (2)
4. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee (1)
b. So-called trust account that is not a legal or valid trust under state law	The actual owner (1)
5. Sole proprietorship or single-owner LLC (or *other disregarded* entity) owned by an individual	The owner (3)
6. Disregarded entity not owned by an individual	The owner
7. A valid trust, estate, or pension trust	Legal entity (4)
8. Corporation or LLC electing corporate status on Form 8832	The corporation
9. Association, club, religious, charitable, educational or other tax-exempt organization	The organization
10. Partnership or multi-member LLC	The partnership or LLC
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose SSN you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.
(2) Circle the minor's name and furnish the minor's SSN.
(3) You must show your individual name and you may also enter your business or "doing business as" name. You may use either your SSN or EIN (if you have one). If you are a sole proprietor, the Internal Revenue Service encourages you to use your SSN.
(4) List first and circle the name of the legal trust, estate or pension trust. (Do not furnish the Taxpayer Identification Number of the personal representative or trustee unless the legal entity itself is not designated in the account title).

NOTE: If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Purpose of Form

A person who is required to file an information return with the Internal Revenue Service (the "IRS") must get your correct Taxpayer Identification Number ("TIN") to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an individual retirement account. Use Substitute Form W-9 to give your correct TIN to the requester (the person requesting your TIN) and, when applicable, (1) to certify the TIN you are giving is correct (or you are waiting for a number to be issued), (2) to certify you are not subject to backup withholding, or (3) to claim exemption from backup withholding if you are an exempt payee. The TIN provided must match the name given on the Substitute Form W-9.

How to Get a TIN

If you do not have a TIN, apply for one immediately. To apply for an SSN, obtain Form SS-5, Application for a Social Security Card, at the local office of the Social Security Administration or get this form on-line at *www.ssa.gov/online/ss-5.pdf*. You may also get this form by calling 1-800-772-1213. You can apply for an EIN online by accessing the IRS website at *www.irs.gov/businesses* and clicking on Employer ID Numbers under Related Topics. Use Form W-7, Application for IRS Individual Taxpayer Identification Number ("ITIN"), to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can get Forms W-7 and SS-4 from the IRS by calling 1-800-TAX-FORM (1-800-829-3676) or from the IRS web site at www.irs.gov.

If you do not have a TIN, write "Applied For" in Part 1, sign and date the form, and give it to the payer. For interest and dividend payments and certain payments made with respect to readily tradable instruments, you will generally have 60 days to get a TIN and give it to the payer. If the payer does not receive your TIN within 60 days, backup withholding, if applicable, will begin and continue until you furnish your TIN.

Note: Writing "Applied For" on the form means that you have already applied for a TIN OR that you intend to apply for one soon. As soon as you receive your TIN, complete another Form W-9, include your TIN, sign and date the form, and give it to the payer.

CAUTION: A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

Payees Exempt from Backup Withholding

Individuals (including sole proprietors) are NOT exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

Note: If you are exempt from backup withholding, you should still complete Substitute Form W-9 to avoid possible erroneous backup withholding. If you are exempt, enter your correct TIN in Part 1, check the "Exempt" box in Part 2, and sign and date the form. If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8, Certificate of Foreign Status.

The following is a list of payees that may be exempt from backup withholding and for which no information reporting is required. For interest and dividends, all listed payees are exempt except for those listed in item (9). For broker transactions, payees listed in (1) through (13) and any person registered under the Investment Advisers Act of 1940 who regularly acts as a broker are exempt. Payments subject to reporting under sections 6041 and 6041A are generally exempt from backup withholding only if made to payees described in items (1) through (7). However, the following payments made to a corporation (including gross proceeds paid to an attorney under section 6045(f), even if the attorney is a corporation) and reportable on Form 1099-MISC are not exempt from backup withholding: (i) medical and health care payments, (ii) attorneys' fees, and (iii) payments for services paid by a federal executive agency. Only payees described in items (1) through (5) are exempt from backup withholding for barter exchange transactions and patronage dividends.

The following payees are exempt from backup withholding:

(1) An organization exempt from tax under section 501(a), or an individual retirement plan ("IRA"), or a custodial account under section 403(b)(7), if the account satisfies the requirements of section 401(f)(2).

(2) The United States or any of its agencies or instrumentalities.

(3) A state, the District of Columbia, a possession of the United States, or any of their subdivisions or instrumentalities.

(4) A foreign government, a political subdivision of a foreign government, or any of their agencies or instrumentalities.

(5) An international organization or any of its agencies or instrumentalities.

Other payees that may be exempt from backup withholding include:

(6) A corporation.

(7) A foreign central bank of issue.

(8) A dealer in securities or commodities registered in the United States, the District of Columbia, or a possession of the United States.

(9) A futures commission merchant registered with the Commodity Futures Trading Commission.

(10) A real estate investment trust.

(11) An entity registered at all times during the tax year under the Investment Company Act of 1940.

(12) A common trust fund operated by a bank under section 584(a).

(13) A financial institution.

(14) A middleman known in the investment community as a nominee or custodian.

(15) An exempt charitable remainder trust, or a non-exempt trust described in section 4947.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. **FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, CHECK THE "EXEMPT" BOX IN PART 2 ON THE FACE OF THE FORM IN THE SPACE PROVIDED, SIGN AND DATE THE FORM AND RETURN IT TO THE PAYER.**

Certain payments that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N, and their regulations.

Privacy Act Notice. Section 6109 of the Internal Revenue Code requires you to give your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA or Archer MSA or HSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation and to cities, states, and the District of Columbia to carry out their tax laws. The IRS may also disclose this information to other countries under a tax treaty, or to federal and state agencies to enforce federal nontax criminal laws and to combat terrorism.

You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 28% of taxable interest, dividends, and certain other payments to a payee who does not give a TIN to a payer. The penalties described below may also apply.

Penalties

Failure to Furnish TIN. If you fail to furnish your correct TIN to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil Penalty for False Information With Respect to Withholding. If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

Criminal Penalty for Falsifying Information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the payer discloses or uses TINs in violation of federal law, the payer may be subject to civil and criminal penalties.

FOR ADDITIONAL INFORMATION, CONTACT YOUR TAX ADVISOR OR THE INTERNAL REVENUE SERVICE.

In order to tender, an Eligible Holder of Old Notes should send or deliver this properly completed and signed Letter of Transmittal and any other required documents to the Exchange Agent at its address set forth below or tender pursuant to DTC's Automated Tender Offer Program.

The Exchange Agent for the Exchange Offer is:

Global Bondholder Services Corporation
By facsimile:
(For Eligible Institutions only):
(212) 430-3775/3779
Confirmation:
(212) 430-3774

By Mail:	**By Overnight Courier:**	**By Hand:**
65 Broadway — Suite 404	65 Broadway — Suite 404	65 Broadway — Suite 404
New York, NY 10006	New York, NY 10006	New York, NY 10006

Any questions or requests for assistance related to the Exchange Offer or for additional copies of the Offering Memorandum, this Letter of Transmittal, or related documents may be directed to the Information Agent at its telephone numbers and address set forth below. A holder of Old Notes may also contact the Lead Dealer Managers at the telephone numbers set forth below or such holder's custodian bank, depositary, broker, trust company or other nominee for assistance concerning any of the Exchange Offer.

The Information Agent for the Exchange Offer is:

Global Bondholder Services Corporation
65 Broadway - Suite 404
New York, NY 10006
Attn: Corporation Actions
Toll-free: (866) 470-4200
Banks and brokers: (212) 430-3774

The Lead Dealer Managers for the Exchange Offer are:

CITIGROUP GLOBAL MARKETS INC.
Liability Management Group
390 Greenwich Street, 1st Floor
New York, New York 10013
Toll Fee: (800) 558-3745
Collect: (212) 723-6106

J.P. MORGAN SECURITIES LLC
383 Madison Avenue, 3rd Floor
New York, New York 10179
Toll Free: (866) 384-4666
Collect: (212) 834-3424
Attention: Liability Management Group

The Co-Dealer Managers for the Exchange Offer are:

BofA Merrill Lynch

Morgan Stanley

TAMPA ELECTRIC COMPANY

and

THE BANK OF NEW YORK MELLON,
As Trustee

EIGHTH SUPPLEMENTAL INDENTURE
dated as of November 15, 2010

Supplementing the Indenture
dated as of July 1, 1998

5.40% Notes Due 2021

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This Eighth Supplemental Indenture, dated as of November 15, 2010, 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 Mellon, as trustee (hereinafter called the "Trustee"), and having its principal corporate trust office at 101 Barclay Street, 8 West, 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 Eighth 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 "5.40% Notes due 2021" (the "Notes"); and

WHEREAS, the Company and the Trustee desire to enter into this Eighth 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 Eighth Supplemental Indenture; and

WHEREAS, all things necessary to make this Eighth 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 EIGHTH 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 1.01. 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 Eighth Supplemental Indenture are hereinafter sometimes collectively referred to as the "Indenture." As used in this Eighth Supplemental Indenture, the following capitalized terms shall have the following respective meanings:

"Additional Payments" has the meaning given to it in the Registration Rights Agreement.

"Business Day" means any day other than (i) 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, or (ii) a day on which the Corporate Trust Office of the Trustee is closed for business.

"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 with respect to any redemption date (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.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Independent Investment Banker" means any of Citigroup Global Markets Inc., J.P. Morgan Securities LLC 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.

"Initial Notes" has the meaning specified in Section 201.

"Interest Payment Date" means May 15 and November 15 of each year.

"Notes" has the meaning set forth in the preamble 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.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of any government.

"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 LLC or their affiliates, 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 three 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 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

"Registration Rights Agreement" means that certain Registration Rights Agreement dated as of November 9, 2010 by and between the Company and Citigroup Global Markets Inc. and J.P. Morgan Securities LLC.

"Restricted Security" means a Note that constitutes a "Restricted Security" within the meaning of Rule 144(a)(3) under the Securities Act; *provided, however,* that the Trustee shall be entitled to request and conclusively rely on an Opinion of Counsel with respect to whether any Note constitutes a Restricted Security.

"Rule 144A" means Rule 144A under the Securities Act.

"Securities Act" means the United States Securities Act of 1933, as amended.

"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 1.02. Section References

Each reference to a particular section set forth in this Eighth Supplemental Indenture shall, unless the context otherwise requires, refer to this Eighth Supplemental Indenture.

ARTICLE TWO

Designation and Terms of the Notes

Section 2.01. Establishment of Series

There is hereby created a series of Securities to be known and designated as the "5.40% Notes Due 2021" (the "Initial Notes"), and, when and if issued pursuant to the Registration Rights Agreement, in exchange for Initial Notes, the "5.40% Notes Due 2021" (such notes together with the Initial Notes, 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 2.02. Variations in Terms of the Notes

Subject to the terms and conditions set forth in the Original Indenture and in this Eighth 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 2.03. Amount and Denominations; the Depositary

(a) The initial principal amount of Notes that may be issued under this Eighth Supplemental Indenture shall be $_____. Additional Notes may be issued under this Eighth 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 2.04. Stated Maturity

The Stated Maturity of the principal amount of the Notes shall be May 15, 2021.

Section 2.05. Interest Rates and Interest Payment Dates

(a) *Interest Rate.* The Notes shall bear interest at the annual rate of 5.40% 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 May 15, 2011. 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 2.06. 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. Each Initial Note and any Note constituting a Restricted Security shall also bear the legend set forth in Exhibit B-1. Notes offered and sold in offshore transactions in reliance on Regulation S under the Securities Act shall also bear the legend set forth in Exhibit B-2.

(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 Eighth Supplemental Indenture.

Section 2.07. 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 Eighth Supplemental Indenture, the Company shall deliver a Supplemental Company Order in the form of Exhibit C to this Eighth 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 2.08. 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

Special Transfer Restrictions

Section 3.01. Representation by Purchasers of Initial Notes

Each purchaser of the Initial Notes will be deemed to have represented and agreed as follows (terms used in this Section 3.01 that are defined in Rule 144A are used herein as defined therein):

(i) The purchaser is either: (A) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A and such qualified institutional buyer is acquiring such securities for its own account or for the account of another qualified institutional buyer; or (B) it or such investor account is a foreign purchaser outside the United States.

(ii) The purchaser understands that the Initial Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Initial Notes have not been registered under the Securities Act and that (A) the Initial Notes may be offered, resold, pledged or otherwise transferred only (1)(a) to a Person who the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) in a transaction meeting the requirements of Rule 144 under the Securities Act, if available, (c) outside the United States to a foreign purchaser in a transaction meeting the requirements of Regulation S under the Securities Act, or (d) to an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act, or Institutional

Accredited Investor, that is purchasing at least $100,000 of securities for its own account or for the account of an Institutional Accredited Investor (and based upon an opinion of counsel if the Company so requests), (2) to the Company or any of our Subsidiaries, or (3) under an effective registration statement and, in each case, in compliance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (B) the purchaser will, and each subsequent Holder is required to, notify any later purchaser from it of the resale restrictions described in (A) above. If any resale or other transfer of any security is proposed to be made under clause (A)(1)(d) above while these transfer restrictions are in force then the transferor shall deliver a letter from the transferee to the Company and the Trustee, as the case may be, which shall provide, among other things, that the transferee is an Institutional Accredited Investor and that it is acquiring the Initial Notes for investment purposes and not for distribution in violation of the Securities Act.

(iii) The purchaser understands that the certificates evidencing the Initial Notes will, unless otherwise agreed by the Company and the Holders of the Initial Notes, bear a legend substantially to the effect set forth in clause (ii) above.

(iv) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the Initial Notes shall not be made by it to a U.S. Person or for the account or benefit of a U.S. Person within the meaning of Rule 902(k) of the Securities Act.

(v) The purchaser agrees that the Security Registrar is not required to register any proposed transfer of a Restricted Security to a Non-U.S. Person unless it receives a certificate substantially in the form of Exhibit D from the proposed transferor and such certifications, legal opinions and other information as the Trustee or the Company may reasonably request.

(vi) The purchaser acknowledges that the Trustee will not be required to accept for registration of transfer any Initial Notes acquired by it, except upon presentation of evidence satisfactory to the Company and the Trustee that the restrictions set forth herein have been complied with.

Section 3.02. Restriction on Transfer

The Initial Notes may not be sold or transferred to, and each purchaser by its purchase of the Initial Notes shall be deemed to have represented and covenanted that it is not acquiring the Initial Notes for or on behalf of or with the assets of, and will not transfer the Initial Notes to, any employee benefit plan as defined in Section 3(3) of ERISA, except that such purchase for or on behalf or with the assets of an employee benefit plan shall be permitted:

(i) to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which no employee benefit plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of ten percent of the total assets in such collective investment fund,

and the conditions of Section III of Prohibited Transaction Class Exemption 91-38 issued by the Department of Labor are satisfied;

(ii) to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which, at any time while the Notes are outstanding, no employee benefit plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of ten percent of the total of all assets in such pooled separate account, and the conditions of Section III of Prohibited Transaction Class Exemption 90-1 issued by the Department of Labor are satisfied;

(iii) to the extent such purchase is made on behalf of or with the assets of an employee benefit plan by (A) an investment adviser registered under the Investment Advisers Act of 1940, as amended (the "1940 Act"), that had as of the last day of its most recent fiscal year total client assets under its management and control in excess of $50,000,000 and had stockholders' or partners' equity in excess of $750,000, as shown in its most recent balance sheet prepared in accordance with generally accepted accounting principles, or (B) a bank as defined in Section 202(a)(2)of the 1940 Act that has the power to manage, acquire or dispose of assets of the plan and which bank has equity capital in excess of $1,000,000 as of the last day of its most recent fiscal year, or (C) an insurance company which is qualified under the laws of more than one state to manage, acquire or dispose of any assets of a pension or welfare plan, which insurance company has as of the last day of its most recent fiscal year, net worth in excess of $1,000,000 and which is subject to supervision and examination by a state authority having supervision over insurance companies, and, in any case, such investment adviser, bank, or insurance company is otherwise a qualified professional asset manager ("QPAM"), as such term is used in Prohibited Transaction Class Exemption 84-14 issued by the Department of Labor, and the assets of such plan when combined with the assets of other plans established or maintained by the same employer (or affiliate thereof) or employee organization and managed by the QPAM, do not represent more than 20% of the total client assets managed by the QPAM at the time of the transaction, and the other applicable conditions of such exemption are otherwise satisfied;

(iv) to the extent such plan is a governmental plan (as defined in Section 3(32) of ERISA), a church plan (as defined in Section 3(33) of ERISA), a foreign benefit plan, or other plan which is not subject to the provisions of Title I of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code");

(v) to the extent such purchase is made by or on behalf of an insurance company using the assets of its general account, the reserves and liabilities for the general account contracts held by or on behalf of any plan, together with any other plans maintained by the same employer (or its affiliates) or employee organization, do not exceed ten percent of the total reserves and liabilities of the insurance company general account (exclusive of separate account liabilities), plus surplus as set forth in the National Association of Insurance Commissioners Annual Statement filed with the state of domicile of the insurer, in accordance with Prohibited Transaction Class Exemption

95- 60, and the conditions of Sections I and IV of such exemption are otherwise satisfied;

(vi) to the extent such purchase is made by an in-house asset manager within the meaning of Part IV(a) of Prohibited Transaction Class Exemption 96-23, such manager has made or properly authorized the decision for such plan to purchase Notes, under circumstances such that Prohibited Transaction Class Exemption 96-23 is applicable and satisfied with respect to the purchase and holding of such Notes; or

(vii) to the extent such purchase will not otherwise give rise to a transaction described in Section 406 of ERISA or Section 4975(c)(1) of the Code for which a statutory or administrative exemption is unavailable.

ARTICLE FOUR

Additional Event of Default

As contemplated by Section 501(7) of the Original Indenture, the following event, in addition to those set forth in Section 501 of the Original Indenture, shall constitute an Event of Default with respect to the Notes for all purposes of the Indenture:

> The Company fails to pay any Additional Payments on the Notes when any of such Additional Payments become due and payable, and continuance of such default for a period of 30 days.

ARTICLE FIVE

Miscellaneous

Section 5.01. Effect On Original Indenture

The Eighth Supplemental Indenture is a supplement to the Original Indenture. As supplemented by this Eighth Supplemental Indenture, the Original Indenture is in all respects ratified, approved and confirmed, and the Original Indenture and this Eighth Supplemental Indenture shall together constitute one and the same instrument.

Section 5.02. Counterparts

This Eighth 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 5.03. 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 Eighth Supplemental Indenture.

Section 5.04. Governing Law

This Eighth Supplemental Indenture shall be governed by and construed in accordance with the laws of the jurisdiction that govern the Original Indenture and its construction.

Section 5.05. 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.

Section 5.06. Waiver of Jury Trial

EACH OF 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 INDENTURE, THE SECURITIES OR THE TRANSACTION CONTEMPLATED HEREBY.

Section 5.07. Damages

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 or profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

[The balance of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed as of the date and year first written above.

TAMPA ELECTRIC COMPANY

By: KMCaruso
Name: Kim M. Caruso
Title: Treasurer

THE BANK OF NEW YORK MELLON, AS TRUSTEE

By:_____
Name
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed as of the date and year first written above.

TAMPA ELECTRIC COMPANY

By:_____
Name: Kim M. Caruso
Title: Treasurer

THE BANK OF NEW YORK MELLON, AS TRUSTEE

By:_____
Name Beata Harvin
Title: Vice President

Signature Page to Eighth Supplemental Indenture

EXHIBIT A

FORM OF NOTE

CUSIP NO.: _____ PRINCIPAL AMOUNT: $_____
REGISTERED NO. __

TAMPA ELECTRIC COMPANY
5.40% Notes Due 2021

☒ 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: December __, 2010
ISSUE PRICE: 100% (as a percentage of principal amount)
STATED MATURITY: May 15, 2021
INTEREST RATE: 5.40% per annum.

INTEREST PAYMENT DATES: May 15 and November 15 of each year commencing May 15, 2011.
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 Mellon, 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: _____, 20___

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 MELLON,
as Trustee

By:_____
Authorized signatory

TAMPA ELECTRIC COMPANY

By:_____
Name:
Title:

(REVERSE OF NOTE)

TAMPA ELECTRIC COMPANY

5.40% Notes Due 2021

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 Eighth Supplemental Indenture, dated as of November 15, 2010 (as such has been or shall be amended or supplemented, the "Indenture"), between the Company and The Bank of New York Mellon, 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.

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 (i) 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, or (ii) a day on which the Corporate Trust Office of the Trustee is closed for business.

"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; *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 with respect to any redemption date (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 LLC 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 LLC or their affiliates, 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 three 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 3:30 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-1

LEGEND FOR INITIAL NOTES

THE SECURITY (OR ITS PREDECESSOR) EVIDENCED BY THIS CERTIFICATE WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE U.S. SECURITIES ACT OF 1933, AND THE SECURITY EVIDENCED BY THIS CERTIFICATE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF REGISTRATION OR AN APPLICABLE EXEMPTION FROM THE SECURITIES ACT. EACH PURCHASER OF THE SECURITY EVIDENCED BY THIS CERTIFICATE (1) BY ITS ACQUISITION OF THE SECURITY REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THE SECURITY EVIDENCED BY THIS CERTIFICATE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, AND (2) UNDERSTANDS THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A OR ANOTHER EXEMPTION UNDER THE SECURITIES ACT. THE HOLDER OF THE SECURITY EVIDENCED BY THIS CERTIFICATE AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTORS THAT (X) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1)(A) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, IF AVAILABLE, (C) OUTSIDE THE UNITED STATES TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN RULE 902 UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT, (D) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") THAT IS PURCHASING AT LEAST $100,000 OF SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF AN INSTITUTIONAL ACCREDITED INVESTOR (AND BASED UPON AN OPINION OF COUNSEL IF THE ISSUER SO REQUESTS), (2) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES OR (3) UNDER AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (Y) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED BY THIS CERTIFICATE OF THE RESALE RESTRICTIONS DESCRIBED IN (X) ABOVE. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY OR IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE ISSUER (1) A LETTER FROM THE TRANSFEREE WHICH SHALL PROVIDE, AMONG OTHER THINGS, THAT THE

TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR AND THAT IT IS ACQUIRING THE SECURITIES FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, AND (2) SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EXHIBIT B-2

REGULATION S LEGEND

THIS GLOBAL NOTE IS A GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

NO BENEFICIAL OWNER OF THIS GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE.

EXHIBIT C

FORM OF SUPPLEMENTAL COMPANY ORDER

TAMPA ELECTRIC COMPANY
5.40% NOTES DUE 2021
SUPPLEMENTAL COMPANY ORDER

Pursuant to Section 2.07 of Article Two of the Eighth Supplemental Indenture, dated as of November 15, 2010, 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 $_____. [The Note is being delivered in exchange for issued and outstanding Notes of the series identified above.]

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____, 20__.

TAMPA ELECTRIC COMPANY

By:_____
Name:
Title:

EXHIBIT D

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION WITH TRANSFERS PURSUANT TO REGULATION S

[Date]
The Bank of New York Mellon
[Address]
Fax:
Attention: Corporate Trust Department

Re: Tampa Electric Company (the "Company") 5.40% Notes due 2021 (the "Notes")

Ladies and Gentlemen:

In connection with our proposed sale of $[ ] aggregate principal amount of the Notes, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1) the offer of the Notes was not made to a person in the United States;

(2) either (a) at the time the buy offer was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States, or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither we nor any person acting on our behalf knows that the transaction has been prearranged with a buyer in the United States;

(3) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(5) we have advised the transferee of the transfer restrictions applicable to the Notes.

You, as Trustee, the Company, counsel for the Company and others are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By: _____
Authorized Signatory



FOR IMMEDIATE RELEASE

TAMPA ELECTRIC COMPANY ANNOUNCES EXTENSION OF EARLY PARTICIPATION DATE OF EXCHANGE OFFER

TAMPA, Florida - November 23, 2010 - As previously announced, Tampa Electric Company (the "company") has made an offer to exchange (the "exchange offer") any and all of its 6.875% Notes due 2012 (CUSIP No. 875127AS1) (the "6.875% notes") and any and all of its 6.375% Notes due 2012 (CUSIP No. 875127AU6) (the "6.375% notes" and, together with the 6.875% Notes, the "old notes"), in either case for a new series of 5.10% Notes due 2021 (the "new notes"). The exchange offer has been made pursuant to the Confidential Offering Memorandum, dated as of November 9, 2010 (as modified by this press release, the "confidential offering memorandum"), and the related Letter of Transmittal (the "letter of transmittal"), which together set forth a more detailed description of the terms and conditions of the exchange offer.

The early participation date, previously scheduled for 5:00 p.m., New York City time, on Monday, November 22, 2010, has been extended to 5:00 p.m., New York City time, on Tuesday, November 30, 2010, unless further extended by the company (as extended hereby and subject to further extension, the "early participation date"). The early settlement date, previously expected to occur on Monday, November 29, 2010, has been extended to Monday, December 6, 2010, unless further extended by the company. Eligible holders of old notes who validly tender old notes at or before the early participation date will be eligible to receive the early exchange consideration of $30 per $1,000 principal amount of old notes exchanged (the "early exchange consideration"). Eligible holders of old notes who validly tender old notes after the early participation date will not be eligible to receive the early exchange consideration. While the exchange offer has been amended to extend the early participation date, withdrawal rights have not been extended. Withdrawal rights terminated at 5:00 p.m., New York City time, on November 22, 2010. All other terms of the exchange offer are unchanged.

The exchange offer is being made only to a holder of old notes who has certified its status as either (1) a "qualified institutional buyer" under Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") or (2) a person who is not a "U.S. person" as defined under Regulation S under the Securities Act (each, an "eligible holder").

Holders of old notes subject to the exchange offer who have not already tendered their notes may continue to do so at any time at or before 11:59 p.m., New York City time, on Wednesday, December 8, 2010, unless the company extends or earlier terminates the exchange offer.

Consummation of the exchange offer is subject to a number of conditions, including the issuance of the new notes and the absence of certain adverse legal and market developments. The company will not receive any cash proceeds from the exchange offer.

The new notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from such registration requirements.

This announcement is not an offer to issue or exchange any of the foregoing notes. The exchange offer is being made only pursuant to a confidential offering memorandum and related letter of transmittal and only to such persons and in such jurisdictions as is permitted under applicable law.

Documents relating to the exchange offer will only be distributed to holders of old notes who complete and return a letter of eligibility confirming that they are eligible holders.

About Tampa Electric Company

Tampa Electric Company is a regulated utility with both electric and gas divisions (Tampa Electric and Peoples Gas System), and is a wholly owned and the principal subsidiary of TECO Energy, Inc. (NYSE: TE).

Cautionary Language Concerning Forward-Looking Statements

This press release contains forward-looking statements, including statements about the ability to complete the exchange offer, which are subject to the inherent uncertainties in predicting future results and conditions. Among the important factors that could cause actual results to differ materially from those indicated in such forward-looking statements include market conditions for corporate debt generally and for the Company's indebtedness in particular. For other important factors that may cause actual results to differ materially from those indicated in our forward-looking statements, we refer you to the information contained under "Risk Factors" in Tampa Electric Company's Annual Report on Form 10-K for the year ended December 31, 2009 as updated by the information contained in Tampa Electric Company's filings with the Securities and Exchange Commission.

Contact: Rick Morera (Media) 813-228-4945
Mark Kane (Investors) 813-228-1772

FOR IMMEDIATE RELEASE

TAMPA ELECTRIC COMPANY AMENDS EXCHANGE OFFER

TAMPA, Florida - December 1, 2010 - As previously announced, Tampa Electric Company (the "company") has made an offer to exchange (the "exchange offer") any and all of its 6.875% Notes due 2012 (CUSIP No. 875127AS1) (the "6.875% notes") and any and all of its 6.375% Notes due 2012 (CUSIP No. 875127AU6) (the "6.375% notes" and, together with the 6.875% Notes, the "old notes"), in either case for a new series of 5.10% Notes due 2021 (the "new notes"). The exchange offer has been made pursuant to the Confidential Offering Memorandum, dated as of November 9, 2010, as amended by the press release issued by the company on November 23, 2010 (as amended, the "confidential offering memorandum"), and the related Letter of Transmittal (the "letter of transmittal"), which together set forth a more detailed description of the terms and conditions of the exchange offer.

The exchange offer is hereby further amended as follows:

- The interest rate on the new notes, previously set at 5.10%, has been increased to 5.40%;
- The early participation date, previously scheduled for 5:00 p.m., New York City time, on Tuesday, November 30, 2010, has been extended to 5:00 p.m., New York City time, on Tuesday, December 7, 2010, unless further extended by the company (as extended hereby and subject to further extension, the "early participation date");
- The early settlement date, previously expected to occur on Monday, December 6, 2010, is now expected to occur on Thursday, December 9, 2010;
- The expiration date, previously scheduled for 11:59 p.m., New York City time, on Wednesday, December 8, 2010, has been extended to 11:59 p.m., New York City time, on Tuesday, December 14, 2010, unless further extended by the company (as extended hereby and subject to further extension, the "expiration date");
- The regular settlement date, previously expected to occur on Thursday, December 9, 2010, is now expected to occur on Wednesday, December 15, 2010; and
- The conditions to the exchange offer have been amended to include a new condition that the company receives valid tenders of at least $250 million aggregate principal amount of old notes on or prior to the early participation date (subject to waiver by the company in its sole discretion, the "minimum condition").

Eligible holders of old notes who validly tender old notes at or before the early participation date will be eligible to receive the early exchange consideration of $30 per $1,000 principal amount of old notes exchanged (the "early exchange consideration"). Eligible holders of old notes who validly tender old notes after the early participation date will not be eligible to receive the early exchange consideration. While the exchange offer has been amended by this press release, the withdrawal rights remain terminated and there are no withdrawal rights with respect to any old notes that are tendered. All other terms of the exchange offer are unchanged.

The exchange offer is being made only to a holder of old notes who has certified its status as either (1) a "qualified institutional buyer" under Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") or (2) a person who is not a "U.S. person" as defined under Regulation S under the Securities Act (each, an "eligible holder").

Holders of old notes subject to the exchange offer who have not already tendered their notes may continue to do so at any time at or before the expiration date.

Consummation of the exchange offer is subject to a number of conditions, including the minimum condition, the issuance of the new notes and the absence of certain adverse legal and market developments. The company will not receive any cash proceeds from the exchange offer.

The new notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from such registration requirements.

This announcement is not an offer to issue or exchange any of the foregoing notes. The exchange offer is being made only pursuant to a confidential offering memorandum and related letter of transmittal and only to such persons and in such jurisdictions as is permitted under applicable law.

Documents relating to the exchange offer will only be distributed to holders of old notes who complete and return a letter of eligibility confirming that they are eligible holders.

About Tampa Electric Company

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This press release contains forward-looking statements, including statements about the ability to complete the exchange offer, which are subject to the inherent uncertainties in predicting future results and conditions. Among the important factors that could cause actual results to differ materially from those indicated in such forward-looking statements include market conditions for corporate debt generally and for the Company's indebtedness in particular. For other important factors that may cause actual results to differ materially from those indicated in our forward-looking statements, we refer you to the information contained under "Risk Factors" in Tampa Electric Company's Annual Report on Form 10-K for the year ended December 31, 2009 as updated by the information contained in Tampa Electric Company's filings with the Securities and Exchange Commission.

Contact: Rick Morera (Media) 813-228-4945
Mark Kane (Investors) 813-228-1772

EXECUTION VERSION

Tampa Electric Company

DEALER MANAGER AGREEMENT

November 9, 2010

Citigroup Global Markets Inc.
390 Greenwich Street
New York, New York 10013

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park, 18th Floor
New York, NY 10036

Morgan Stanley & Co. Incorporated
1585 Broadway, 29th Floor
New York, NY 10036

as Dealer Managers

Ladies and Gentlemen:

Tampa Electric Company, a Florida corporation (the "Company"), plans to make an offer (the "Exchange Offer") to certain eligible holders of its (a) 6.375% notes due in 2012 (the "Old 6.375% 2012 Notes") and (b) 6.875% notes due in 2012 (the "Old 6.875% 2012 Notes" and, together with the Old 6.375% 2012 Notes, the "Old Notes") to exchange any and all Old Notes for newly issued 5.10% Notes due 2021 (the "Exchange Notes") to be issued by the Company on the terms and conditions set forth in the Offering Documents (as defined below).

The Old Notes were originally issued pursuant to an indenture dated as of July 1, 1998 by and between the Company and The Bank of New York, as Trustee (as amended, supplemented or otherwise modified prior to the date hereof, the "Company Base Indenture"). The Exchange Notes will be issued pursuant to an eighth supplemental indenture to the Company Indenture to be dated as of November 15, 2010 (the "Eighth Supplement" and, together with the Company Base Indenture, the "Company Indenture"). A form of the Company Base Indenture has been filed with the Commission (as defined below) as an exhibit to Amendment No. 1 to the Company's Registration Statement on Form S-3 (File No. 333-55873).

The Exchange Notes will have the benefit of a registration rights agreement (the "Registration Rights Agreement") among the Company and the Dealer Managers (as defined below), pursuant to which the Company agrees to file a registration statement with the Commission registering the issuance of notes to be issued by the Company that are identical in

all material respects to the Exchange Notes except for the absence of transfer restrictions, which will be offered in exchange for the Exchange Notes, or to the extent provided for in the Registration Rights Agreement, to register the Exchange Notes for resale with the Commission under the Securities Act, in each case, subject to the terms and conditions therein specified.

In connection with the Exchange Offer, the Company has prepared (a) a letter of inquiry dated November 9, 2010 (the "Letter of Inquiry"), (b) an offering memorandum dated November 9, 2010 (the "Offering Memorandum") and (c) a related letter of transmittal (the "Letter of Transmittal") (collectively, the "Offering Documents"). The Exchange Offer shall be conducted on the terms and subject to the conditions set forth in the Offering Documents and any press releases or newspaper advertisements made or placed by the Company related to the Exchange Offer (such press releases or newspaper advertisements together with the Offering Documents, and all information and documents incorporated by reference therein, collectively, the "Exchange Offer Material"). The Offering Documents set forth certain information concerning the Company, the Exchange Notes, the Old Notes and the Exchange Offer. The Company has caused a complete and correct copy of the Exchange Offer Material to be prepared and furnished to the Dealer Managers on or prior to the date hereof for use in connection with the Exchange Offer.

The Exchange Offer Material has been prepared and approved by the Company, and each of the Dealer Managers is authorized to use the Exchange Offer Material in connection with the Exchange Offer in the manner contemplated by the Exchange Offer Material along with any amendments or supplements thereto.

Unless stated to the contrary, references herein to the Exchange Offer Material are to the Exchange Offer Material in the form furnished to each of the Dealer Managers on or prior to the Commencement Date, and are not meant to include any information incorporated by reference therein subsequent to the Commencement Date. The term "amended or supplemented," when used in this Agreement with respect to the Exchange Offer Material, means (a) any amendments or supplements to the Exchange Offer Material prepared or created subsequent to the Commencement Date for use in connection with the Exchange Offer with the approval of the Company, (b) any documents filed with the Commission subsequent to the Commencement Date and on or prior to the latest Exchange Date and incorporated by reference into the Exchange Offer Material and (c) any press releases or newspaper advertisements made or placed by the Company subsequent to the Commencement Date related to the Exchange Offer.

1. Appointment as Dealer Managers

   a. The Company hereby appoints Citigroup Global Markets Inc. and J.P. Morgan Securities LLC to act as co-lead dealer managers and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated to act as co-managers (each, a "Dealer Manager") for the Exchange Offer. Each Dealer Manager agrees, in accordance with its customary practice, to perform those services in connection with the Exchange Offer as are customarily performed by investment banking concerns in connection with an exchange offer of like nature, including

but not limited to using its best efforts to solicit Old Notes of the Company sought to be exchanged by the Company pursuant to the Exchange Offer and assisting in the distribution of Offering Documents.

b. Each Dealer Manager agrees that all actions taken by it as Dealer Manager have complied and will comply in all material respects with all applicable laws, regulations and rules of the United States, including, without limitation, the applicable rules and regulations of the registered national securities exchanges of which it is a member and of the Financial Industry Regulatory Authority, Inc.

c. No Dealer Manager nor any of their respective affiliates will have any liability to the Company or any other person for losses, claims, damages, liabilities or expenses, joint or several ("Losses"), arising from any act or omission on the part of any broker or dealer in securities (a "Dealer"), bank or trust company, or any other person, and no Dealer Manager nor their respective affiliates will be liable for any Losses arising from any act or omission by such Dealer Manager in performing its obligations as Dealer Manager or as a Dealer in connection with the Exchange Offer, except for any such Losses that are finally judicially determined to have resulted primarily from the bad faith, willful misconduct or gross negligence of such Dealer Manager. In soliciting or obtaining tenders of the Old Notes, no Dealer, bank or trust company is to be deemed to be acting as the agent of any of the Dealer Managers or the agent of the Company or any of its affiliates, equity holders, and creditors or of any other person. In soliciting or obtaining tenders of the Old Notes, the Dealer Managers shall not be nor shall any of the Dealer Managers be deemed for any purpose to act as partner or joint venturer of, or a member of a syndicate group with, the Company or any of its affiliates in connection with the Exchange Offer. None of the Company and its affiliates shall be deemed to act as agents for any of the Dealer Managers. The Company shall have the sole authority for the acceptance or rejection of any and all tenders of Old Notes.

2. Compensation.

a. The Company agrees to pay to the Dealer Managers in respect of their services as Dealer Managers a fee of $5.00 for each $1,000 principal amount of the Old Notes tendered and exchanged pursuant to the Exchange Offer, as set forth opposite its name on Schedule 1 hereto (collectively, the "Fees"). In addition to compensation for services as Dealer Managers, the Company agrees to also reimburse the Dealer Managers for all reasonable out-of-pocket expenses, including the reasonable fees and expenses of counsel to the Dealer Managers, whether or not the Exchange Offer is consummated or otherwise completed as contemplated. All payments to be made by the Company pursuant to this

Section 2 shall be made promptly after the completion or termination of the Exchange Offer.

b. With respect to any of the Dealer Managers, in the event that (i) any of the Company's statements contained herein are now, or at any time during the period of the Exchange Offer, not true and correct in any material respect (it being understood that each of the Dealer Manager's agreeing to act, or continuing to act, as Dealer Manager at a time when such Dealer Manager knows or should know that any such statement is or may be untrue or incorrect in a material respect shall be without prejudice to such Dealer Manager's right to subsequently cease to so act by reason of such untruth or incorrectness), (ii) the Company shall have breached, in any material respect, any of its representations, warranties, agreements or covenants contained herein (including, but not limited to, those set forth in Sections 3 or 5 hereof) or (iii) the Exchange Offer is terminated or withdrawn for any reason or any stop order, restraining order, injunction or denial of an application for approval has been issued and not thereafter stayed or vacated, or any proceeding, litigation or investigation has been initiated, with respect to or otherwise affecting the Exchange Offer or any other action or transaction contemplated by the Offering Documents or this Agreement, which the Dealer Manager in good faith after consultation with the Company believes renders it inadvisable for the Dealer Manager to continue to act hereunder, then in any such case such Dealer Manager shall be entitled to withdraw as Dealer Manager without any liability or penalty to it or any other indemnified party (as identified in Section 7 hereof) and without loss of any right to reimbursement for such Dealer Manager's expenses, fees and costs pursuant to Section 5(j) hereof. If a Dealer Manager withdraws in compliance with this Section 2, the reimbursement for its expenses pursuant to Section 2 hereof through the date of such withdrawal shall be paid to such Dealer Manager promptly after such date.

3. Representations and Warranties. Except as specifically set forth below, the Company represents and warrants to and agrees with each of the Dealer Managers as follows:

a. Exchange Offer Material. On the date of this Agreement, the Exchange Offer Material does not, and on the Exchange Date, the Exchange Offer Material as amended and supplemented will not, include any untrue statement of a material fact or omit 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. The preceding sentence does not apply to statements or omissions from the Exchange Offer Material based upon written information furnished to the Company by the Dealer Managers specifically for use therein as described in Section 7(b).

b. Incorporated Documents. The documents incorporated by reference in the Offering Documents, when they were filed with the Commission, conformed in all material respects to the requirements of the regulations under the Exchange Act, 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 Offering Documents, when such documents are filed with the Commission, will conform in all material respects to the requirements of the Exchange 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 light of the circumstances under which they are 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.

c. General Solicitation. No form of general solicitation or general advertising prohibited by the Securities Act in connection with the Exchange Offer was used by the Company or any person acting on its behalf (other than the Dealer Managers and any person acting on their behalf, to the extent that any of them may be acting on behalf of the Company, as to which no representation is made) in connection with the Exchange Offer or the issuance of the Exchange Notes, including, but not limited to, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio or the Internet, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising within the meaning of Regulation D under the Securities Act.

d. Exemption and 144A Eligibility. The Exchange Offer by the Company in the manner contemplated by this Agreement and the Offering Documents will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof; and it is not necessary to qualify an indenture in respect of the Exchange Notes under the Trust Indenture Act of 1939, as amended, in each case assuming (i) the accuracy of the representations of each of the Dealer Managers set forth in Section 4 of this Agreement and the due performance by each of the Dealer Managers of its agreements set forth in that section, including the solicitation of tenders in conformity with such representations and agreements and (ii) the accuracy of the representations of each of the eligible holders of Old Notes set forth in the Letter of Transmittal and the due performance by each of such eligible holders of its agreements set forth in the Letter of Transmittal, including the resale of the Exchange Notes in conformity with the Letter of Transmittal. The Company has not sold, offered for sale, contracted to sell, pledged, solicited offers to buy or otherwise

disposed of or negotiated in respect of any security (as defined in the Securities Act) that is currently or will be integrated with the Exchange Offer in a manner that would require the registration of the Exchange Notes under the Securities Act or engaged in any directed selling effort (as defined by Regulation S) with respect to the Exchange Notes, and has complied with the offering restrictions requirement of Regulation S. No securities of the same class (within the meaning of Rule 144A(d)(3) under the Securities Act) as the Exchange Notes are listed on any national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system.

e. No Other Dealer Managers. Neither the Company nor any of its affiliates has entered into, or will enter into, any contractual arrangement with respect to the distribution of the Exchange Notes except for this Agreement. Except as contemplated by this Agreement, the Company has not paid or agreed to pay to any person any compensation for (i) soliciting another to purchase any Old Notes or (ii) the solicitation of tenders by holders of the Old Notes pursuant to the Exchange Offer.

f. Stabilization or Manipulation. The Company has not taken, directly or indirectly, any action designed to cause or to result in, or that has constituted or that might reasonably be expected to constitute, the stabilization or manipulation of the price of any Old Notes to facilitate the Exchange Offer or encourage tenders by holders of the Old Notes in the Exchange Offer.

g. Status of the Company. The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Florida, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Memorandum.

h. Qualification. The Company is duly qualified as a foreign corporation in all jurisdictions in which its ownership or lease of real properties or in which the conduct of its business requires qualification as a foreign corporation and in which the failure to so qualify would have a Material Adverse Effect (as defined below).

i. Authorization and Enforceability. (i) The Company Indenture (together with the Exchange Notes, the "Transaction Documents") has been duly authorized by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, when executed and delivered by the Company, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with its terms (subject to the Enforceability Exceptions (as defined below)); and (ii) the Exchange Notes have been duly authorized by the Company and when executed and authenticated in accordance with the Company

Indenture, and delivered by the Company in exchange for Old Notes in accordance with the Exchange Offer as provided in the Offering Documents, will be validly issued and outstanding and will constitute the valid and binding obligations of the Company, enforceable against the Company in accordance with their terms (subject to the Enforceability Exceptions); the enforceability of the Transaction Documents is subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally, general equity principles (whether considered in a proceeding in equity or at law) (the "Enforceability Exceptions"); the Exchange Notes are entitled to the benefits of the Company Indenture; and the Transaction Documents will conform in all material respects to the descriptions thereof in the Offering Documents.

j. Authorization of Agreement and Registration Rights Agreement. Each of this Agreement and the Registration Rights Agreement has been duly authorized by the Company. This Agreement is, and the Registration Rights Agreement will be when it is executed and delivered by the Company, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms (subject to the Enforceability Exceptions).

k. Absence of Further Requirements. No consent, approval, authorization, or order of, or filing, registration or qualification with, any governmental agency or body or any court (including without limitation the Florida Public Service Commission) is required for the performance by the Company of its obligations hereunder or under the Registration Rights Agreement or in connection with the consummation of the other transactions contemplated by this Agreement (including without limitation in connection with the Exchange Offer and the issuance and delivery of the Exchange Notes) or the Registration Rights Agreement, other than those that have already been obtained or made, except for the filing of and declaring effective the Exchange Offer Registration Statement or the Shelf Registration Statement (each as defined in the Registration Rights Agreement) and except such as may be required under state securities laws, assuming (i) the accuracy of the representations of each of the Dealer Managers set forth in Section 4 of this Agreement and the due performance by each of the Dealer Managers of its agreements set forth in that section, including the solicitation of tenders in conformity with such representations and agreements and (ii) the accuracy of the representations of each of the eligible holders of Old Notes set forth in the Letter of Transmittal and the due performance by each of such eligible holders of its agreements set forth in the Letter of Transmittal, including the resale of the Exchange Notes in conformity with the Letter of Transmittal.

l. No Conflicts. The execution, delivery and performance of this Agreement and the Company Indenture by the Company, the issuance of the

Exchange Notes by the Company and the conduct of the Exchange Offer, and compliance in each case with the terms and provisions thereof, 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, (i) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of its property, (ii) 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 for breaches, violations or defaults that would not result in a Material Adverse Effect, or (iii) the charter or by-laws of the Company; and the Company has full power and authority to authorize and issue the Exchange Notes as contemplated by this Agreement.

m. Absence of Proceedings. Except as disclosed in the Offering Documents, there are no pending actions, suits or proceedings against or affecting the Company or any of its property that would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect, or would reasonably be expected to materially and adversely affect the ability of the Company to perform its obligations under this Agreement, the Company Indenture, the issuance of the Exchange Notes, the Exchange Offer or the Registration Rights Agreement, or which are otherwise material in the context of the transactions contemplated hereby; and to the Company's knowledge, no such actions, suits or proceedings are threatened or contemplated.

n. Financial Statements. The consolidated financial statements of the Company and its subsidiaries, together with the related notes included or incorporated by reference in the Offering Documents directly or by reference, present fairly the financial position and the results of operations of the Company and its subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements have been prepared in accordance with the generally accepted accounting principles in the United States applied on a consistent basis (except as stated therein and except the notes to the interim financial statements); and any schedules included or incorporated by reference in the Offering Documents present fairly the information stated therein.

o. Auditors. PricewaterhouseCoopers LLP, who have certified the consolidated financial statements of the Company, are independent registered certified public accountants with respect to the Company within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Exchange Act and the rules and regulations thereunder.

p. No Material Adverse Change in Business. Except as disclosed in the Offering Documents, since the date of the latest audited financial

statements included or incorporated by reference in the Offering Documents 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.

q. Investment Company Act. The Company is not and, after giving effect to the Exchange Offer as described in the Offering Documents, will not be an "investment company" as defined in the Investment Company Act.

r. Compliance. Except as described in the Offering Documents and except as would not, singly or in the aggregate, result in a Material Adverse Effect, (i) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products, asbestos-containing materials or mold (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (ii) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws, and are each in compliance with their requirements, (iii) there are no pending or, to the best knowledge of the Company after reasonable investigation, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (iv) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

s. Internal Accounting Controls. The Company, together with 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: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) 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; (iii) access to assets is

permitted only in accordance with management's general or specific authorization; and (iv) 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.

t. 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 Exchange 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's parent corporation have been advised of: (i) 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 (ii) 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.

u. 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.

v. Cuba. The Company has complied with all applicable 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.

w. No Unlawful Contributions or Other Payments. To the Company's knowledge, neither the Company nor any of its subsidiaries, nor any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries, has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the

FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA.

x. No Conflict with Money Laundering Laws. To the Company's knowledge, the operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with (i) applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, and the rules and regulations promulgated thereunder, (ii) the money laundering statutes of all applicable jurisdictions and the rules and regulations thereunder and (iii) any related or similar rules, regulations or guidelines issued, administered or enforced by any court, arbitrator, regulatory body, administrative agency, governmental body or other authority or agency (collectively, the "Money Laundering Laws"). No action, suit or proceeding by or before any court, arbitrator, regulatory body, administrative agency, governmental body or other authority or agency involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened.

y. No Conflict with OFAC Laws. To the Company's knowledge, neither the Company nor any of its subsidiaries, nor any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries, is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department.

z. Certificates. Any certificate signed by any officer of the Company and delivered to the Dealer Managers or counsel for the Dealer Managers shall be deemed a representation and warranty by the Company to each Dealer Manager as to the matters covered thereby.

4. Offering by Dealer Managers.

a. Each of the Dealer Managers represents and warrants to and agrees with the Company that:

i. It has not solicited and it will not solicit tenders of Old Notes except (A) from those it reasonably believes to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) or (B) in accordance with Rule 903 of Regulation S.

ii. Neither it nor any person acting on its behalf has made or will solicit tenders of Old Notes in the United States by means of any form of general solicitation or general advertising (within the meaning of Regulation D) in the United States.

b. Each of the Dealer Managers acknowledges that the Exchange Notes have not been registered under the Securities Act and may not be offered or

sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

5. Agreements.

The Company agrees with the Dealer Managers as follows:

a. The Company will furnish to each of the Dealer Managers copies of the Offering Documents and all amendments and supplements to such documents, in each case as soon as available and in such quantities as each of the Dealer Managers reasonably requests. At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will promptly furnish or cause to be furnished to each of the Dealer Managers and, upon request of holders of the Exchange Notes, to such holders copies of the information required to be delivered to holders of the Exchange Notes pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto) in order to permit compliance with Rule 144A in connection with resales by such holders of the Exchange Notes. The Company will pay the expenses of printing and distributing to each of the Dealer Managers all such documents.

b. The Company will advise the Dealer Managers promptly in writing of any proposal to amend or supplement the Offering Documents and will not effect any such amendment or supplementation to which any of the Dealer Managers have reasonably objected in writing; provided, however, that the foregoing shall not apply to any of the Company's or TECO Energy's periodic filings with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act if filed after the completion of the Exchange Offer. If, at any time prior to the completion of the Exchange Offer any event occurs as a result of which, in the judgment of the Dealer Managers, the Offering Documents as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company promptly will notify the Dealer Managers of such event and will promptly prepare, at its own expense, an amendment or supplement which will correct such statement or omission. Neither the Dealer Managers' consent to, nor the Dealer Managers' delivery to holders of the Old Notes of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6 hereof.

c. The Company will use its best efforts, in cooperation with each of the Dealer Managers, to qualify the Exchange Notes for sale and to determine their eligibility for investment under the laws of such jurisdictions as each of the Dealer Managers designates and will continue such qualifications in effect so long as required to effect the Exchange Offer; provided, that the

Company will not be required to qualify as a foreign corporation or to file a general consent to service of process in any such jurisdiction or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

d. The Company will cause all Old Notes accepted in the Exchange Offer to be cancelled.

e. Neither the Company nor any of its Affiliates, nor any person acting on its or their behalf (other than the Dealer Managers and any person acting on their behalf, to the extent that any of them may be acting on behalf of the Company), will (i) directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Exchange Notes under the Securities Act or (ii) engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Exchange Notes.

f. Neither the Company nor any of its Affiliates, nor any person acting on its or their behalf (other than the Dealer Managers and any person acting on their behalf, to the extent that any of them may be acting on behalf of the Company), will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Exchange Notes in the United States.

g. So long as any of the Exchange Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the Exchange Act, provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Securities Act. This covenant is intended to be for the benefit of the holders, and the prospective purchasers designated by such holders, from time to time, of such restricted securities.

h. Neither the Company nor any of its subsidiaries nor any person acting on its or their behalf (other than the Dealer Managers and any person acting on their behalf, to the extent that any of them may be acting on behalf of the Company) will take, directly or indirectly, any action that is designed to cause or result, or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of the Old Notes to facilitate the Exchange Offer or encourage the tenders by holders of Old Notes pursuant to the Exchange Offer.

i. The Company will not, nor permit any of its affiliates (as defined in Rule 144) to, resell any Exchange Notes that have been or may be acquired by

any of them except pursuant to an offering registered under the Securities Act.

j. The Company agrees to pay the costs and expenses relating to the transactions contemplated hereunder, including, without limitation, the following: (i) the fees and expenses of the Trustee and its professional advisers; (ii) all expenses in connection with the execution, issue, authentication, packaging and initial delivery of the Exchange Notes, and, as applicable, the Exchange Securities (as defined in the Registration Rights Agreement), the preparation and printing of this Agreement, the Registration Rights Agreement, the Exchange Notes, the Company Indenture, the Offering Memorandum and any amendments and supplements thereto, and any other document relating to the issuance, offer, sale and delivery of the Exchange Notes, and, as applicable, the Exchange Securities (other than, in each case, the professional fees and expenses of counsel to each of the Dealer Managers except as provided in Section 2 hereof); (iii) any filing fees or other expenses (including fees and disbursements of counsel to each of the Dealer Managers, which fees and disbursements shall not exceed $5,000) incurred in connection with qualification of the Exchange Notes for sale and determination of their eligibility for investment under the laws of such jurisdictions as each of the Dealer Managers designates and the printing of memoranda relating thereto; (iv) any fees charged by investment rating agencies for the rating of the Exchange Notes; and (v) any expenses incurred in distributing the Offering Documents (including any amendments and supplements thereto) to each of the Dealer Managers.

k. The Company will comply with its obligations under the letter of representations to DTC relating to the approval of the Exchange Notes by DTC for "book-entry" transfer and will use its best efforts to obtain approval of the Exchange Notes by DTC for "book-entry" transfer.

6. Conditions to the Obligations of the Dealer Managers.

The obligations of the Dealer Managers under this Agreement are at all times subject to the conditions that:

a. At the Commencement Date and each Exchange Date, as applicable, the Company shall have requested and caused to have been furnished to the Dealer Managers, in each case addressed to the Dealer Managers, an opinion of (i) Edwards Angell Palmer & Dodge LLP, outside counsel to the Company, to the effect set forth in Exhibit A-1 hereto, and (ii) David E. Schwartz, Esq., Associate General Counsel of the Company to the effect set forth in Exhibit A-2, each in form and substance satisfactory to counsel to the Dealer Managers. In giving such opinions 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 laws of the United States, upon the

opinions of counsel satisfactory to the Dealer Managers. 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 David E. Schwartz, Esq.

b. At the Commencement Date and each Exchange Date, the Dealer Managers shall have received from Ropes & Gray LLP, special counsel for the Dealer Managers, such opinion or opinions addressed to the Dealer Managers with respect to the Exchange Offer, the issuance of the Exchange Notes, the Offering Memorandum and other related matters as the Dealer Managers may require, and the Company shall have furnished to such counsel such documents as they request for the purposes of enabling them to pass upon such matters.

c. At each Exchange Date, the Company shall have furnished to the Dealer Managers certificates, signed by its President or any Vice President and principal financial or accounting officer or Treasurer, dated as of the Exchange Date, to the effect that the signatories of such certificates have examined the Offering Memorandum, any amendment or supplement to the Offering Memorandum and this Agreement and that to their knowledge after reasonable investigation:

   i. the representations and warranties of the Company in this Agreement are true and correct with the same effect as if made on the Exchange Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to the Exchange Date; and

   ii. that subsequent to the date of the most recent financial statements in the Offering Documents there has been no material adverse change in the condition (financial or other), business, properties or results of operations of the Company except as set forth in or contemplated by the Offering Documents.

d. At each of the Commencement Date and each Exchange Date, the Company shall have requested and caused PricewaterhouseCoopers LLP to furnish to the Dealer Managers "comfort" letters, dated respectively as of the Commencement Date, in form and substance reasonably satisfactory to the Dealer Managers containing statements and information ordinarily included in such letters to Dealer Managers with respect to the financial statements and certain financial information contained or incorporated by reference in the Offering Documents, and the Exchange Date, to the effect that PricewaterhouseCoopers LLP reaffirms the statements made in the

letter furnished on the Commencement Date, except that the specified date referred to shall be a date not more than three (3) Business Days before the Exchange Date.

e. Subsequent to the Commencement Date or, if earlier, the dates as of which information is given in the Offering Documents (other than through incorporation by reference), there shall not have been any change, or any development, in or affecting the condition (financial or otherwise), business, properties or the results of operations of the Company, except as disclosed in the Offering Documents, the effect of which, in any case, in the reasonable judgment of the Dealer Managers, is so material and adverse as to make it impractical or inadvisable to market or deliver the Exchange Notes or solicit tenders of Old Notes as contemplated by the Offering Documents.

f. Subsequent to the execution and delivery of this Agreement and on or prior to each Exchange Date, there shall not have occurred any downgrading, in the rating accorded any of the Old Notes or Exchange Notes by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Securities Act) and no such organization shall have publicly announced (i) any intended or potential downgrading or (ii) any review or possible change that does not indicate the direction of a possible change.

7. Indemnification and Contribution.

a. The Company will indemnify and hold harmless each of the Dealer Managers, its partners, employees, directors and officers and each person, if any, who controls each of the Dealer Managers within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Dealer Manager may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Offering Documents, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, (ii) any withdrawal or modification of the Exchange Offer or failure to comply with the terms and conditions of the Exchange Offer Material or (iii) any other action or failure to act by the Company or any of its directors, officers, agents or employees or by any indemnified party in conformity with instructions or with the consent of the Company, except that this clause (iii) shall not apply with respect to any losses that are finally judicially determined to have resulted primarily from the bad faith willful misconduct or gross negligence of such indemnified party (in which case the indemnified party will promptly remit any expenses previously reimbursed pursuant to the following

clause), and in the case of clauses (i), (ii) and (iii) of this sentence, will reimburse such Dealer Manager for any legal or other expenses reasonably incurred by such Dealer Manager in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred to the extent that any expense is not paid under clauses (i), (ii) or (iii) of this sentence; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by the Dealer Managers specifically for use therein, it being understood and agreed that the only such information consists of the information described as such in subsection (b) below.

b. Each of the Dealer Managers will indemnify and hold harmless the Company and its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities to which the Company may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Offering Documents, or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by the Dealer Managers specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred to the extent such expense is not otherwise paid under this subsection (b), it being understood and agreed that the only such information furnished by the Dealer Managers consists of the following information in the Offering Documents: the names, addresses and telephone numbers of the Dealer Managers set forth on the back cover. The Company acknowledges that the statements set forth in the following sections of the Letters of Transmittal constitute the only information furnished in writing by or on behalf of the Dealer Managers for inclusion therein (or in any amendment or supplement thereto): the names, addresses and telephone numbers of the Dealer Managers set forth on the back cover.

c. Promptly after receipt by an indemnified party under this Section 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

subsection (a) or (b) above, notify the indemnifying party 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 subsection (a) or (b) above. 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 wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such action, but the reasonable fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to take charge of the defense of such action within a reasonable time after notice of commencement of the action, or (iii) the named parties to such action (including any impleaded parties) include such indemnified party and the indemnifying parties (or such indemnifying parties have assumed the defense of such action), and such indemnified party or parties shall have reasonably concluded after consultation with counsel that there may be defenses available to it or them that are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such reasonable fees and expenses of counsel shall be borne by the indemnifying parties; provided, however, that the indemnifying party shall not be required to pay the fees and expenses of more than one separate counsel for all indemnified parties in any jurisdiction in respect of any single claim, action or proceeding. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of such indemnified party.

d. If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above (other than as a result of the proviso to subsection (a) or, in the case of clause (ii) of subsection (a), of the bad faith, willful misconduct or gross negligence of the indemnified party), then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and such Dealer Manager on the other from the Exchange Offer or (ii) if the allocation provided by clause (i) above 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 such Dealer Manager on the other in connection with the statements, omissions, actions or failure to act which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. Benefits received (or anticipated to be received) by the Company on the one hand and the Dealer Managers on the other shall be deemed to be equal to, in the case of the Company, the principal amount of the securities in respect of which: (i) if the Exchange Offer is consummated, valid tenders of the Old Notes are accepted, or (ii) if the Exchange Offer is not consummated, valid tenders are or were sought pursuant to the Exchange Offer, and, in the case of the Dealer Managers, the Fees paid by the Company to the Dealer Managers hereunder (exclusive of amounts paid for reimbursement of expenses under this Agreement). Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact or any other alleged conduct relates to information provided by the Company or other conduct by the Company on the one hand or the Dealer Managers on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d).

e. The obligations of the Company under this Section shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each partner, director or officer of each of the Dealer Managers and each person, if any, who controls each of the Dealer Managers within the meaning of the Securities Act; and the obligations of each of the Dealer Managers under this Section shall be in addition to any liability which each of the Dealer Managers may otherwise have and shall extend, upon the same terms and conditions, to each

director and officer of the Company and to each person, if any, who controls the Company within the meaning of the Securities Act.

8. Non-Disclosure. The Company shall not disclose the provisions of this Agreement to any other person without the prior written consent of the Dealer Managers, unless the Company reasonably determines that the failure to make such disclosure would violate applicable law.

9. Survival. The respective agreements, representations, warranties, indemnities and other statements of the Company and its officers and of the Dealer Managers set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any of the Dealer Managers, the Company or any of their respective officers, directors or controlling persons referred to in Section 7, and will survive the consummation of the Exchange Offer. The provisions of Sections 2, 3, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17 and 18 shall survive the termination or cancellation of this Agreement.

10. Notices. All communications hereunder will be in writing and effective only on receipt, and will be mailed, delivered or telefaxed:

(1) if to the Dealer Managers, at their addresses as follows:

Citigroup Global Markets Inc.
390 Greenwich Street
New York, New York 10013
Attention: Liability Management Desk
Facsimile: (212) 816-7912

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179
Attention: Liability Management Group
Facsimile: (212) 834-6170

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park, 18th Floor
New York, NY 10036
Attention: High Grade Transaction Management / Legal
Facsimile: 212-901-7881

Morgan Stanley & Co. Incorporated
1585 Broadway, 29th Floor
New York, NY 10036
Attention: Investment Banking Division
Facsimile: (212) 507-8999

with a copy to:

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02119-3600
Attention: David A. Fine
Facsimile: (617) 235-0030

(2) if to the Company, at its address as follows:

Tampa Electric Company
702 North Franklin Street
Tampa, FL 33602
Attention: Corporate Secretary
Facsimile: (813) 228-1328

with a copy to:

Edwards Angell Palmer & Dodge LLP
111 Huntington Avenue
Boston, MA 02199-4111
Attention: Matthew J. Gardella
Facsimile: (617) 227-4420

11. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the directors, officers, employees and agents and controlling persons referred to in Section 7, and, except as expressly set forth in Section 5(g), no other person will have any right or obligation hereunder.

12. Jurisdiction. The Company agrees that any suit, action or proceeding against it brought by any of the Dealer Managers, their respective directors, officers, employees or agents, or by any person who controls any of the Dealer Managers, arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any State or Federal court in The City of New York, New York, and waives any objection that it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any suit, action or proceeding.

13. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

14. Waiver of Immunity. To the extent that the Company may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or

notice, attachment in aid or otherwise) with respect to itself or any of its property, the Company hereby irrevocably waives and agrees not to plead or claim such immunity in respect of its obligations under this Agreement.

15. No Fiduciary Duty. The Company hereby acknowledges that the Dealer Managers will be acting pursuant to a contractual relationship on an arm's length basis and in no event do the parties hereto intend that any Dealer Manager act or be responsible as a fiduciary to the Company or its management, stockholders, creditors or any other person. Each of the Company and the Dealer Managers hereby expressly disclaims any fiduciary relationship and agrees they are each responsible for making their own independent judgments with respect to any transactions entered into between them. The Company further acknowledges and agrees that (a) each Dealer Manager has been retained solely to provide the services set forth herein, and in rendering such services such Dealer Manager shall act as an independent contractor and any duties arising out of its engagement hereunder shall be owed solely to the Company; (b) each Dealer Manager may perform the services contemplated hereby through or in conjunction with its affiliates, and any of its affiliates performing services hereunder shall be entitled to the benefits and be subject to the terms and conditions of this Agreement; (c) each Dealer Manager is a securities firm engaged in securities trading and brokerage activities and providing investment banking and financial advisory services, and in the ordinary course of business, such Dealer Manager and its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities of the Company, its affiliates or other entities that may be involved in the transactions contemplated hereby; and (d) no Dealer Manager is an advisor as to legal, tax, accounting or regulatory matters in any jurisdiction, and the Company must consult with its own advisors concerning such matters and will be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and no Dealer Manager shall have any responsibility or liability to the Company with respect thereto.

16. Authorization. The Company authorizes the Dealer Managers to communicate with the Depository Trust Company (the "Depositary"), who has been engaged to serve as the depositary and Global Bondholder Services Corporation (the "Information Agent"), who has been engaged to serve as the information agent, with respect to matters relating to the Exchange Offer. The Company has instructed or will instruct the Depositary to advise the Dealer Managers at least daily as to the principal amount of Old Notes that have been validly tendered and not validly withdrawn pursuant to the Exchange Offer and such other matters in connection with the Exchange Offer as the Dealer Managers may reasonably request.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Transmission by facsimile or digital or electronic means of a copy of an executed counterparty or signature page shall constitute

delivery of the originally executed counterpart for all purposes. This Agreement shall take effect on the day that each party has executed and delivered a counterpart or counterpart signature page.

18. Definitions. The terms which follow, when used in this Agreement, shall have the meanings indicated.

"Affiliate" shall have the meaning specified in Rule 501(b) of Regulation D under the Securities Act.

"Agreement" shall mean this Dealer Manager Agreement, dated as of the date hereof, by and among the Company and the Dealer Managers.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York, New York.

"Commencement Date" shall mean the date on which the Offering Memorandum is first distributed to holders of Old Notes.

"Commission" shall mean the U.S. Securities and Exchange Commission.

"Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Exchange Date" shall mean each date on which the Exchange Notes are exchanged for Old Notes in connection with the Exchange Offer.

"Investment Company Act" shall mean the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Material Adverse Effect" shall mean any effect that is materially adverse to the condition (financial or otherwise), business, properties or results of operations of the Company and its subsidiaries, taken as a whole.

"Regulation D" shall mean Regulation D under the Securities Act.

"Regulation S" shall mean Regulation S under the Securities Act.

"Securities Act" shall mean the U.S. Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"U.S." or the "United States" shall mean the United States of America.

[Remainder of page intentionally blank; signatures to follow]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Dealer Managers, on the one hand, and the Company, on the other, in accordance with its terms.

Very truly yours,

TAMPA ELECTRIC COMPANY

By KMCaruso
Name: Kim M. Caruso
Title: Treasurer

The foregoing Dealer Manager Agreement is hereby confirmed and accepted as of the date first above written.

Citigroup Global Markets Inc.

By: _____
Name: Kevin Mills
Title: Director

[Signature Page to Dealer Manager Agreement (Exchange Offer)]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Dealer Managers, on the one hand, and the Company, on the other, in accordance with its terms.

Very truly yours,

TAMPA ELECTRIC COMPANY

By _____
Name:
Title:

The foregoing Dealer Manager Agreement is hereby confirmed and accepted as of the date first above written.

Citigroup Global Markets Inc.

By: _____
Name: Kevin Mills
Title: Director

[Signature Page to Dealer Manager Agreement (Exchange Offer)]

The foregoing Dealer Manager Agreement is hereby confirmed and accepted as of the date first above written.

J.P. Morgan Securities LLC

By: _____
Name: Robert Bottamedi
Title: Vice President

[Signature Page to Dealer Manager Agreement (Exchange Offer)]

The foregoing Dealer Manager Agreement is hereby confirmed and accepted as of the date first above written.

Morgan Stanley & Co. Incorporated

By: _____
Name: Yurij Slyz
Title: Executive Director

[Signature Page to Dealer Manager Agreement (Exchange Offer)]

The foregoing Dealer Manager Agreement is hereby confirmed and accepted as of the date first above written.

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

By: Shelli Merritt
Name: Shelli Merritt
Title: Managing Director

[Signature Page to Dealer Manager Agreement (Exchange Offer)]

EXHIBIT A-1

Opinion of Edwards Angell Palmer & Dodge LLP

i) At the Commencement Date, the Company is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power to own its properties and conduct its business as described in the Offering Memorandum, and to enter into and perform its obligations under the Dealer Manager Agreement;

ii) At the Exchange Date, the Company is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power to own its properties and conduct its business as described in the Offering Memorandum, and to enter into and perform its obligations under each of the Dealer Manager Agreement, the Registration Rights Agreement and the Company Indenture;

iii) At the Exchange Date, the Exchange Notes and the Company Indenture have each been duly authorized, executed and delivered by the Company and, in the case of the Exchange Notes, when validly authenticated and delivered by the Trustee, and, in the case of the Company Indenture, when validly executed and delivered by the 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 transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and to general equity principles (whether considered in a proceeding in equity or at law); and the Exchange Notes are entitled to the benefits of the Company Indenture;

iv) At the Commencement Date and the Exchange Date, the Dealer Manager Agreement has been duly authorized, executed and delivered by the Company;

v) At the Exchange Date, the Registration Rights Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms;

vi) At the Commencement Date and the Exchange Date, assuming the accuracy of the representations and warranties in the Exchange Offer Material of the Dealer Managers and each eligible holder of an Old Note participating in the Exchange Offer, and the due performance by the Dealer Managers and each such holder of its agreements as set forth therein, no filing with, or authorization, approval, consent, license, order or decree of, any court or governmental agency or body is required to obtained or made by the Company in connection with the due authorization, execution and delivery of the Dealer Manager Agreement, the Registration Rights Agreement or the Company Indenture or for the offering, issuance, sale or delivery of the Exchange Notes or the Exchange Securities by the Company or the Exchange Notes by the holders, except for the filing of the Exchange Offer Registration Statement or the Shelf Registration Statement and except for the order of the Commission declaring the Exchange Offer Registration Statement or the Shelf Registration Statement effective, and except such as may be required under state securities laws as to which such counsel need express no opinion;

vii) At the Commencement Date, the execution and delivery by the Company of the Dealer Manager Agreement do not, and the performance by the Company of its obligations thereunder, including the issuance and sale of the Exchange Notes, will not, (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, or a right of acceleration or other advance

payment, or a put right or a right of termination exercisable by the other party under, any agreement or instrument that is listed as an exhibit to the Company's Form 10-K for the year ended December 31, 2009 or any of the Company's Forms 10-Q or 8-K filed thereafter but on or prior to the date of such opinion, or (ii) violate (x) the charter or by-laws of the Company, (y) any applicable statute, rule or regulation of general applicability, or (z) any judgment, order, writ or decree applicable to the Company and known to such counsel of any government, government instrumentality or court;

viii) At the Exchange Date, the execution and delivery by the Company of the Dealer Manager Agreement, the Registration Rights Agreement, the Exchange Notes and the Company Indenture do not, and the performance by the Company of its obligations thereunder, including the issuance and sale of the Exchange Notes, will not, (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, or a right of acceleration or other advance payment, or a put right or a right of termination exercisable by the other party under, any agreement or instrument that is listed as an exhibit to the Company's Form 10-K for the year ended December 31, 2009 or any of the Company's Forms 10-Q or 8-K filed thereafter but on or prior to the date of such opinion, or (ii) violate (x) the charter or by-laws of the Company, (y) any applicable statute, rule or regulation of general applicability, or (z) any judgment, order, writ or decree applicable to the Company and known to such counsel of any government, government instrumentality or court;

ix) At the Commencement Date and the Exchange Date, the statements in the Offering Memorandum under the captions "Description of the Notes" (other than the statements under the subcaption "– Book-Entry") and "Registered Exchange Offer; Registration Rights," insofar as such statements purport to constitute a summary of the terms of the Exchange Notes and the Registration Rights Agreement, constitute an accurate summary thereof in all material respects;

x) At the Commencement Date and the Exchange Date, the statements in the Offering Memorandum under the caption "United States Federal Income Tax Consequences," to the extent that they constitute summaries of matters of law or regulation or legal conclusions, fairly summarize the matters described therein in all material respects;

xi) At the Commencement Date and the Exchange Date, the Company is not an "investment company" as defined in the Investment Company Act of 1940;

xii) At the Commencement Date and the Exchange Date, the reports incorporated by reference in the Offering Memorandum (other than the financial statements and supporting schedules included therein or omitted therefrom, as to which such counsel need not express an opinion), when they became effective or were filed with the Commission, or as subsequently amended prior to the date of the Dealer Manager Agreement, as the case may be, complied as to form in all material respects with the requirements of the Exchange Act and the published rules and regulations thereunder;

xiii) At the Commencement Date and the Exchange Date, assuming the accuracy of the representations and warranties in the Exchange Offer Material of the Dealer Managers and each eligible holder of an Old Note participating in the Exchange Offer, and the due performance by the Dealer Managers and each such holder of its agreements as set forth therein, it is not necessary to register the Exchange Notes under the Securities Act or to qualify another indenture in respect thereof under the Trust Indenture Act;

SCHEDULE 1
FEES

FEE SCHEDULE

The Fee paid to the Dealer Managers shall be an aggregate $5.00 for each $1,000 of principal amount of Old Notes tendered and exchanged pursuant to the Exchange Offer, as set forth below for each Dealer Manager:

Name	Fee
Citigroup Global Markets Inc.	50%
J.P. Morgan Securities LLC	40%
Merrill Lynch, Pierce, Fenner & Smith Incorporated	5%
Morgan Stanley & Co. Incorporated	5%

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In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which causes it to believe that the Offering Memorandum and the documents incorporated therein by reference, taken together as of the date of the Dealer Manager Agreement or as of the Exchange Date, or any amendment or supplement thereto, as of its issue date or as of the Exchange Date, 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 such counsel need express no comment as to the financial statements, including the notes thereto and supporting schedules, or other financial or statistical information and data contained or included in the Offering Memorandum or the documents incorporated therein by reference. With respect to such statement, such counsel may state that its belief is based upon procedures set forth therein satisfactory to each of the Dealer Managers but is without independent investigation or verification.

EXHIBIT A-2

Opinion of Associate General Counsel

i) At the Commencement Date, the Company is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power to own its properties and conduct its business as described in the Offering Memorandum, and to enter into and perform its obligations under the Dealer Manager Agreement;

ii) At the Exchange Date, the Company is validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power to own its properties and conduct its business as described in the Offering Memorandum, and to enter into and perform its obligations under each of the Dealer Manager Agreement, the Registration Rights Agreement and the Company Indenture;

iii) At the Commencement Date, the Dealer Manager Agreement has been duly authorized, executed and delivered by the Company;

iv) At the Exchange Date, the Exchange Notes, the Company Indenture and the Registration Rights Agreement have each been duly authorized, executed and delivered by the Company;

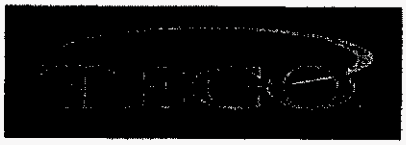
v) At the Commencement Date, to my knowledge, there is no action, suit, or other proceeding at law or in equity, or any arbitration proceeding, by or before any governmental agency or arbitrator now pending or overtly threatened in writing against the Company challenging the validity or enforceability of, or seeking to enjoin the performance of, the Dealer Manager Agreement;

vi) At the Exchange Date, 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 overtly threatened in writing against the Company challenging the validity or enforceability of, or seeking to enjoin the performance of, the Dealer Manager Agreement, the Company Indenture, the Exchange Notes or the Registration Rights Agreement;

vii) At the Commencement Date and the Exchange Date, all filings, registrations or qualifications required to be made and all consents, governmental approvals, licenses or authorizations required to be obtained by the Company from any court or governmental agency or body on or before the date of such opinion for execution, delivery and performance of the Dealer Manager Agreement, the Registration Rights Agreement and the Company Indenture or for the offering, issuance, sale or delivery of the Exchange Notes 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.

In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which causes him to believe that the Offering Memorandum and the documents incorporated therein by reference, taken together as of the date of the Dealer Manager Agreement or as of the Exchange Date, or any amendment or supplement thereto, as of its issue date or as of the Exchange Date, 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 such counsel need express no comment as to the financial statements, including the notes thereto and supporting schedules, or other financial or statistical

information and data contained or included in the Offering Memorandum. With respect to such statement, such counsel may state that his belief is based upon procedures set forth therein satisfactory to each of the Dealer Managers but is without independent investigation or verification.



TAMPA ELECTRIC

December 9, 2010

Citigroup Global Markets Inc.
390 Greenwich Street
New York, New York 10013

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park, 18th Floor
New York, New York 10036

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Morgan Stanley & Co. Incorporated
1585 Broadway, 29th Floor
New York, New York 10036

Re: Exchange of Outstanding Tampa Electric Company Notes for Newly Issued Tampa Electric Company Notes

Ladies and Gentlemen:

As Associate General Counsel of Tampa Electric Company, a Florida corporation (the "Company"), I have acted as counsel to the Company in connection with the Dealer Manager Agreement (the "Dealer Manager Agreement") dated November 9, 2010, regarding the exchange offer by the Company for the exchange of any and all of its 6.875% Notes due 2012 and any and all of its 6.375% Notes due 2012, in both cases for its newly issued 5.40% Notes due 2021, all with you as Dealer Managers. Capitalized terms not otherwise defined in this opinion have the meanings assigned to them in the Dealer Manager Agreement. This opinion is being delivered pursuant to Section 6(a) of the Dealer Manager Agreement.

In rendering the opinions set forth herein, I, or attorneys under my supervision, have examined and relied on originals or copies of the Dealer Manager Agreement, the Offering Memorandum dated November 9, 2010, as amended by the press releases issued by the Company on November 23, 2010 and December 1, 2010 (as amended, the "Offering Memorandum"), the Indenture dated as of July 1, 1998, as amended by a Third Supplemental Indenture dated as of June 15, 2001 and as supplemented by an Eighth Supplemental Indenture dated as of November 15, 2010, each between the Company and The Bank of New York Mellon, as trustee (collectively, the "Indenture"), the notes issued thereunder on the date hereof (the "Notes"), the Registration Rights Agreement dated as of December 9, 2010, among the Company and you (the "Registration Rights Agreement"), and such other documents and made such examination of law as I have deemed appropriate to give the opinions set forth below. I have relied, without independent verification, upon certificates of public officials and, as to matters of fact material to my opinions, on representations made in the Dealer Management Agreement and certificates and other inquiries 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 that would lead me to

question such matter but that, except as expressly stated, I have not made any special investigation with respect thereto.

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. 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. This opinion speaks only as of its date, and I undertake no obligation to update it for any subsequent events or legal developments.

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. 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 validly existing as a corporation in good standing under the laws of the State of Florida, with corporate power to own its properties and conduct its business as described in the Offering Memorandum, and to enter into and perform its obligations under each of the Dealer Manager Agreement, the Registration Rights Agreement and the Indenture.

2. The Notes, the Indenture and the Registration Rights Agreement have been duly authorized, executed and delivered by the Company.

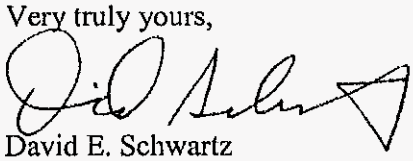
3. To my knowledge, there is no action, suit, or other proceeding at law or in equity, or any arbitration proceeding, by or before any governmental agency or arbitrator now pending or overtly threatened in writing against the Company challenging the validity or enforceability of, or seeking to enjoin the performance of, the Dealer Manager Agreement, the Indenture, the Notes or the Registration Rights Agreement.

4. All filings, registrations or qualifications required to be made, and all consents, governmental approvals, licenses or authorizations required to be obtained by the Company from any court or governmental agency or body on or before the date hereof for execution, delivery and performance of the Dealer Manager Agreement, the Registration Rights Agreement and the Indenture or for the offering, issuance, sale or delivery of the Exchange Notes 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.

I, or attorneys under my supervision, have participated in conferences with officers and other representatives of the Company and representatives of the Dealer Managers at which the contents of the Offering Memorandum 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 Offering Memorandum (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 Offering Memorandum, 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 I express no comment as to the financial statements, including the notes thereto and supporting schedules, or other financial or statistical information and data contained or included in the Offering Memorandum.

This opinion is being furnished only to you for your benefit and use solely in connection with the transaction described above and may not be relied on without my prior written consent for any other purpose or by anyone else, except that Ropes & Gray LLP may rely on this opinion in rendering its opinion to you pursuant to the Dealer Manager Agreement.

Very truly yours,



David E. Schwartz
Associate General Counsel

BOS111 12536107.3

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

December 9, 2010

Citigroup Global Markets Inc.
390 Greenwich Street
New York, New York 10013

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park, 18th Floor
New York, New York 10036

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Morgan Stanley & Co. Incorporated
1585 Broadway, 29th Floor
New York, New York 10036

Re: Exchange of Outstanding Tampa Electric Company Notes for Newly Issued Tampa Electric Company Notes

Ladies and Gentlemen:

We are furnishing this opinion to you pursuant to Section 6(a) of the Dealer Manager Agreement (the "Dealer Manager Agreement") dated November 9, 2010, regarding the exchange offer by Tampa Electric Company (the "Company") for the exchange of any and all of its 6.875% Notes due 2012 and any and all of its 6.375% Notes due 2012, in both cases for its newly issued 5.40% Notes due 2021, all with you as Dealer Managers. Capitalized terms not otherwise defined in this opinion and which are defined in the Dealer Manager Agreement have the meanings assigned to them in the Dealer Manager Agreement.

We have acted as counsel to the Company in connection with the preparation, execution and delivery of the Dealer Manager Agreement and the Offering Documents. We have examined the Dealer Manager Agreement, the Offering Memorandum dated November 9, 2010, as amended by the press releases issued by the Company on November 23, 2010 and December 1, 2010 (as amended, the "Offering Memorandum"), the Indenture dated as of July 1, 1998, as amended by a Third Supplemental Indenture dated as of June 15, 2001 and as supplemented by an Eighth Supplemental Indenture dated as of November 15, 2010, each between the Company and The Bank of New York Mellon, as trustee (collectively, the "Indenture"), the notes issued thereunder on the date hereof (the "Notes"), the Registration Rights Agreement dated as of December 9, 2010, among the Company and you (the "Registration Rights Agreement") and such other documents and certificates as we consider necessary to render this opinion. We have relied, without independent verification, on certificates of public officials and, as to matters of fact material to our opinion, on representations made in or pursuant to the Dealer Manager Agreement and certificates and other inquiries of officers of the Company. We have assumed the legal capacity of each natural person executing any documents or certificates referred to herein, 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. For purposes of this opinion, we have assumed that the Dealer Manager Agreement, the

Registration Rights Agreement and the Indenture constitute the valid and binding obligations of the parties thereto other than the Company. In giving our opinions in paragraphs 5 and 11 below, we have also assumed the accuracy of the representations and warranties in the Exchange Offer Materials of the Dealer Managers and each eligible Holder of an Old Note participating in the Exchange Offers, and the due performance by the Dealer Managers and each such Holder of its agreements as set forth therein.

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 Dealer Manager Agreement, the Indenture or the Registration Rights Agreement to the extent that (a) such provision purports to exculpate any person thereby or grants rights of indemnification which may violate public policy, (b) such provision provides for an increase in the rate of interest upon default or any fee, to the extent such may be determined to be a penalty, or provides for interest on interest or automatic compounding of interest, (c) such provision contains broadly worded waivers, or (d) such provision provides for conclusive presumptions or determinations, submission to jurisdiction, waiver of or consent to service of process and venue or waiver of offset or defenses.

In addition, we express no opinion as to (i) any consents, governmental approvals, licenses or authorizations required to be obtained by the Company under Florida law, which will be passed upon by David E. Schwartz, Associate General Counsel to the Company, or (ii) the securities or blue sky laws of any state.

The opinions rendered herein are limited to the substantive laws of the States of Florida and New York and the federal law of the United States.

References in this opinion to matters "known to us" and words of similar import limit the references to the actual knowledge of the lawyers in this firm responsible for preparing this opinion after such inquiry as they deemed appropriate.

Based upon and subject to 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 to own its properties and conduct its business as described in the Offering Memorandum, and to enter into and perform its obligations under each of the Dealer Manager Agreement, the Registration Rights Agreement and the Indenture.

2. The Notes and the Indenture 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 Trustee, and, in the case of the Indenture, when validly executed and delivered by the 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

3. The Dealer Manager Agreement has been duly authorized, executed and delivered by the Company.

4. The Registration Rights Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

5. No filing with, or authorization, approval, consent, license, order or decree of, any court or governmental agency or body is required to be obtained or made by the Company in connection with the due authorization, execution and delivery of the Dealer Manager Agreement, the Registration Rights Agreement or the Indenture or for the offering, issuance, sale or delivery of the Notes or the Exchange Securities by the Company or the Notes by the holders, except for the filing of the Exchange Offer Registration Statement or the Shelf Registration Statement and except for the order of the Commission declaring the Exchange Offer Registration Statement or the Shelf Registration Statement effective.

6. The execution and delivery by the Company of the Dealer Manager Agreement, the Registration Rights Agreement, the Notes and the Indenture do not, and the performance by the Company of its obligations thereunder, including the issuance and sale of the Notes, will not, (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, or a right of acceleration or other advance payment, or a put right or a right of termination exercisable by the other party under, any agreement or instrument that is listed as an exhibit to the Company's Form 10-K for the year ended December 31, 2009 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 by-laws of the Company, (y) any applicable statute, rule or regulation of general applicability, or (z) any judgment, order, writ or decree applicable to the Company and known to us of any government, government instrumentality or court.

7. The statements in the Offering Memorandum under the captions "Description of New Notes" (other than the statements under the subcaption "Book-Entry") and "Registered Exchange Offer; Registration Rights," insofar as such statements purport to constitute a summary of the terms of the Notes and the Registration Rights Agreement, constitute an accurate summary thereof in all material respects.

8. The statements in the Offering Memorandum under the caption "Material United States Federal Tax Consequences," to the extent that they constitute summaries of matters of law or regulation or legal conclusions, fairly summarize the matters described therein in all material respects.

9. The Company is not an "investment company" as defined in the Investment Company Act of 1940.

10. The reports incorporated by reference in the Offering Memorandum (other than the financial statements and supporting schedules included therein or omitted therefrom, 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 Dealer Manager Agreement, as the case may be, complied as to form in all material respects with the requirements of the Exchange Act and the published rules and regulations thereunder.

11. It is not necessary to register the Notes under the Securities Act or to qualify another indenture in respect thereof under the Trust Indenture Act.

We have participated in conferences with officers and other representatives of the Company, representatives of the Company's independent auditors, representatives of the Dealer Managers and your counsel at which conferences the contents of the Offering Memorandum 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 Offering Memorandum (except as otherwise indicated above), we advise you that, on the basis of the foregoing, nothing has come to our attention which causes us to believe that the Offering Memorandum and the documents incorporated therein by reference, taken together, as of the date of the Dealer Manager Agreement or as of the date hereof, or any amendment or supplement thereto, as of its issue date or as of the date 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 financial statements, including the notes thereto and supporting schedules, or other financial or statistical information and data contained or included in the Offering Memorandum or the documents incorporated therein by reference.

This opinion speaks only as of its date, and we undertake no obligation to update it for any subsequent events or legal developments. 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, except that Ropes & Gray LLP may rely on this opinion in rendering its opinion to you on the date hereof pursuant to the Dealer Manager Agreement.

Very truly yours,

Edwards Angell Palmer & Dodge LLP

EDWARDS ANGELL PALMER & DODGE LLP

BOS111 12536108.5

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

December 9, 2010

The Bank of New York Mellon, as Trustee
10161 Centurion Parkway
Jacksonville, FL 32256

Re: 5.40% Notes Due 2021 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 heretofore amended and as supplemented by the Eighth Supplemental Indenture dated as of November 15, 2010 (the "Eighth Supplemental") (the Original Indenture as heretofore amended and supplemented referred to herein as the "Indenture"), between the Company and you, as Trustee, in connection with the request by the Company for the authentication and delivery by you of $278,495,000 aggregate principal amount of 5.40% Notes due 2021 (the "Notes"). Capitalized terms not otherwise defined in this opinion have the meanings assigned to them in the Indenture as supplemented by the Eighth 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 Eighth 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 November 3, 2010 authorizing the issuance of the Notes (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. We have assumed the legal capacity of each natural person executing any documents or certificates referred to herein, 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. For purposes of this opinion, we have assumed that the Indenture constitutes the valid and binding obligations of the parties thereto other than the Company.

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 the opinion that:

1. The provisions of the Eighth Supplemental conform to the requirements of the Indenture, and the execution of such Eighth Supplemental by you and the Company is authorized under the Indenture.

2. The form, terms and provisions of the Notes have been established in conformity with the provisions of the Indenture, as supplemented by the Eighth Supplemental, and the Board Resolutions.

3. The Notes and the Indenture have each been duly authorized, executed and delivered by the Company. The Indenture, 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; and the Notes are entitled to the benefits of the Indenture.

4. All covenants and conditions of the Indenture applicable or precedent to the execution and delivery of the Eighth 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.

Our opinions above 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). The opinions expressed herein are also subject to the qualification that the enforceability of provisions in the Indenture, the Eighth 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, the Indenture or the Eighth 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.

You are hereby authorized to rely on paragraphs 1, 5, 6 and 11 of our opinion of even date herewith to Citigroup Global Markets Inc., et al., relating to the issuance and sale of the Notes, with the same force and effect, and subject to the same qualifications, limitations and assumptions as are set forth therein, as though such opinion were addressed to you.

This opinion speaks only as of its date, and we undertake no obligation to update it for any subsequent events or legal developments. This opinion is furnished only to you as Trustee and your successor and/or permitted assigns 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

BOS111 12536109.4

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, 2010

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

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 whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer [X] Accelerated filer [ ] Non-Accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether Tampa Electric Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer [ ] Accelerated filer [ ] Non-Accelerated filer [X] Smaller reporting company [ ]

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 non-affiliates of the registrant as of Jun. 30, 2010 was $3,233,787,526 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 non-affiliates of the registrant as of Jun. 30, 2010 was zero.

The number of shares of TECO Energy, Inc.'s common stock outstanding as of Feb. 21, 2011 was 214,890,426. As of Feb. 21, 2011, 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 2011 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.

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Index to Exhibits begins on page 175

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 approximately 4,233 employees as of Dec. 31, 2010.

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 *Code of Ethics and Business Conduct*, are available on 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 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., owns TECO Coal Corporation and through its subsidiary TECO Wholesale Generation, Inc., owns TECO Guatemala, Inc.

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 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 672,000 customers in West Central Florida with a net winter system generating capability of 4,684 megawatts (MW). **Peoples Gas System (PGS)**, the gas 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 336,000 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 2010 was almost 1.6 billion therms.

TECO Coal Corporation (TECO Coal), a Kentucky corporation, has 11 subsidiaries located in Eastern Kentucky, Tennessee and Virginia. These entities own mineral rights, own or operate surface and underground mines and own interests in coal processing and loading facilities.

TECO Guatemala, Inc. (TECO Guatemala), a Florida corporation, owns consolidated subsidiaries that participate in two contracted Guatemalan power plants, San José and Alborada. In October 2010, TECO Guatemala sold its 30% interest in Distribución Eléctrica Centro Americana II, S.A. (DECA II), which had an ownership interest in Guatemala's largest distribution utility, Empresa Eléctrica de Guatemala, S.A. (EEGSA) and other affiliated energy-related companies.

Revenues from Continuing Operations

(millions)	*2010*	*2009*	*2008*
Tampa Electric	$ 2,163.2	$ 2,194.8	$ 2,091.2
PGS	529.9	470.8	688.4
Total regulated businesses	2,693.1	2,665.6	2,779.6
TECO Coal	690.0	653.0	588.4
TECO Guatemala [1]	124.4	8.3	8.4
	3,507.5	3,326.9	3,376.4
Other and eliminations	(19.6)	(16.4)	(1.1)
Total revenues from continuing operations	$ 3,487.9	$ 3,310.5	$3,375.3

(1) Revenues for the years ended Dec. 31, 2009 and 2008 are exclusive of entities deconsolidated as a result of accounting standards and include only revenues for the consolidated Guatemalan entities. Due to a change in these standards, these entities were reconsolidated as of Jan. 1, 2010.

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 and subsequent reconsolidation of the Guatemala subsidiaries.

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 in long-term reserve standby located near Sebring, a city in Highlands County in South Central Florida.

Tampa Electric had 2,300 employees as of Dec. 31, 2010, of which 888 were represented by the International Brotherhood of Electrical Workers and 198 were represented by the Office and Professional Employees International Union.

In 2010, approximately 50% of Tampa Electric's total operating revenue was derived from residential sales, 30% from commercial sales, 9% from industrial sales and 11% from other sales, including bulk power sales for resale. Approximately 5% of revenues are attributed to governmental municipalities. The sources of operating revenue and megawatt hour sales for the years indicated were as follows:

Operating Revenue

(millions)	*2010*	*2009*	*2008*
Residential	$ 1,100.0	$ 1,082.4	$ 981.7
Commercial	648.4	689.1	639.0
Industrial – Phosphate	84.2	81.2	66.1
Industrial – Other	103.7	111.0	111.2
Other retail sales of electricity	191.6	204.3	185.7
Total retail	2,127.9	2,168.0	1,983.7
Sales for resale	41.6	42.4	69.7
Other	(6.3)	(15.6)	37.8
Total operating revenues	$ 2,163.2	$ 2,194.8	$ 2,091.2

Megawatt- hour Sales

(millions)	*2010*	*2009*	*2008*
Residential	9,185	8,667	8,546
Commercial	6,221	6,274	6,399
Industrial	2,010	1,995	2,205
Other retail sales of electricity	1,797	1,839	1,840
Total retail	19,213	18,775	18,990
Sales for resale	516	440	884
Total energy sold	19,729	19,215	19,874

No significant part of Tampa Electric's business is dependent upon a single or limited number of customers where the loss of any one or more would have a significant adverse effect on Tampa Electric. Tampa Electric's business is not highly seasonal, but winter peak loads are experienced due to electric space 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

Tampa Electric's retail operations 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 provides an opportunity for the utility to collect total revenues (revenue requirements) equal to its cost to provide service, plus a reasonable return on invested capital.

The costs of owning, operating and maintaining the utility systems, excluding fuel and conservation costs as well as purchased power and certain environmental costs for the electric system, are recovered through base rates. These costs include operation and maintenance expenses, depreciation and taxes, as well as a return on investment in assets used and useful in providing electric services (rate base). The rate of return on rate base, which is intended to approximate the individual company'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 (ROE). Base rates are determined in FPSC revenue requirement and 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 ROE range of 10.25% to 12.25%, with a midpoint of 11.25%, which was established in 2009, 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.

Before August 2008, Tampa Electric had not sought a base rate increase since 1992. As a result of lower customer and energy sales growth and significant annual capital investments, Tampa Electric's 13-month average regulatory ROE was 8.7% at the end of 2008.

Recognizing the significant decline in ROE, Tampa Electric filed for a $228.2 million base rate increase in August 2008. In March 2009, the FPSC approved a $104.3 million increase in annual base rates, authorizing a new ROE range of 10.25% to 12.25%, with a mid-point of 11.25% and an equity ratio of 54.0%, for rates effective in May 2009. The Commission also authorized a $33.5 million change in base rates effective Jan. 1, 2010 to recover the cost of five peaking combustion turbines and solid-fuel rail unloading facilities at the Big Bend Station, subject to the conditions that the investments were in commercial operation by Dec. 31, 2009 and the five peaking combustion turbines (CTs) are needed to serve customers. The FPSC later clarified that it would perform an audit to review the continuing need for the CTs and the costs incurred to place the CTs and rail unloading facilities in service.

In July 2009, in response to a motion for reconsideration, the FPSC determined that adjustments to the capital structure used to calculate the rates effective in 2009 should have been calculated over all sources of capital rather than only investor sources. This change resulted in a $9.3 million increase in revenue requirements in 2009 for a total increase of $113.6 million. At the same time, the FPSC voted to reject the intervenors' joint motion requesting reconsideration of the 2010 portion of base rates approved in 2009.

In September 2009, the intervenors filed a joint appeal to the Florida Supreme Court related to the FPSC's decision rejecting their motion for reconsideration of the 2010 portion of base rates approved in 2009.

In December 2009, the FPSC approved Tampa Electric's petition requesting an effective date of Jan. 1, 2010 for the proposed rates supporting the CTs and rail unloading facilities and based on its Staff audit of Tampa Electric's actual costs incurred, the Commission determined the portion of base rates approved in 2009 should be reduced by $8.3 million to $25.7 million, subject to refund. A regulatory proceeding was scheduled for October 2010 regarding the continuing need for the CTs, the appropriate amount to be recovered and the resulting rates.

In July 2010, Tampa Electric entered into a stipulation with the intervenors to resolve all issues related to the 2008 base rate case including the base rates effective Jan. 1, 2010 as well as the intervenors' appeal to the Florida Supreme Court. Under the terms of the stipulation, the $25.7 million rate increase would remain in effect for 2010, Tampa Electric would make a one-time reduction of $24.0 million to customers' bills in 2010 and effective Jan. 1, 2011, and for subsequent years, rates of $24.4 million (a $1.3 million reduction from the $25.7 million in effect for 2010) related to the rate increase will be in effect.

In August 2010, the FPSC approved the July stipulation, as filed in Docket No. 090368-EI "Review of the continuing need and cost associated with Tampa Electric Company's 5 Combustion Turbines and Big Bend Rail Facility". This stipulation resolved all issues in the above docket and all issues in the intervenors' appeal of the FPSC's 2009 decision in Tampa Electric's base rate proceeding pending before the Florida Supreme Court. The docket related to the base rate proceeding is now closed. The one-time reduction of $24.0 million to customers' bills in 2010 was reflected in operating results as a reduction in revenue and base rates reflect a total rate increase of $137.6 million as of Jan. 1, 2011.

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 fuel, environmental compliance, conservation programs and purchased power costs and estimated customer usage for a calendar year recovery period, with a true-up adjustment to reflect the variance of actual costs to projected costs for prior periods. The FPSC may disallow recovery of any costs it considers unreasonable or imprudently incurred.

In September 2010, 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 2011. In November 2010, the FPSC approved Tampa Electric's requested rates. The rates include the projected cost for natural gas, oil and coal, including transportation, for 2011 and the net over-recovery of fuel, purchased power and capacity clause expenses, which were collected in 2010 and 2009. Rates in 2010 also reflected a two-block residential fuel factor structure with a lower factor for the first 1,000 kilowatt-hours used each month for the first time. Due to increased reliance on natural gas to fuel its generating fleet and continued low natural gas prices, Tampa Electric's residential customer rate per 1,000 kilowatt-hours decreased $5.22 from $112.73 in 2010 to $107.51 in 2011.

The FPSC determined it was appropriate for Tampa Electric to recover Selective Catalytic Reduction (SCR) operating costs through the Environmental Cost Recovery Clause (ECRC) as well as earn a return on its SCR investment installed on the Big Bend coal fired units for NO_x control in compliance with the environmental consent decree. The SCR for Big Bend Unit 4 was reported in-service in May 2007, the SCR for Big Bend Unit 3 was reported in-service in June 2008, the SCR for Big Bend Unit 2 was reported in-service in May 2009 and the SCR for Big Bend Unit 1 was reported in-service in May 2010, and cost recovery started in the respective in-service years (see the **Environmental Matters** section).

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 and ancillary services, and accounting practices.

In July 2010, Tampa Electric filed wholesale requirements and transmission rate cases with the FERC. Tampa

Electric's last wholesale requirements rate case was in 1991 and the associated service agreements were approved by the FERC in the mid-1990s.

The transmission rate case updates Tampa Electric's charges under its FERC-approved Open Access Transmission Tariff (OATT) for the various forms of wholesale transmission service it provides. These rates were last updated in 2003, pursuant to a settlement agreement between the company and its then transmission customers. The wholesale requirements rate proceeding addresses the rates and terms and conditions of Tampa Electric's existing wholesale customers.

The FERC approved Tampa Electric's proposed transmission rates as filed with the FERC, which became effective Sep. 14, 2010, subject to refund. The FERC also approved Tampa Electric's proposed wholesale requirements rates, as filed with the FERC, to become effective Mar. 1, 2011, subject to refund. The proposed wholesale requirements and transmission rates are not expected to have a material impact on Tampa Electric's results.

A procedural schedule including technical and settlement conference dates has been approved by the settlement judge in each case. Technical and settlement conferences have been held in both cases and the next settlement conference is scheduled for Mar. 15, 2011 in the requirements case.

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 the **Environmental Matters** section).

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 retail and wholesale customers.

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 quality service to retail customers.

Presently, there is 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.

FPSC rules require Investor Owned Utilities (IOUs) to issue Request 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. These 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.

Fuel

Approximately 58% of Tampa Electric's generation of electricity for 2010 was coal-fired, with natural gas representing approximately 42% and oil representing less than 1%. Tampa Electric used its generating units to meet approximately 91% of the total system load requirements, with the remaining 9% coming from purchased power. The following table shows Tampa Electric's average delivered fuel cost per million British thermal unit (Btu) and average delivered cost per ton of coal burned:

Average cost per million Btu	*2010*	*2009*	*2008*	*2007*	*2006*
Coal	$ 3.12	$ 3.05	$ 2.91	$ 2.57	$ 2.49
Oil	$ 16.43	$ 16.01	$ 20.48	$ 13.87	$ 13.39
Gas (Natural)	$ 6.74	$ 8.00	$ 10.61	$ 9.52	$ 9.61
Composite	$ 4.49	$ 5.02	$ 5.56	$ 5.05	$ 4.75
Average cost per ton of coal burned	$ 75.87	$ 79.28	$ 69.14	$ 60.72	$ 58.75

Tampa Electric's generating stations burn fuels as follows: Bayside, with units 3 through 6 entering commercial operation in 2009, burns natural gas; Big Bend Station, which has sulfur dioxide scrubber capabilities and nitrogen oxide reduction systems, burns a combination of high-sulfur coal and petroleum coke, No. 2 fuel oil and natural gas at CT4, which entered commercial operation in August 2009; 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, which burned residual fuel oil and was placed on long-term standby in September 2009.

Coal. Tampa Electric burned approximately 4.4 million tons of coal and petroleum coke during 2010 and estimates that its combined coal and petroleum coke consumption will be about 5.0 million tons for 2011. During 2010, Tampa Electric purchased approximately 75% of its coal under long-term contracts with four suppliers, and approximately 25% of its coal and petroleum coke in the spot market. Tampa Electric attempts to maintain a portfolio of 60% long-term versus 40% spot contracts, but market conditions, actual deliveries and unit performance can change this portfolio on a year-by-year basis. Tampa Electric expects to obtain approximately 67% of its coal and petroleum coke requirements in 2011 under long-term contracts with four suppliers and the remaining 33% 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.

In 2010, approximately 77% of Tampa Electric's coal supply was deep-mined, approximately 12% was surface-mined and the remaining was 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 cannot predict, however, the effect of any future mining laws and regulations.

Natural Gas. As of Dec. 31, 2010, approximately 46% of Tampa Electric's 1,250,000 MMBtu gas storage capacity was full. Tampa Electric has contracted for 60% of the expected gas needs for the April 2011 through September 2011 period, 50% for October 2011 and 20% for November 2011 through March 2012. In early March 2011, Tampa Electric expects to issue an RFP and contract for additional gas to meet its generation requirements for these time periods. Additional volume requirements in excess of projected gas needs are purchased on the short-term spot market.

Oil. Tampa Electric has agreements in place to purchase low sulfur No. 2 fuel oil for its Big Bend and Polk Power 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. The City of Temple Terrace 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 2040.

Franchise fees payable by Tampa Electric, which totaled $38.6 million in 2010, 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

Among our companies, Tampa Electric has the most significant number of stationary sources with air emissions regulated by the Clean Air Act, material Clean Water Act implications, and potential implications due to possible federal and state legislative initiatives. Tampa Electric has undertaken major steps to dramatically reduce its air emissions through a series of voluntary actions, including technology selection (e.g., integrated gasification combined cycle (IGCC) and conversion of coal-fired units to natural-gas fired combined cycle); implementation of a responsible fuel mix taking into account price and reliability impacts to its customers; a substantial capital expenditure program to add Best Available Control Technology (BACT) emissions controls; implementation of additional controls to accomplish early reductions of certain emissions; and enhanced controls and monitoring systems for certain pollutants. Together, all of these improvements 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.

Consent Decree

Tampa Electric, through voluntary negotiations with the U.S. Environmental Protection Agency (EPA), the U.S. Department of Justice (DOJ) 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, a provision was made for environmental controls and pollution reductions, and Tampa Electric implemented 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 on Big Bend Units 1 through 4, and the repowering of the coal-fired Gannon Power Station to natural gas, which was renamed as the H. L. Culbreath Bayside Power Station (Bayside Power Station), in 2003 and 2004. Upon completion of the conversion, the station capacity was approximately 1,800 megawatts (nominal) of natural gas-fueled, combined-cycle electric generation. The repowering has reduced the facility's NO_x and SO_2 emissions by approximately 99% and particulate matter (PM) emissions by approximately 92% from 1998 levels.

In 2004, Tampa Electric made its NO_x reduction technology selection and decided to install SCR systems for NO_x control on the four coal-fired Big Bend units. The units were reported in-service in May 2007, June 2008, May 2009 and May 2010.

The FPSC determined that it is appropriate for Tampa Electric to recover the operating costs of and earn a return on the investment in the SCRs installed on all four of the units at the Big Bend Power 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 ECRC (see the **Regulation** section). Cost recovery for the SCRs began for each unit in the year that the unit entered service.

In November 2007, Tampa Electric entered into an agreement with the EPA and DOJ for a Second Amendment to the Consent Decree. The Second Amendment: 1) establishes a 0.12 lb/MMBtu NO_x limit on a 30-day rolling average for Big Bend Units 1 through 3, which is lower than the original Consent Decree that had a provision for a limit as high as 0.15 lb/MMBtu depending on certain conditions; 2) allows for the sale of NO_x allowances gained as a result of surpassing the emission limit goals of the Consent Decree; and 3) requires Tampa Electric to install a second Particulate Matter (PM) Continuous Emissions Monitoring System and potentially replace the originally installed system if the new system is successful.

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 emissions from its facilities by 164,000 tons, 63,000 tons, and 4,500 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 the Big Bend Power Station are capable of removing more than 95% of the SO_2 emissions from the flue gas streams.

The repowering of the Gannon Power Station to the Bayside Power Station has resulted in a significant reduction in emissions of all pollutant types. With the completion of the final Big Bend SCR in May 2010, the SCR projects resulted in a total phased reduction of NO_x emissions by 63,000 tons per year from 1998 levels.

In total, Tampa Electric's emission reduction initiatives have resulted in the annual reduction of SO_2, NO_x and PM emissions in 2010 by 94%, 91% and 87%, respectively, below 1998 levels. With these state-of-the-art improvements in place, Tampa Electric's activities have helped to significantly enhance the quality of the air in the community. As a result of its completed emission reduction actions, Tampa Electric has achieved emission reduction levels called for in Phase I of the Clean Air Interstate Rule (CAIR). In July 2008, the U.S. Court of Appeals for the District of Columbia Circuit vacated CAIR on emissions of SO_2 and NO_x. The federal appeals court reinstated CAIR in December 2008 as an interim solution.

Tampa Electric has reduced mercury emissions through the repowering of the Gannon Power Station to the Bayside Power Station. At the Bayside Power Station, where mercury levels have decreased 99% below 1998 levels, there are virtually zero mercury emissions. Additional mercury reductions have been achieved from the installation of NO_x controls at the Big Bend Power Station, which have led to a reduction of mercury emissions of more than 75% from 1998 levels. The Clean Air Mercury Rule (CAMR) Phase I requirements were scheduled for implementation in 2010. The U.S. Court of Appeals for the District of Columbia Circuit vacated CAMR on Feb. 8, 2008. Prior to the court's decision, Tampa Electric expected that it would have been in compliance with CAMR Phase I without additional capital investment.

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, 2010, Tampa Electric Company has estimated its ultimate financial liability to be approximately $21.3 million (primarily related to PGS), and this amount has been reflected in the company's financial statements. This amount is higher than prior estimates to reflect a 2010 study for the costs of remediation primarily related to one site. 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. Under current regulation, these additional costs would be eligible for recovery through customer rates.

In October 2010, the EPA notified Tampa Electric Company that it is a PRP under the federal Superfund law for the proposed contaminated soil removal action and further clean up, if necessary, at a property owned by Tampa Electric Company in Tampa, Florida. The property owned by Tampa Electric Company is undeveloped except for location of transmission lines and poles, and is adjacent to an industrial site, not owned by Tampa Electric Company, which the EPA has studied since 1992 or earlier. The EPA has asserted this potential liability due to Tampa Electric Company's ownership of the property described above but, to the knowledge of Tampa Electric Company, is not based upon any release of hazardous substances by Tampa Electric Company. Tampa Electric Company is in the process of responding to such matter, and the scope of its potential liability, if any, and the costs of any required investigations and remediation have not been determined.

Capital Expenditures

Tampa Electric's 2010 capital expenditures included $11.0 million for the installation of the final SCR equipment on the coal-fired Big Bend Unit 1 and $3.0 million for other environmental compliance projects. See the **Liquidity, Capital Expenditures** section of **MD&A** for information on estimated future capital expenditures related to environmental compliance.

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 more than 336,000 customers. The system includes approximately 11,000 miles of mains and 6,500 miles of service lines. (See PGS' **Franchises and Other Rights** section below.)

PGS had 537 employees as of Dec. 31, 2010. A total of 79 employees in six of PGS' 14 operating divisions are represented by various union organizations.

In 2010, the total throughput for PGS was almost 1.6 billion therms. Of this total throughput, 9% was gas purchased and resold to retail customers by PGS, 72% 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 49% of PGS' annual therm volume, commercial customers used approximately 26%, off-system sales customers consumed 19% and the balance was consumed by residential customers.

While the residential market represents only a small percentage of total therm volume, residential operations comprised about 30% of total revenues. Approximately 3% of revenues are attributed to governmental municipalities.

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. PGS has also seen increased interest and development in natural gas vehicles. Four new compressed natural gas stations have been connected in the past year with more planned for 2011.

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

	Revenues			***Therms***		
(millions)	*2010*	*2009*	*2008*	*2010*	*2009*	*2008*
Residential	$ 159.5	$ 143.4	$ 150.5	90.5	73.5	74.4
Commercial	143.8	142.2	155.6	407.9	381.7	375.9
Industrial	171.2	125.8	325.7	507.2	448.7	513.3
Power generation	9.7	10.0	12.7	582.2	538.3	455.6
Other revenues	37.2	40.6	36.5	—	—	—
Total	$ 521.4	$ 462.0	$ 681.0	1,587.8	1,442.2	1,419.2

No significant part of PGS' business is dependent upon a single or limited number of customers where the loss of any one or more would have a significant adverse effect on PGS. PGS' business is not highly seasonal, but winter peak throughputs are experienced due to colder temperatures.

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 provides an opportunity for 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 ROE. Base rates are determined in FPSC revenue requirements 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**.

On May 5, 2009, the FPSC approved a base rate increase of $19.2 million that became effective on Jun. 18, 2009, and reflects a return on equity of 10.75%, which is the middle of a range between 9.75% and 11.75%. The allowed equity in capital structure is 54.7% from all investor sources of capital on an allowed rate base of $560.8 million.

As a result of the unprecedented cold winter weather in 2010, in the second quarter of 2010 PGS projected it would

earn above the top of its ROE range of 11.75% in 2010. PGS recorded a $9.2 million total provision related to the 2010 earnings above the top of the range. In December 2010, PGS and the Office of Public Counsel entered into a stipulation and settlement agreement requesting Commission approval that $3.0 million of the provision to be refunded to customers in the form of a credit on customers' bills in 2011, and the remainder be applied to accumulated depreciation reserves. On Jan. 25, 2011 the FPSC approved the stipulation.

PGS recovers the costs it pays for gas supply and interstate transportation for system supply through the purchased gas adjustment (PGA) 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 delivers 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 calendar year 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 2010, the FPSC approved rates under PGS' PGA clause for the period January 2011 through December 2011 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, PGS customers (except interruptible customers) also pay a per-therm conservation charge for all gas. This charge is intended to permit PGS to recover 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, prudently incurred expenditures made in connection with these programs if it demonstrates the programs are cost effective for its ratepayers. The FPSC requires natural gas utilities to offer transportation-only service to all non-residential 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

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, propane and fuel oil. 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. PGS has a "NaturalChoice" program, offering unbundled transportation service to customers consuming in excess of 1,999 therms annually, allowing these customers to purchase commodity gas from a third party but continue to pay PGS for the transportation. 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 15,700 transportation-only customers as of Dec. 31, 2010 out of approximately 32,400 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-only services at discounted rates.

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 60 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 seven gate stations.

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 PGA 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 and Other Rights

PGS holds franchise and other rights with approximately 100 municipalities throughout Florida. These franchises govern the placement of PGS' 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 PGS' use of public rights-of-way and other public property within the municipalities it serves during the term of the franchise agreement. 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 2038. PGS expects to negotiate 14 franchises in 2011, the majority of which will be renewals of existing agreements. Franchise fees payable by PGS, which totaled $9.5 million in 2010, 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 that generally 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**.

Capital Expenditures

During the year ended Dec. 31, 2010, PGS did not incur any material capital expenditures to meet environmental requirements, nor are any anticipated for the 2011 through 2015 period.

TECO COAL

TECO Coal, with offices located in Corbin, Kentucky, through its subsidiaries operates surface and underground mines as well as coal processing facilities in eastern Kentucky, Tennessee and southwestern Virginia.

TECO Coal 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 and Bear Branch Coal Company. The TECO Coal subsidiaries (collectively referred to herein as TECO Coal) own or control, by lease, mineral rights, and own or operate surface and underground mines and coal processing and loading facilities. TECO Coal produces, processes and sells bituminous, predominately low sulfur coal of steam, industrial and metallurgical grades. TECO Coal uses two distinct extraction techniques: continuous underground mining and dozer and front-end loader surface mining.

TECO Coal currently operates 24 underground mines, which employ the room and pillar mining method, and 10 surface mines. In 2010, TECO Coal sold 8.77 million tons of coal. None of this coal was sold to Tampa Electric. For the reporting period, TECO Coal had a combined estimated 267.6 million tons of proven and probable recoverable reserves. Historically, from time to time, TECO Coal has added to its proven and probable reserves. TECO Coal will continue to explore for additional reserves in and around its existing mining operations to prudently maintain or expand its reserves as appropriate.

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 Company 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 Gatliff Coal Company. Rich Mountain Coal Company was established in 1987, when leases were signed for properties in Campbell County, Tennessee.

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 and Knott County, Kentucky.

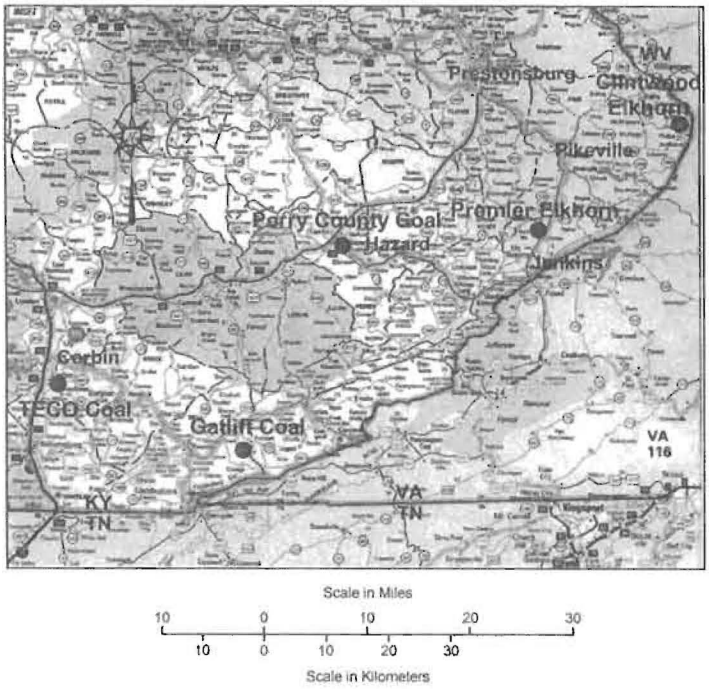
The newest mining company in the TECO Coal family is Perry County Coal Corporation, which was purchased in 2000 and is located in Perry, Knott and Leslie Counties, Kentucky.

In 2004, the acquisition of properties and the Millard Preparation Facilities (currently leased to a non-affiliated company) from American Electric Power and Kentucky Coal, LLC was completed. The property and facility are located in Pike County, Kentucky.

Mining Operations

TECO Coal currently has 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, which provides production for two active wash plants. Clintwood Elkhorn's Millard Plant is currently leased to a non-affiliated company. 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 12 individual underground or surface mines. TECO Coal uses two distinct extraction techniques: continuous underground mining; and dozer and front-end loader surface mining sometimes accompanied by highwall 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's mining complexes to customers by means of railroad cars, trucks, barges or vessels, with rail shipments representing approximately 93% of 2010 coal shipments. The following map 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 having three facilities. The equipment at each facility is in good condition and regularly maintained by qualified personnel. Table 1 below is a summary of the TECO Coal processing facilities:

PROCESSING FACILITIES SUMMARY
Table 1

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

Significant Projects

Significant projects for 2010 included the following:

Clintwood Elkhorn Mining

- Phase I engineering design and planning were completed on a clean coal recovery beltline which is to be installed at the Clintwood Elkhorn #3 Facilities. The project is expected to be completed in the third quarter of 2011. Clintwood Elkhorn also added an underground mine in the Elkhorn Three seam, in Island Creek in Pike County Kentucky.

Premier Elkhorn Coal

- Premier Elkhorn began initial construction on three new deep mine portals. The face-ups should be completed and the mining operations are expected to begin in the second and third quarters of 2011. Premier Elkhorn also completed the portal construction and began production in a new Glamorgan seam mine.

Perry County Coal

- Perry County Coal is finalizing the construction for the Second Creek Portals for E4-1 and E3-1 underground mines. When completed, TECO Coal expects to see a substantial reduction of travel time to the working mine face and more production. Completion is expected in the first quarter of 2011.
- A major exploration program was conducted on the E4-2 mine area to further understand the quality and mineablity of the reserve basin. All geologic modeling was also finalized. This information will now be utilized for mine planning and market analysis for this large boundary of reserves.
- Perry County Coal completed the acquisition of the First Creek reserves that are contiguous to the existing E4-1 mine.

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) 2010	2009	2008	Tons Sold (in millions) 2010	Year Established or Acquired
Gatliff Coal Company	Bell County, KY/ Knox County, KY/ Campbell County, TN	S	D/L	T	0	0.2	0.3	0	1974
Clintwood Elkhorn Mining	Pike County, KY/ Buchanan County, VA	U, S	CM, D/L, HM, A	R, R/V	2.1	2.0	2.6	2.3	1988
Premier Elkhorn Coal	Pike County, KY/Letcher County, KY/ Floyd County, KY	U, S	CM, D/L	R,T,R/B,T/B	2.6	3.2	3.2	3.4	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	3.1	3.1	3.1	3.1	2000
TOTAL					7.8	8.5	9.2	8.8	

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

Gatliff Coal Company discontinued surface mine operations in 2009. Poor market conditions and a depletion of the low sulfur content coal that was previously required on its sales contract led to the cessation of mining operations. Gatliff Coal Company had no coal production in 2010, leaving a reserve base of 3.4 million recoverable tons of predominantly low sulfur underground mineable coal which may later be recovered by Gatliff or by neighboring competing coal companies for coal royalty considerations. Rich Mountain Coal Company formerly operated as a contractor for Gatliff Coal Company's Tennessee production, but is currently in non-producing reclamation status.

Clintwood Elkhorn Mining Company

Clintwood Elkhorn Mining Company has three facilities. One is located near Biggs, Kentucky in Pike County and is supplied by 11 underground mines and one surface mine. Principal products at the Biggs, Kentucky location include high volatile metallurgical coals and steam coal. The second Clintwood Elkhorn Mining Company facility is located near Hurley, Virginia and is supplied by three underground mines and two 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. The third facility, located at Millard, Kentucky, in Pike County is currently leased. In total, Clintwood Elkhorn Mining Company produced 2.1 million tons of coal in 2010, leaving a reserve base of 47.9 million recoverable tons.

Premier Elkhorn Coal Company

Located near Myra, in Pike County, Kentucky, Premier Elkhorn Coal Company is supplied by production from seven underground mines and five surface mines. Principal products include high-quality steam coal for utilities, specialty stoker products for ferro-silicon and industrial customers and PCI and metallurgical coal for the steel mills. Facilities include a unit train load-out with a 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 via CSXT Railroad and trucking contractors to destinations in North America and internationally. 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 2.6 million tons of coal in 2010, leaving a reserve base of 70.2 million recoverable tons.

Perry County Coal Corporation

Located in Perry County Kentucky, near Hazard, Perry County Coal Corporation is supplied by three underground mines and two surface mines. Principal products include high quality steam coal for utilities, industrial stoker and PCI 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 via CSXT Railroad and trucking contractors to destinations in both North America and internationally.

In 2009, Perry County Coal Corporation completed a comparable trade of underground reserves with another mining company of 16.0 million tons. During 2010, the boundary of reserves for the E4-2 mine area, was core drilled to confirm final reserve quantities and qualities and to finalize a comprehensive mining plan. A review of reserves for the E4-2 mine area for Perry County Coal Corporation proved an additional 6.9 million tons of reserves which were previously reported as resource coal. In 2010, Perry County Coal Corporation leased the First Creek reserve which is contiguous to its existing E4-1 underground mine. This new lease will facilitate the mining of approximately 10.0 million tons of high quality reserves. Perry

County Coal Corporation produced 3.1 million tons of coal in 2010, leaving a total reserve base of 146.1 million recoverable tons.

Sales and Marketing

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

The terms of these coal sales contracts result from bidding and extensive negotiations with customers. Consequently, these contracts typically vary significantly in price, quantity, quality, length, and 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 transports coal from its mining complexes to customers by rail, barge, vessel and trucks. TECO Coal employs transportation specialists who coordinate the development of acceptable shipping schedules with its customers, transportation providers and mining facilities.

Competition

Primary competitors of TECO Coal 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 has been able to compete for coal sales by mining high quality steam and specialty coals, including coals used for making coke and furnace injection, and by effectively managing production and processing costs.

Employees

As of Dec. 31, 2010, TECO Coal employed a total of 1,126 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 believes 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 mining accidents within the industry could lead to new legislation that could impose additional costs on TECO Coal.

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 2000, the Department of Labor issued amendments to the regulations implementing the federal black lung laws that, among other things, established a presumption in favor of a claimant's treating physician, limited a coal operator's

ability to introduce medical evidence, and redefined Coal Workers Pneumoconiosis to include chronic obstructive pulmonary disease.

Under the Patient Protection and Affordable Care Act, signed into law in March 2010, miners with more than 15 years of experience and who have medical evidence of totally disabling lung disease are automatically granted black lung benefits rather than having to go through an application process proving they have black lung caused by being in the mines. Additionally, a surviving spouse is no longer required to reapply to receive the benefits. These changes in the regulations are expected to increase the number of claims, percentage of claims approved and the overall cost of black lung to coal operators. TECO Coal, with the help of its consulting actuaries, continues to monitor claims very closely.

Workers' Compensation

The TECO Coal 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 reserve for reclaiming land and water adversely affected by past 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 2010, TECO Coal had expenditures of approximately $4.0 million for environmental protection and reclamation programs. TECO Coal expects to spend a similar amount in 2011 on these programs.

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 the 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 Btu, 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 to 1,000 feet into the coal seam.

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.

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" ton 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 GUATEMALA

TECO Guatemala, Inc., has subsidiaries that have interests in independent power projects in Guatemala. The TECO Guatemala subsidiaries had 124 employees as of Dec. 31, 2010.

TECO Guatemala indirectly owns 100% of Central Generadora Eléctrica San José, Limitada (CGESJ), the owner of an electric generating station 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 Guatemala and the World Bank. In 1996, CGESJ signed a U.S. dollar-denominated power purchase agreement (PPA) with EEGSA, the largest private distribution 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. Tecnología Marítima, S.A. (TEMSA), an indirect wholly-owned subsidiary, in addition to receiving the coal shipments for CGESJ, provides unloading services to third parties.

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 an oil-fired electric generating facility (the Alborada Power Station), has a U.S. dollar-denominated PPA with EEGSA to provide 78 megawatts of capacity ending in 2015. EEGSA is responsible for providing the fuel for the plant, with a subsidiary of TECO Guatemala providing assistance in fuel administration.

In 1998, DECA II, a consortium whose members included a subsidiary of TECO Guatemala, Iberdrola Energia, S.A. of Spain (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. In October 2010, TECO Guatemala sold its 30% interest in DECA II.

For CGESJ and TCAE, TECO Guatemala has obtained political risk insurance for currency inconvertibility, expropriation and political violence covering 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 compliance with World Bank Guidelines of 1988 and 1994, at the time of construction of these facilities. 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 promoting worker health and safety and reducing environmental impacts.

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 The Last Five Years
Sherrill W. Hudson	68	Executive Chairman of the Board, TECO Energy, Inc. and Tampa Electric Company, August 2010 to date; Chairman of the Board and Chief Executive Officer, TECO Energy, Inc. and Tampa Electric Company, July 2004 to August 2010.
John B. Ramil	55	President and Chief Executive Officer, TECO Energy, Inc., and Chief Executive Officer, Tampa Electric Company, August 2010 to date; President and Chief Operating Officer, TECO Energy, Inc., July 2004 to August 2010.
Charles A. Attal, III	51	Senior Vice President-General Counsel and Chief Legal Officer, TECO Energy, Inc., and General Counsel of Tampa Electric Company, February 2009 to date; Vice President-General Counsel and Chief Legal Officer, TECO Energy, Inc. and General Counsel of Tampa Electric Company, July 2007 to February 2009; and prior thereto, Vice President and Deputy General Counsel, TECO Energy, Inc.
Phil L. Barringer	57	Vice President-Human Resources of TECO Energy, Inc. and Tampa Electric Company, July 2009 to date; President, TECO Guatemala, July 2009 to date; and prior thereto, Vice President-Controller, Operations of TECO Energy, Inc. and Chief Accounting Officer of Tampa Electric Company.
Deirdre A. Brown	50	Vice President-Business Strategy and Compliance and Chief Ethics and Compliance Officer, TECO Energy, Inc., July 2009 to date; Vice President-Regulatory Affairs of Tampa Electric Company and Vice President-Customer Service, Tampa Electric Division of Tampa Electric Company, April 2006 to July 2009; Vice President-Regulatory Affairs, Tampa Electric Company, April 2005-April 2006.
Sandra W. Callahan	58	Senior Vice President-Finance and Accounting and Chief Financial Officer (Chief Accounting Officer), TECO Energy, Inc. February 2011 to date and Vice President-Finance and Accounting and Chief Financial Officer (Chief Accounting Officer), Tampa Electric Company, October 2009 to date; Vice President-Finance and Accounting and Chief Financial Officer (Chief Accounting Officer), TECO Energy, Inc., October 2009 to February 2011; Vice President-Finance and Accounting and Chief Financial Officer (Treasurer and Chief Accounting Officer), TECO Energy, Inc. and Tampa Electric Company, July 2009 to October 2009; Vice President-Treasury and Risk Management (Treasurer and Chief Accounting Officer), TECO Energy, Inc., January 2007 to July 2009; Vice President-Treasury and Risk Management (Treasurer), TECO Energy, Inc., July 2000 to January 2007; Vice President-Treasurer and Assistant Secretary, Tampa Electric Company, April 2005 to July 2009.
Clinton E. Childress	62	Senior Vice President-Corporate Services and Chief Human Resources Officer, TECO Energy, Inc., October 2004 to date; Chief Human Resources Officer and Procurement Officer, Tampa Electric Company, September 2003 to date.

Gordon L. Gillette	51	President, Tampa Electric Company, July 2009 to date; Executive Vice President and Chief Financial Officer, TECO Energy, Inc., July 2004 to July 2009; President, TECO Guatemala, October 2004 to July 2009.
J. J. Shackleford	64	President of TECO Coal Corporation, since prior to 2006.

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 4, 2011, and until such officer's successor is elected and qualified.

Item 1A. RISK FACTORS.

General Business and Operational Risks

General economic conditions may adversely affect our businesses.

Our businesses are affected by general economic conditions. In particular, growth in Tampa Electric's service area and in Florida is important to the realization of annual energy sales growth for Tampa Electric and PGS. A failure of market conditions and the current Florida housing markets to improve could adversely affect Tampa Electric's or PGS' expected performance. Continuation or worsening of the current economic conditions could affect these companies' ability to collect payments from customers.

TECO Coal and TECO Guatemala are also affected by general economic conditions in the industries and geographic areas they serve, both nationally and internationally.

Our electric and gas utilities are highly regulated; changes in regulation or the regulatory environment could reduce 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, reducing revenues, increasing competition or costs, threatening investment recovery or impacting rate structure.

Our financial results could be adversely affected if the FPSC were to lower the allowed ROE in the next base rate proceedings by Tampa Electric or PGS.

Tampa Electric and PGS were awarded ROE ranges with mid-points of 11.25% and 10.75% in their respective 2009 base rate proceedings. Recent decisions by the FPSC in investor owned utility rate cases awarded lower ROEs of 10.5% and 10%. If ROEs were reduced or other elements of the regulatory framework were changed, our financial results could be adversely affected.

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.

Potential new regulations on the disposal and/or storage of coal combustion by-products (CCB) could add to Tampa Electric's operating costs.

In 2009, in response to a coal ash pond failure at another utility, the EPA announced that it would propose new regulations regarding CCB handling, storage and disposal. The EPA has proposed two possible new rules related to CCB that could reduce or eliminate the beneficial use of coal combustion by-products, or eliminate the use of ponds for by-product storage. These proposed new rules could increase Tampa Electric's operating costs through higher disposal costs. If the EPA eliminates the use of ponds for by-product storage, Tampa Electric would have to invest in dry handling and storage which could increase costs.

Federal or state regulation of Green House Gas (GHG) emissions, depending on how they are 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. While GHG emission regulations have been proposed, both at the federal and state level, none have been passed at this time and therefore, costs to reduce GHGs 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 GHG emission regulation. If the regulation allowing cost recovery is changed and the cost of compliance is not recovered through the ECRC, 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 GHG 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.

The significant, phased reductions in GHG emissions called for by the Executive Orders signed by the former Governor of Florida in 2007 could add to Tampa Electric's costs and adversely affect its operating results.

The former Governor of Florida signed three Executive Orders in July 2007 aimed at reducing Florida's emissions of GHG. The three orders include directives for reducing GHG emissions by electric utilities to 2000 levels by 2017, to 1990 levels by 2025, and by 80 percent of 1990 levels by 2050.

Also in 2008, the state legislature passed broad energy and climate legislation. However, since that time, the process at the state level has slowed and is likely to be pushed out since the issue has become increasingly active at the federal level. It is unclear if the new Governor of Florida supports the reduction of GHG to the same degree as the former Governor.

However, if Florida does pass final GHG reduction rules that result in increased costs to Tampa Electric its operating results could be adversely affected.

A mandatory RPS could add to Tampa Electric's costs and adversely affect its operating results.

In connection with the Executive Orders signed by the former Governor of Florida in July 2007, the FPSC was tasked with evaluating a RPS. The FPSC has made a recommendation to the Florida legislature that the RPS percentage be 7% by Jan. 1, 2013, 12% by Jan. 1, 2016, 18% by Jan. 1, 2019 and 20% by Jan. 1, 2021. The FPSC recommendation is subject to ratification by the Florida legislature, but to date the legislature has not adopted the FPSC's recommendation. In addition, there is the potential that legislation could be proposed in the U.S. Congress to introduce an RPS at the federal level. It remains unclear, however, if or when action on such legislation would be completed. Tampa Electric could incur significant costs to comply with an RPS, as proposed. Tampa Electric's operating results could be adversely affected if Tampa Electric were not permitted to recover these costs from customers.

Tampa Electric, the State of Florida and the nation as a whole are increasingly dependent on natural gas to generate electricity. There may not be adequate infrastructure to deliver adequate quantities of natural gas to meet the expected future demand and the expected higher demand for natural gas may lead to increasing costs for the commodity.

The deferral of Tampa Electric's integrated gasification combined cycle (IGCC) unit and the cancellation of numerous proposed coal-fired generating stations in Florida and across the United States in response to GHG emissions concerns is expected to lead to an increasing reliance on natural gas-fired generation to meet the growing demand for electricity. Currently, there is an adequate supply and infrastructure to meet demand for natural gas in Florida and nationally. However, if in the future, supplies are inadequate or if significant new investment is required to install the pipelines necessary to transport the gas, the cost of natural gas could rise. Currently, Tampa Electric and PGS are allowed to pass the cost for the commodity gas and transportation services through to the customer without profit. Changes in regulations could reduce earnings for Tampa Electric and PGS if they required Tampa Electric and PGS to bear a portion of the increased cost. In addition, increased costs to customers could result in lower sales.

Our businesses are sensitive to variations in weather, the effects of extreme weather and have seasonal variations.

Our businesses are sensitive to variations in weather and the effects of extreme weather, and have seasonal variations. Climate change could lead to weather conditions other than what we routinely experience today.

Most of our businesses are affected by variations in general weather conditions and unusually severe weather, which are risks we already face. 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. If climate change, or other factors, cause significant variations from normal weather it could have a material impact on energy sales. Extreme weather conditions, such as hurricanes, can be destructive, causing outages and property damage that require the company to incur additional expenses. If warmer temperatures lead to changes in extreme weather events (increased frequency, duration and severity), these expenses could be greater. The speculative nature of such changes, however, and the long period of time over which any potential changes might be expected to take place, make estimating the physical risks difficult.

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. Severe weather conditions could interrupt or slow coal production or rail transportation and increase operating costs.

The State of Florida is exposed to extreme weather, including hurricanes, which can cause damage to our facilities and affect our ability to serve customers.

As a company with electric service and natural gas operations in peninsular Florida, the company has substantial experience operating in areas prone to extreme weather events, such as hurricanes. The company has storm preparations and recovery plans in its operations that are routinely assessed and improved based upon experience during drills and events and planning with critical partners. Tampa Electric and PGS host meetings with state and local emergency management agencies to refine communications and restoration plans and consult with similarly situated utilities in preparing for restoration following extreme weather events. In addition to the design of its facilities and its storm recovery plans, the company continuously monitors and assesses the physical risks associated with severe weather conditions and adjusts its planning to reflect the results of that assessment.

While the company has storm preparation and recovery plans in place, and Tampa Electric and PGS have historically been granted regulatory approval to recover or defer the majority of significant storm costs incurred, extreme weather still poses risks to our operations and storm cost recovery petitions may not always be granted or may not be granted in a timely manner. If costs associated with future severe weather events cannot be recovered in a timely manner, or in an amount sufficient to cover actual costs, the financial condition and operating results could be adversely affected.

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 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 PGS relative to electricity, other forms of energy and other gas suppliers.

In the case of TECO Coal, the selling price of coal affects the margins TECO Coal realizes on its sales, and 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.

In the case of TECO Guatemala, the dispatch price for some of the diesel generating resources in Guatemala, which use residual oil, have, at times, been above or below the average price of coal used by the San José Power Station due to prices for crude oil. Depending on the price of residual oil, generation from the San José Power Station for spot sales would rise or fall with oil prices, thus increasing or reducing non-fuel energy sales revenues and net income.

Changes in customer energy usage patterns, the impact of the Florida housing market, and the cost of complying with potential new environmental regulations, may affect sales at our utility companies.

Tampa Electric's weather-normalized residential per customer usage declined in 2010, 2009 and 2008. We believe that mild weather patterns especially in the spring and fall, voluntary conservation in response to the economic conditions, increased appliance efficiency, and increased residential vacancies as a result of higher foreclosures contributed to the declining per customer usage.

The utilities' forecasts are based on normal weather patterns and historical trends in customer energy use patterns. Tampa Electric's and PGS' ability to increase energy sales and earnings could be negatively impacted if customers continue to use less energy in response to economic conditions or other factors.

Compliance with proposed GHG emissions reductions, a mandatory RPS or other new regulation could raise Tampa Electric's cost. While current regulation allows Tampa Electric to recover the cost of new environmental regulation through

the ECRC, increased costs for electricity may cause customers to change usage patterns, which would impact Tampa Electric's sales.

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 including foreign source income and capital gains. These tax credit carryforwards are subject to expiration periods of varying durations (see **Note 4** to the **TECO Energy Consolidated Financial Statements**).

The current 2011-2012 federal budget, as proposed, includes the elimination of the percentage depletion tax deduction for coal mines and other hard mineral fossil fuels.

If the percentage depletion tax deduction is eliminated for TECO Coal, the effective tax rate for that company would rise from the expected 20% to 25% to the general corporate tax rate of 37%, which would have an adverse effect on TECO Coal's financial results after 2011.

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, 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.

In January 2011, the EPA retracted a valid surface mining permit issued in 2007 to another coal mining company.

While the EPA has not taken this type of action on a routine basis, this action by the EPA creates additional uncertainty related to the ability to use surface mining techniques to mine coal, which could reduce the earnings expected from our coal company.

Failure to obtain the permits necessary to open new surface mines could reduce earnings from our coal company.

Our coal mining operations are dependent on permits from the U.S. Army Corp of Engineers (USACE) to open new surface mines necessary to maintain or increase production. For the past several years, new permits issued by the USACE under Section 404 of the Clean Water Act for new surface coal mining operations have been challenged in court by various environmental groups resulting in a backlog of permit applications and very few permits being issued. TECO Coal has four permits on the list of permits subject to enhanced review by the U.S. EPA under its memorandum of understanding with the USACE, which was issued in September 2009. To date, none of these permits have been issued. Failure to obtain the

necessary permits to open new surface mines, which are required to maintain and expand production, could reduce production, cause higher mining costs or require purchasing coal at prices above our cost of production to fulfill contract requirements, which would reduce the earnings expected from our coal company.

In 2010, the EPA issued new guidelines related to water quality for Central Appalachian coal surface mining operations that would be conditions of new surface mine permits, which would add significant cost to operations or curtail our surface mining activities.

In 2010, the EPA issued new water quality standards for discharges from surface mining operations that would be conditions to the issuance of new permits, and may not be technically possible under most circumstances. Compliance with these conditions is projected to be very costly. The cost associated with compliance could make affected surface mining operations unprofitable or make the reserves no longer economic to develop.

Our international projects 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 higher 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.

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 expected performance.

The gas distribution industry has been subject to competitive forces for several years. Gas services provided by PGS are 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.

We are a party from time to time to legal proceedings that may result in a material adverse effect on our financial condition.

From time to time, we are a party to, or otherwise involved in, lawsuits, claims, proceedings, investigations and other legal matters that have arisen in the ordinary course of conducting our business. While the outcome of these lawsuits, claims, proceedings, investigations and other legal matters which we are a party to, or otherwise involved in, cannot be predicted with certainty, any adverse outcome to lawsuits against us may result in a material adverse effect on our financial condition.

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.

TECO Energy, TECO Finance and Tampa Electric Company must meet certain financial tests as defined in the applicable agreements to use their respective credit facilities. Also, TECO Energy, TECO Finance, 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 **Management's Discussion &Analysis** for descriptions of these tests and covenants.

As of Dec. 31, 2010, we were in compliance with required financial covenants, but we cannot be assured 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 **Liquidity, Capital Resources** sections of the **Management's Discussion &Analysis**.

Financial market conditions could limit our access to capital and increase our costs of borrowing or have other adverse effects on our results.

The financial market conditions that were experienced in 2008 and early 2009 impacted access to both the short-and long-term capital markets and the cost of such capital. In 2010 we were able to access the capital markets on favorable terms to refinance debt and extend maturities. Although we have no significant debt maturities in 2011 Tampa Electric has debt maturing in 2012, TECO Finance has debt maturing in 2015, and both have credit facilities expiring in 2012. Future financial market conditions could limit our ability to raise the capital we need, or to renew our credit facilities, and could increase our interest costs which could reduce earnings.

We enter into derivative transactions with counterparties, most of which are financial institutions, to hedge our exposure to commodity price changes. Although we believe we have appropriate credit policies in place to manage the non-performance risk associated with these transactions, turmoil in the financial markets could lead to a sudden decline in credit quality among these counterparties. If such a decline occurs for a counterparty with which we have an in-the-money position, we could be unable to collect from such counterparty.

Despite the strong financial market recovery in 2010 and 2009, declines in the financial markets or in interest rates used to determine benefit obligations could increase our pension expense or the required cash contributions to maintain required levels of funding for our plan.

The value of our pension fund assets were negatively impacted by unfavorable market conditions in 2008. At Jan. 1, 2010 our plan was 90% funded under calculation requirements of the Pension Protection Act. However, as a result of the continued low interest rate environment, our funded percentage is expected to be approximately 80% as of the next Pension Protection Act measurement date of Jan. 1, 2011. This will require future contributions to the plan ranging from $35 - $50 million annually. Any future declines in the financial markets or a continued low-interest rate environment could increase the amount of contributions required to fund our plan in the future.

We estimate that pension expense in 2011 will be at levels consistent with 2010. Any future declines in the financial markets or a continuation of the low interest rate environment could cause pension expense to increase in future years.

Our financial condition and results could be adversely affected if our capital expenditures are greater than forecast.

We are forecasting capital expenditures at Tampa Electric to support the current levels of customer growth, to comply with the design changes mandated by the FPSC to harden transmission and distribution facilities against hurricane damage, to maintain transmission and distribution system reliability, and to maintain coal-fired generating unit reliability and efficiency.

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.

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 as investment grade by Standard & Poor's (S&P) at BBB- with a stable outlook, by Moody's Investor's Services (Moody's) at Baa3 with a stable outlook, and by Fitch Ratings (Fitch) at BBB- with a positive outlook. The senior unsecured debt of Tampa Electric Company is rated by S&P at BBB with a stable outlook, by Moody's at Baa1 with a stable outlook and by Fitch at BBB+ with a positive 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 PGS are able to purchase electricity and gas without providing collateral. If the ratings of Tampa Electric Company decline to below investment grade, Tampa Electric and PGS could be required to post collateral to support their purchases of electricity and gas.

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, 2010, Tampa Electric Company's consolidated shareholders' equity was approximately $2.2 billion. Also, our wholly-owned subsidiary, TECO Diversified, Inc., the holding company for TECO Coal, has a guarantee related to a coal supply agreement that could limit the payment of dividends by TECO Diversified to us (see the **TECO Energy Significant Financial Covenants** table in the **Liquidity, Capital Resources** sections of **Management's Discussion &Analysis**).

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.

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 four electric generating plants in service, with a December 2010 net winter generating capability of 4,684 MW. Tampa Electric assets include the Big Bend Power Station (1,582 MW capacity from four coal units and 61 MW from a combustion turbine (CT)), the Bayside Power Station (2,083 MW capacity from two natural gas combined cycle units and four CTs), the Polk Power Station (220 MW capacity from the IGCC unit and 732 MW capacity from four CTs) and 6 MW from the Howard Current Advanced Waste Water Treatment Plant, operated by the City of Tampa.

The Big Bend coal fired units went into service from 1970 to 1985 and the CT was installed in 2009. The Polk IGCC unit began commercial operation in 1996. In 1991, Tampa Electric purchased the Phillips Power Station from the Sebring Utilities Commission (Sebring) and it was placed on long-term reserve standby in 2009. Bayside Unit 1 was completed in April 2003, Unit 2 was completed in January 2004, Units 5 and 6 were completed in April 2009 and Units 3 and 4 were completed in July 2009.

Tampa Electric owns 180 substations having an aggregate transformer capacity of 22,368 Mega Volts Amps (MVA). The transmission system consists of approximately 1,322 pole miles (including underground and double-circuit) of high voltage transmission lines, and the distribution system consists of 6,329 pole miles of overhead lines and 4,669 trench miles of underground lines. As of Dec. 31, 2010, there were 672,280 meters in service. All of this property is located in Florida.

All plants and important fixed assets are held in fee except that titles to some of the properties are 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 or other property rights 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 Company has a long-term lease for the office building in downtown Tampa which serves as headquarters for TECO Energy, Tampa Electric, PGS and TECO Guatemala.

PEOPLES GAS SYSTEM

PGS' distribution system extends throughout the areas it serves in Florida and consists of approximately 17,500 miles of pipe, including approximately 11,000 miles of mains and 6,500 miles of service lines. Mains and service lines are maintained under rights-of-way, franchises or permits.

PGS' operations are located in 14 operating divisions throughout Florida. While most of the operations and administrative facilities are owned, a small number are leased.

TECO COAL

Property Control

TECO Coal operations are conducted on both owned and leased properties totaling over 265,000 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. In cases involving less significant properties, and consistent with industry practices, title and boundaries are verified during lease or purchase negotiations.

In situations where property is controlled by a lease, the initial lease terms are expected to allow the reserves for the associated operation to be mined. 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 to exhaust the coal from the leased property, provisions are made within the original lease to allow extensions of the lease upon

continued payment of minimum royalties.

Coal Reserves

As of Dec. 31, 2010, the TECO Coal operating companies had a combined estimated 267.6 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, other controlled areas presently identified as resource now total 60.8 million tons of coal.

Reserves are defined by Security and Exchange Commission (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.

TECO Coal's reserve estimates are prepared by its staff of geologists, with an average experience of 19 years. TECO Coal also has 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 2010, a third-party reserve audit was performed by Marshall Miller & Associates on the portion of reserves acquired during 2010. The results of that audit are reflected in the reserve included in this report.

Reserve Estimation Procedure

TECO Coal's reserves are based on over 3,000 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 reserve 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, is 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 TECO Coal engineers, geologists and financial management.

The following table (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**	**2011**	**2010**	**2011**	**2010**
Gatliff Coal Company	Bell County, KY/ Knox County, KY/ Campbell County, TN	3.4	3.0	0.4	1.2	2.2	0.5	0.5	2.9	2.9
Clintwood Elkhorn Mining	Pike County, KY/ *Buchanan County, VA*	47.9	39.9	8.0	3.2	44.7	47.9	50.0	-	-
Premier Elkhorn Coal	Pike County, KY/Letcher County, KY/ Floyd County, KY	70.2	52.8	17.4	38.9	31.3	61.8	64.4	8.4	8.4
Perry County Coal	*Perry County, KY/* Leslie County, KY/ Knott County, KY	146.1	81.2	64.9	1.2	144.9	138.8	129.2	7.3	6.8
	Total	267.6	176.9	90.7	44.5	223.1	249.0	244.1	18.6	18.1

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.

The following table (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			Average BTU/lb	
Mining Complex	**Recoverable Reserves**	**< 1% [2]**	**>1% [2]**	**Compliance Tons [3]**	**As received**	**Coal Type [4]**
Gatliff Coal Company	3.4	3.2	0.2	-	13,500	LSU
Clintwood Elkhorn Mining	47.9	22.8	25.1	23.6	13,400	HVM, LSU, PCI
Premier Elkhorn Coal	70.2	40.0	30.2	24.3	13,350	IS, LSU, PCI, HVM
Perry County Coal	146.1	121.9	24.2	74.9	13,195	LSU, PCI, V
Total	267.6	187.9	79.7	122.8		

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
V – Various
IS – Industrial Stoker

TECO GUATEMALA

TPS San José International, Inc., a subsidiary of TECO Guatemala, 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 Operaciones, 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.

From time to time, TECO Energy and its subsidiaries are involved in various 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 accounting standards 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.

For a discussion of certain legal proceedings and environmental matters, including an update of previously disclosed legal proceedings and environmental matters, see **Notes 12** and **8, Commitments and Contingencies**, of the TECO Energy, Inc. and Tampa Electric Company **Consolidated Financial Statements**, respectively.

Item 4. SPECIALIZED DISCLOSURES.

TECO Coal is subject to regulation by the federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (the Mine Act). Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and the recently proposed Item 106 of Regulation S-K (17 CFR 229.106) is included in **Exhibit 99.1** to this Annual Report.

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*
2010				
High	$ 16.54	$ 17.35	$ 17.65	$ 18.11
Low	$ 14.46	$ 14.46	$ 14.78	$ 16.58
Close	$ 15.89	$ 15.07	$ 17.32	$ 17.80
Dividend	$ 0.20	$ 0.205	$ 0.205	$ 0.205
2009				
High	$ 12.97	$ 12.41	$ 14.64	$ 16.71
Low	$ 8.41	$ 10.28	$ 11.16	$ 13.45
Close	$ 11.15	$ 11.93	$ 14.08	$ 16.22
Dividend	$ 0.20	$ 0.20	$ 0.20	$ 0.20

The approximate number of shareholders of record of common stock of TECO Energy as of Feb. 21, 2011 was 13,746.

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 a calculated amount (initially $50 million) in any quarter under certain circumstances. This covenant is not applicable at TECO Energy's current credit ratings. 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 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 on its common stock substantially equal to its net income. Such dividends totaled $239.3 million in 2010, $179.6 million in 2009 and $159.9 million in 2008. 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.

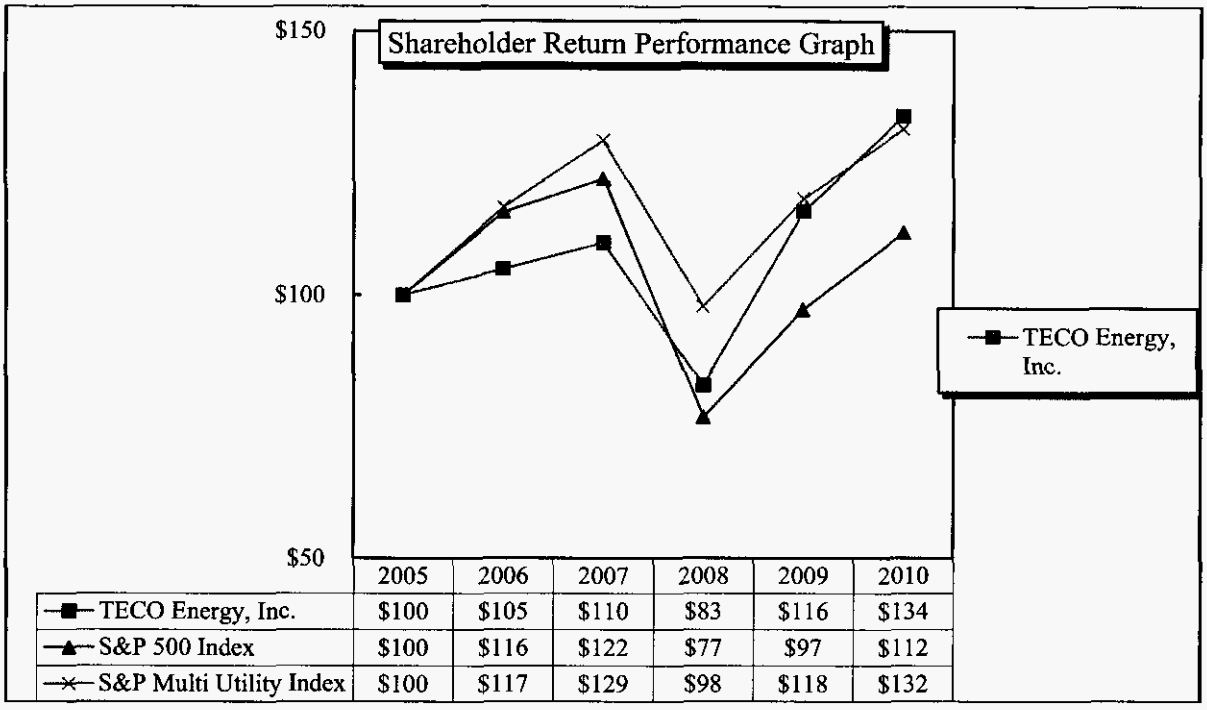
Set forth below is a table showing shares of TECO Energy common stock deemed repurchased by the issuer.

	(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, 2010 – Oct. 31, 2010	1,097	$17.59	—	—
Nov. 1, 2010 – Nov. 30, 2010	6,957	$16.91	—	—
Dec. 1, 2010 – Dec. 31, 2010	1,285	$17.03	—	—
Total 4th Quarter 2010	9,339	$17.01	—	—

(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.

Shareholder Return Performance Graph

The following graph shows the cumulative total shareholder return on our common stock on a yearly basis over the five-year period ended Dec. 31, 2010, and compares this return with that of the S&P 500 Index and the S&P Multi Utility Index. The graph assumes that the value of the investment in our common stock and each index was $100 on Dec. 31, 2005 and that all dividends were reinvested.



	2005	2006	2007	2008	2009	2010
TECO Energy, Inc.	$100	$105	$110	$83	$116	$134
S&P 500 Index	$100	$116	$122	$77	$97	$112
S&P Multi Utility Index	$100	$117	$129	$98	$118	$132

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

(millions, except per share amounts) *Years ended Dec. 31,*	*2010*	*2009*	*2008*	*2007*	*2006*
Revenues	$ 3,487.9	$ 3,310.5	$ 3,375.3	$ 3,536.1	$ 3,448.1
Net income from continuing operations	$ 239.6	$ 213.9	$ 162.4	$ 316.7	$ 174.8
Net income from discontinued operations [1]	$ -	-	-	$ 14.3	$ 1.9
Net income attributable to TECO Energy[2]	$ 239.0	$ 213.9	$ 162.4	$ 413.2	$ 246.3
Total assets	$ 7,173.9	$ 7,219.5	$ 7,147.4	$ 6,765.2	$ 7,361.8
Long-term debt	$ 3,226.4	$ 3,309.5	$ 3,213.5	$ 3,158.4	$ 3,212.6
Earnings per share (EPS) – basic;					
From continuing operations [1]	$ 1.12	$ 1.00	$ 0.77	$ 1.90	$ 1.18
From discontinued operations [1]	-	-	-	$ 0.07	$ 0.01
EPS basic	$ 1.12	$ 1.00	$ 0.77	$ 1.97	$ 1.19
Earnings per share (EPS) – diluted;					
From continuing operations [1]	$ 1.11	$ 1.00	$ 0.77	$ 1.89	$ 1.17
From discontinued operations [1]	-	-	-	$ 0.07	$ 0.01
EPS diluted	$ 1.11	$ 1.00	$ 0.77	$ 1.96	$ 1.18
Dividends declared per common share	$ 0.815	$ 0.800	$ 0.795	$ 0.775	$ 0.760

(1) 2007 includes a $14.3 million gain on the 2005 sale of merchant power projects after reaching a favorable conclusion with taxing authorities.

(2) 2007 also includes a $221.3 million gain on the sale of TECO Transport

ITEM 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

This Management's Discussion & 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, except as may be required by law. These forward-looking statements include references to our anticipated capital expenditures, liquidity and financing requirements, projected operating results, future environmental matters, and regulatory 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 & 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 an energy-related holding company with regulated electric and gas utility operations in Florida, Tampa Electric and Peoples Gas System (PGS), respectively; TECO Coal, which owns and operates coal production facilities in the Central Appalachian coal production region; and TECO Guatemala, which is engaged in electric power generation and energy-related businesses in Guatemala.

Our regulated utility companies, Tampa Electric and PGS, operate in the Florida market. Tampa Electric serves more than 672,000 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 4,684 megawatts. PGS, Florida's largest gas distribution utility, serves more than 336,000 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 almost 1.6 billion therms in 2010.

We also have two unregulated companies. TECO Coal, through its subsidiaries, operates surface and underground mines and related coal processing facilities in eastern Kentucky and southwestern Virginia, producing metallurgical-grade and high-quality steam coals. Sales in 2010 were 8.8 million tons. 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. In October 2010, TECO Guatemala sold its 24% ownership interest in Guatemala's largest distribution utility, Empresa Eléctrica de Guatemala (EEGSA), and in affiliated companies (in combination called DECA II).

2010 PERFORMANCE

All amounts included in this Management's Discussion & Analysis are after tax, unless otherwise noted.

In 2010, our net income and earnings per share attributable to TECO Energy were $239.0 million or $1.12 per share, compared to $213.9 million or $1.00 per share in 2009. Net income in 2010 included $33.5 million of charges related to early retirement of TECO Energy and TECO Finance debt, a net $3.9 million loss on the sale of DECA II, $0.9 million of the final restructuring charge for the 2009 restructuring described below and a $1.8 million benefit from the recovery of fees related to the previously sold McAdams Power Station.

Our non-GAAP results in 2010, which exclude the charges and gains discussed above, were $1.29 on a per share basis, compared to $1.08 in 2009 (see the **2010** and **2009 Reconciliation of GAAP net income from continuing operations to non-GAAP results** tables). Our results in 2010 reflect the benefits of higher base rates approved by the FPSC for Tampa Electric effective in May 2009 and January 2010, and higher base rates for PGS approved by the FPSC effective in June 2009. PGS benefited from the coldest winter in 40 years in 2010, and Tampa Electric benefited from favorable weather throughout the year. TECO Coal realized higher margins, and TECO Guatemala benefited from substantially higher earnings from the San José Power Station, as the station operated normally throughout the year following the extended unplanned outages in 2009, and better results from DECA II prior to its sale in October 2010.

In 2009, our net income and earnings per share attributable to TECO Energy were $213.9 million or $1.00 per share, compared to $162.4 million or $0.77 per share in 2008. Net income in 2009 included $15.8 million of restructuring charges, a $5.2 million write-off of project development costs at Tampa Electric, primarily related to the Polk Unit 6 IGCC plant, a $3.8 million loss on student loan securities held at TECO Energy, and an $8.7 million net gain on the sale of TECO Guatemala's 16.5% interest in the Central American fiber optic telecommunications provider, Navega.

Our non-GAAP results in 2009, which exclude the charges and gains discussed above, were $1.08 on a per share basis, compared to $0.87 in 2008 (see the **2009** and **2008 Reconciliation of GAAP net income from continuing operations to non-GAAP results** tables). Our results in 2009 reflected the benefits of higher base rates at Tampa Electric and PGS effective in May and June 2009, respectively, and improved margins at TECO Coal as a result of higher selling prices. At

TECO Guatemala, results reflected the impact of extended unplanned outages at the San José Power Station in the first half of 2009, the negative impact of lower Value Added Distribution (VAD) tariffs at EEGSA, the Guatemalan distribution utility, and lower net income from the unregulated affiliated companies due to the sale of Navega in the first quarter (see the **TECO Guatemala** section).

In 2010, we focused on managing our utility businesses to earn their allowed Returns on Equity (ROE) following the completion of their respective base rate cases in 2009. We used the proceeds from the sale of DECA II to retire parent debt, and we took advantage of improved financial market conditions to extend the maturities of certain TECO Finance and Tampa Electric Company debt at lower interest rates. In order to potentially take advantage of changing technology and evolving customer usage patterns, we initiated an evaluation of opportunities for our regulated utilities including, among other things, Smart Grid, alternative fueled vehicles and renewable energy sources. This ongoing evaluation is focused on developing longer range plans to take advantage of emerging growth and investment opportunities.

OUTLOOK

We remain focused on our long-term goal of investing in and growing our Florida utility businesses, while maximizing the returns from our other energy-related businesses, TECO Coal and TECO Guatemala. Reduction of parent debt also remains a priority and we expect continued progress at a modest pace, following the substantial debt retirement and debt restructuring achieved in 2010.

Our outlook for 2011 results reflects our expectation that our Florida utilities will continue to earn their authorized returns on equity, TECO Coal will benefit from improved margins due to strong contracted prices, TECO Guatemala will deliver lower earnings, and parent will benefit from substantially lower interest expense and tax impacts. The drivers impacting 2011 are summarized below and discussed in further detail in the individual operating company sections.

Tampa Electric expects customer growth in 2011 to continue at a pace similar to 2010 when the number of customers increased 0.6%. PGS expects customer growth less than Tampa Electric's due to the more pronounced impact of the weak housing market in certain areas of Florida served by PGS, such as the Naples and Ft. Myers areas.

Energy sales at both utilities are likely to be lower in 2011 under an assumption of normal weather conditions. Record cold winter temperatures and, in the case of Tampa Electric, an early start to summer temperatures, boosted energy sales in 2010. At both utilities, however, the positive weather impact in 2010 was substantially offset by the impact of regulatory agreements that resulted in one-time reductions to net income in 2010.

We expect TECO Coal net income to increase in 2011 as higher contracted selling prices boost margins. With more than 90% of its expected 2011 sales contracted, the average contracted selling price across all products of $87 per ton is $11 per ton higher than 2010, while the fully-loaded, all-in cost of production is expected to be in a range between $74 and $78 per ton, or $5-9 per ton higher.

We expect lower results from TECO Guatemala in 2011, largely as a result of the October 2010 sale of its interest in DECA II, which had contributed about $13 million to net income in 2010 prior to its sale. TECO Guatemala expects normal operations and capacity payments and higher spot sales at its San José Power station, and a full year impact of the lower capacity rates that became effective for its Alborada Power Station when the power sales contract was extended in September 2010 at lower prices.

We expect the net costs of parent/other to decline substantially in 2011, reflecting lower interest expense and the absence of $10 million of tax charges that were specific to 2010. In addition the retirement of $236 million of debt in December 2010, which will favorably impact 2011 results by $10 million, we expect to benefit from a full year of the first quarter 2010 refinancing and the retirement of the May 2011 maturity.

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

Our priorities for the use of cash remain investment in the utility companies and reduction of parent debt. In 2011 we expect to make additional equity contributions to Tampa Electric and PGS to support their capital structures and financial integrity, and to retire $64 million of parent debt at maturity. We anticipate moderate capital spending in 2011 of $440 million. (See the **Liquidity, Capital Resources** section).

RESULTS SUMMARY

The table below compares our GAAP net income to our non-GAAP results. A reconciliation between GAAP net income and non-GAAP results is contained in the **Reconciliation of GAAP net income from continuing operations to non-GAAP results** tables for each year. A non-GAAP financial measure is a numerical measure that includes or excludes amounts, or is subject to adjustments that have the effect of including or excluding amounts that are excluded or included from the most directly comparable GAAP measure (see the **Non-GAAP Information** section).

Results Comparisons

(millions)	***2010***	*2009*	*2008*
Net income attributable to TECO Energy	**$239.0**	$213.9	$162.4
Non-GAAP results	**$275.5**	$230.0	$183.3

In 2010, net income and earnings per share attributable to TECO Energy were $239.0 million, or $1.12 per share compared to $213.9 million, or $1.00 per share, in 2009. Our non-GAAP results which exclude charges and gains were $275.5 million, or $1.29 on a per share basis (see the **2010** and **2009 Reconciliation of GAAP net income from continuing operations to non-GAAP results** tables). In 2009, net income and earnings per share attributable to TECO Energy were $213.9, or $1.00 per share, compared to $162.4 million, or $0.77 per share, in 2008. Our non-GAAP results in 2009, which exclude charges and gains, were $230.0 million, or $1.08 on a per share basis, compared to our 2008 non-GAAP results of $183.3 million, or $0.87 on a per share basis (see the **2009** and **2008 Reconciliation of GAAP net income from continuing operations to non-GAAP results** tables).

Compared to 2009, our results in 2010 reflected higher earnings at both of the regulated utilities, Tampa Electric and PGS, and at TECO Coal and TECO Guatemala. In 2010 our net income and earnings per share were reduced by $36.5 million, or $0.17 per share, of net charges and gains, primarily related to early debt retirement costs, taxes on previously undistributed earnings at DECA II and the net loss on the sale of DECA II. Net income at Tampa Electric in 2010 reflected a one-time $24.0 million reduction in base revenues ($14.7 million after tax) associated with a regulatory agreement approved by the FPSC in August that resolved all outstanding issues in the 2008 base rate case (see the **Tampa Electric** section).

Compared to 2008, our results in 2009 reflected higher earnings at both of the regulated utilities, Tampa Electric and PGS, and at TECO Coal and lower earnings from TECO Guatemala. In 2009, our net income and earnings per share were reduced by a net $16.1 million, or $0.08 per share, of charges and gains, primarily related to restructuring actions and the write-off of project development costs at Tampa Electric. In 2008, our net income and earnings per share were reduced by a net $20.9 million of charges and gains consisting primarily of $21.6 million, or $0.10 per share, respectively, for income taxes related to the repatriation of cash and investments from TECO Guatemala, of which $9.6 million was recognized by TECO Guatemala and $12.0 million by TECO Energy parent, (see the **2008 Reconciliation of GAAP net income from continuing operations to non-GAAP results** table).

2010 Earnings Summary

(millions) Except per-share amounts	***2010***	*2009*	*2008*
Consolidated revenues	**$3,487.9**	$3,310.5	$3,375.3
Earnings per share – basic			
Earnings per share attributable to TECO Energy	**$ 1.12**	$ 1.00	$ 0.77
Earnings per share – diluted			
Earnings per share attributable to TECO Energy	**$ 1.11**	$ 1.00	$ 0.77
Net income attributable to TECO Energy	**$ 239.0**	$ 213.9	$ 162.4
Charges and (gains)[1]	**36.5**	16.1	20.9
Non-GAAP results[2]	**$ 275.5**	$ 230.0	$ 183.3
Average common shares outstanding			
Basic	**212.6**	211.8	210.6
Diluted	**214.8**	213.1	211.4

(1) See the GAAP to non-GAAP reconciliation tables that follow.

(2) A non-GAAP financial measure is a numerical measure that includes or excludes amounts, or is subject to adjustments that have the effect of including or excluding amounts that are included or excluded from the most directly comparable GAAP measure (see the **Non-GAAP Information** section).

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

2010 Reconciliation of GAAP net income from continuing operations to non-GAAP results

Net income impact (millions)	*Tampa Electric*	*PGS*	*TECO Coal*	*TECO Guatemala*	*Parent/ Other*	*Total*
GAAP Net income attributable to TECO Energy	$208.8	$34.1	$53.0	$41.6	$(98.5)	$239.0
Restructuring charges	—	—	—	—	0.9	0.9
Taxes on previously undistributed earnings at DECA II	—	—	—	24.9	—	24.9
Gain on the sale of DECA II	—	—	—	(27.0)	6.0	(21.0)
Charges related to early debt retirement	—	—	—	—	33.5	33.5
Recovery of fees related to McAdams Power Station sale	—	—	—	—	(1.8)	(1.8)
Total charges and (gains)	—	—	—	(2.1)	38.6	36.5
Non-GAAP results	$208.8	$34.1	$53.0	$39.5	$(59.9)	$275.5

2009 Reconciliation of GAAP net income from continuing operations to non-GAAP results

Net income impact (millions)	*Tampa Electric*	*PGS*	*TECO Coal*	*TECO Guatemala*	*Parent/ Other*	*Total*
GAAP Net income attributable to TECO Energy	$160.2	$31.9	$37.2	$38.6	$(54.0)	$213.9
Restructuring charges	11.3	2.9	—	—	1.6	15.8
Project development cost write-off	5.2	—	—	—	—	5.2
Gain on the sale of Navega	—	—	—	(8.7)	—	(8.7)
Charge related to student loan securities	—	—	—	—	3.8	3.8
Total charges and (gains)	16.5	2.9	—	(8.7)	5.4	16.1
Non-GAAP results	$176.7	$34.8	$37.2	$29.9	$(48.6)	$230.0

2008 Reconciliation of GAAP net income from continuing operations to non-GAAP results

Net income impact (millions)	*Tampa Electric*	*PGS*	*TECO Coal*	*TECO Guatemala*	*Parent/ Other*	*Total*
GAAP Net income attributable to TECO Energy	$135.6	$27.1	$18.0	$36.9	$(55.2)	$162.4
Waterborne transportation dispute settlement	1.9	—	—	—	—	1.9
Final adjustments associated with the sale of TECO Transport recorded at Parent	—	—	—	—	(2.6)	(2.6)
Taxes on repatriation of cash and investments from Guatemala	—	—	—	9.6	12.0	21.6
Total charges and (gains)	1.9	—	—	9.6	9.4	20.9
Non-GAAP results	$137.5	$27.1	$18.0	$46.5	$(45.8)	$183.3

NON-GAAP INFORMATION

From time to time, in this Management's Discussion & Analysis of Financial Condition and Results of Operations, we provide 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 results 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 adjustments to previously estimated gains or losses related to the disposition of assets 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.

OPERATING RESULTS

This 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 on a GAAP basis (see **Note 14** to the **TECO Energy Consolidated Financial Statements**).

(millions) Except per share amounts		*2010*	*2009*	*2008*
Segment revenues [1]				
Regulated companies	Tampa Electric	**$2,163.2**	$2,194.8	$2,091.2
	Peoples Gas	**529.9**	470.8	688.4
Total regulated		**$2,693.1**	$2,665.6	$2,779.6
Unregulated companies	TECO Coal	**$ 690.0**	$ 653.0	$ 588.4
	TECO Guatemala[2]	**124.4**	8.3	8.4
Total unregulated		**$ 814.4**	$ 661.3	$ 596.8
Net income [3]				
Regulated companies	Tampa Electric	**$ 208.8**	$ 160.2	$ 135.6
	Peoples Gas	**34.1**	31.9	27.1
Total regulated		**242.9**	192.1	162.7
Unregulated companies	TECO Coal	**53.0**	37.2	18.0
	TECO Guatemala	**41.6**	38.6	36.9
Total unregulated		**94.6**	75.8	54.9
Parent/other		**(98.5)**	(54.0)	(55.2)
Net income attributable to TECO Energy		**$ 239.0**	$ 213.9	$ 162.4
Earnings per share - basic [4]				
Regulated companies	Tampa Electric	**$0.98**	$0.76	$ 0.64
	Peoples Gas	**0.16**	0.15	0.13
Total regulated		**1.14**	0.91	0.77
Unregulated companies	TECO Coal	**0.25**	0.17	0.08
	TECO Guatemala	**0.19**	0.18	0.18
Total unregulated		**0.44**	0.35	0.26
Parent/other		**(0.46)**	(0.26)	(0.26)
Earnings attributable to TECO Energy		**$1.12**	$1.00	$0.77
Average shares outstanding – basic		**212.6**	211.8	210.6

(1) Segment revenues include intercompany transactions that are eliminated in the preparation of TECO Energy's consolidated financial statements.

(2) Prior to 2010 Guatemalan entities CGESJ (San José) and TCAE (Alborada) were deconsolidated under accounting standards that were in effect at that time for variable interest entities.

(3) Segment net income and earnings are reported on a basis that includes internally allocated financing costs to the non-utility companies. Internally allocated finance costs were 6.5% for July through December 2010, 7.15% for September 2008 through June 2010 and 7.25% for January 2008 through August 2008.

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

TAMPA ELECTRIC

Electric Operations Results

Net income in 2010 was $208.8 million, compared to $160.2 million in 2009. There were no charges or gains in 2010. 2009 non-GAAP results were $176.7 million, which excluded the $11.3 million of restructuring charges and the $5.2 million write-off of project development costs primarily related to the Polk Unit 6 IGCC project. Net income and non-GAAP results in 2008 were $135.6 million and $137.5 million, respectively. Non-GAAP results in 2008 excluded the $1.9 million waterborne transportation settlement (see the **2009** and **2008 Reconciliation of GAAP net income from**

continuing operations to non-GAAP results table).

Results in 2010 were driven primarily by higher base revenues from favorable weather, new base rates, 0.6% higher average number of customers, higher earnings on NO_x control projects, and higher operations and maintenance expenses. Net income in 2010 also reflected the one-time $24.0 million reduction in base revenues ($14.7 million after tax) associated with the regulatory agreement approved by the FPSC in August 2010, which resolved all outstanding issues in the 2008 base rate case. Net income included $1.9 million of AFUDC - equity, compared with $9.3 million in the 2009 period, which included AFUDC for NO_x control projects, coal rail unloading facilities and peaking combustion turbines.

In 2010, total degree days in Tampa Electric's service area were 14% above normal and 10% above 2009 levels. Pretax base revenue increased between $30 and $40 million from favorable weather in 2010. Pretax base revenues increased between $55 and $65 million in 2010 from new base rates approved by the FPSC for Tampa Electric effective in May 2009 and Jan. 1, 2010.

In 2010, total retail net energy for load, which is a calendar measurement of retail energy sales rather than a billing cycle measurement, increased 3.6%, compared to the 2009 period, driven primarily by favorable weather and the 0.6% increase in the average number of customers. Operations and maintenance expense excluding all FPSC-approved cost recovery clauses, increased $5.1 million, due to the accrual of performance-based incentive compensation for all employees partially offset by lower spending on generating unit maintenance.

Compared to 2009, depreciation and amortization expense increased $9.5 million, reflecting the additions to facilities to serve customers discussed above. In 2010, interest expense increased $4.0 million due to debt issued in 2009. Net income in 2010 reflected a $3.5 million tax benefit from the domestic production deduction compared to 2009, when no domestic production deduction was recorded.

Net income in 2009 was $160.2 million compared to $135.6 million in 2008. Tampa Electric's full-year non-GAAP results were $176.7 million, which excluded $11.3 million of restructuring charges and the $5.2 million write-off of project development costs primarily related to the Polk Unit 6 IGCC plant, compared to non-GAAP results of $137.5 million in 2008, which excluded the $1.9 million waterborne transportation settlement (see the **2009 and 2008 Reconciliation of GAAP net income from continuing operations to non-GAAP results** table).

Pretax base revenues increased approximately $72 million in 2009 from the higher base rates approved by the FPSC for Tampa Electric effective May 7, 2009. In the 2009 full-year period, there was no reduction in net income due to the waterborne transportation disallowance for the transportation of solid fuel, compared to an $8.9 million reduction in the 2008 period.

The higher 2009 base revenues were partially offset by lower retail energy sales and higher operations and maintenance, depreciation, property tax and interest expense. Results reflect 1.1% lower retail energy sales in 2009, primarily due to lower sales to commercial and industrial customers as a result of the weak Florida economy, and voluntary conservation by residential customers, which we believe was in response to the generally weaker economic conditions. Off-system sales declined due to lower state-wide demand. Total heating and cooling degree days were 4% above normal and 10% above 2008 levels. The average number of retail customers decreased 0.1% for the year.

In 2009, excluding all FPSC-approved cost recovery clause-related expenses, restructuring charges and the Polk 6 write-off, operations and maintenance expense increased $8.7 million, compared to 2008, primarily due to $2.1 million higher spending on generating unit maintenance and repairs, $1.7 million higher expenses to operate the distribution system, $3.0 million higher employee-related expenses, and $0.4 million higher bad debt expense. These increases were partially offset by savings in salaries and other benefits as a result of the restructuring actions taken in 2009. Depreciation and amortization expense increased $9.1 million reflecting additional facilities to serve customers. Interest expense increased due to higher long-term debt balances, and interest income decreased due to lower interest rates on lower under-recovered fuel balances. Net income also included $9.3 million of AFUDC-equity related to the construction of the peaking generation units, rail coal unloading facilities and the installation of NO_x pollution control equipment, compared to $6.3 million in 2008.

Base Rates

Tampa Electric's 13-month average regulatory ROE was 8.7% at the end of 2008 compared to an authorized midpoint of 11.75%, due to lower customer growth, slower energy sales growth, and ongoing high levels of capital investment. As a result, Tampa Electric filed for a $228 million base rate increase in August 2008. In March 2009, the FPSC awarded $104 million higher revenue requirements effective in May 2009 that authorized an ROE mid-point of 11.25%, 54.0% equity in the capital structure, and 2009 13-month average rate base of $3.4 billion. A component of that decision was a $34 million 2010 base rate step increase associated with the five peaking combustion turbines (CTs) and the solid-fuel rail unloading facilities at the Big Bend Power Station scheduled to enter service before the end of 2009.

In July 2009, in response to a motion for reconsideration, the FPSC determined that adjustments to the capital structure used to calculate the new rates should have been calculated over all sources of capital rather than only investor sources.

This change resulted in $9.3 million higher revenue requirements in 2009. At the same time the FPSC voted to reject the intervenors' joint motion requesting reconsideration of the 2010 portion of base rates approved in 2009.

In September 2009, the intervenors filed a joint appeal to the Florida Supreme Court related to the FPSC's decision to reject their motion for reconsideration of the 2010 portion of base rates approved in 2009. The FPSC and Tampa Electric opposed this appeal.

In December 2009, the FPSC approved Tampa Electric's petition requesting that the proposed rates to support the CTs and rail unloading facilities be put into effect Jan. 1, 2010. At that time, the FPSC determined that, based on its Staff audit of the actual costs incurred, the 2010 portion of the base rates approved in 2009 should be reduced by $8.4 million to $25.7 million, subject to refund. A regulatory proceeding was scheduled to be held in October 2010 regarding the continuing need for the CTs, the appropriate amount to be recovered and the resulting rates.

In July 2010, Tampa Electric entered into a stipulation with the intervenors to resolve all issues related to the 2008 base rate case including the 2010 step increase, as well as the intervenors' appeal to the Florida Supreme Court. Under the terms of the stipulation, the $25.7 million step increase would remain in effect for 2010, and Tampa Electric would make a one-time reduction of $24.0 million to customers' bills in 2010.

In August 2010, the FPSC voted to approve the July stipulation, which was contained in their Docket No. 090368-EI "Review of the continuing need and cost associated with Tampa Electric Company's 5 Combustion Turbines and Big Bend Rail Facility". This stipulation resolved all issues in the above docket and all issues in the intervenors' appeal of the FPSC's 2009 decision in Tampa Electric's base rate proceeding pending before the Florida Supreme Court. The docket related to the base rate proceeding is now closed. The one-time reduction of $24.0 million to customers' bills in 2010 is reflected in operating results as a reduction in revenue.

Effective Jan. 1, 2011, and for subsequent years, rates of $24.4 million (a $1.3 million reduction from the $25.7 million in effect for 2010) related to the step increase will be in effect.

Summary of Operating Results

(millions)	***2010***	*% Change*	*2009*	*% Change*	*2008*
Revenues	**$2,163.2**	(1.4)	$2,194.8	5.0	$2,091.2
Other operating expenses	**289.5**	18.3	244.7	17.8	207.7
Maintenance	**116.1**	(5.9)	123.4	6.2	116.2
Depreciation	**215.9**	7.7	200.4	8.0	185.6
Taxes, other than income	**145.3**	0.3	144.9	6.2	136.5
Restructuring costs	—	—	18.4	—	—
Non-fuel operating expenses	**766.8**	4.8	731.8	13.3	646.0
Fuel	**767.6**	(16.9)	923.3	12.7	819.4
Purchased power	**179.6**	1.1	177.6	(41.8)	305.4
Total fuel expense	**947.2**	(14.0)	1,100.9	(2.1)	1,124.8
Total operating expenses	**1,714.0**	(6.5)	1,832.7	3.5	1,770.8
Operating income	**449.2**	24.1	362.1	13.0	320.4
AFUDC equity	**1.9**	(79.6)	9.3	47.6	6.3
Net income	**$ 208.8**	30.3	$ 160.2	18.1	$ 135.6
Megawatt-Hour Sales (thousands)					
Residential	**9,185**	6.0	8,667	1.4	8,546
Commercial	**6,221**	(0.8)	6,274	(2.0)	6,399
Industrial	**2,010**	0.7	1,995	(9.5)	2,205
Other	**1,797**	(2.3)	1,839	—	1,840
Total retail	**19,213**	2.3	18,775	(1.1)	18,990
Sales for resale	**516**	17.1	440	(50.2)	884
Total energy sold	**19,729**	2.7	19,215	(3.3)	19,874
Retail customers-thousands (average)	**671.0**	0.6	666.7	(0.1)	667.3

Operating Revenues

In 2010, retail megawatt hours, as measured on a billing cycle basis, increased 2.3% primarily due to favorable weather throughout the year and 0.6% customer growth. In 2010, total retail net energy for load, which is a calendar measurement of retail energy sales rather than a billing cycle measurement, increased 3.6%. Off-system sales (Sales for resale) increased 17.1%, primarily due to increased demand throughout Florida in response to cold winter weather.

In 2009 retail megawatt hour sales declined 1.1% primarily due to lower sales to commercial and industrial customers

as a result of the weak Florida economy, and voluntary conservation by residential customers, which we believe was in response to the generally weaker economic conditions. Off-system sales declined due to lower state-wide demand. Total heating and cooling degree days were 4% above normal and 10% above 2008 levels. The average number of retail customers decreased 0.1% for the year. Pretax base revenues increased approximately $72 million in 2009 from the higher base rates approved by the FPSC, which were effective in May 2009.

For the past three years, weather-normalized energy consumption per residential customer declined due to the combined effects of voluntary conservation efforts, residential vacancies and changes in appliance efficiency. It is now apparent that some of the robust residential customer growth in the 2005 through mid-2007 period, which was measured by new meter installations, was actually vacant residences with minimal energy usage. The average number of residential customers with minimal usage was approximately 8% of total residential customers in 2010, 2009 and 2008.

Electricity sales to the phosphate industry increased 5.1% in 2010, following a 6.5% decrease in 2009. The 2010 increase in sales to phosphate customers was driven by higher operating rates at the customer's facilities in response to higher demand for their products world wide. The 2009 decline in sales to phosphate customers was partially attributable to planned outages at their production facilities as the producers managed their product inventory levels during the economic downturn. Base revenues from phosphate sales represented about 3% of base revenues in 2010 and less than 3% in 2009. Sales to commercial customers decreased 0.8% in 2010 after a 2.0% decrease in 2009, reflecting the local economic conditions.

Energy sold to other utilities for resale increased 17.1% in 2010 due to increased demand throughout the State of Florida in response to cold winter weather early in the year. Energy sold to other utilities for resale decreased 50.2% in 2009 primarily due to lower energy demand state-wide and to lower natural gas prices through much of the summer, which made Tampa Electric's base-load coal generation not the lowest cost form of energy for spot sales.

Customer and Energy Sales Growth Forecast

The Florida economy has started to recover from the economic downturn, but unemployment remains above the national level and the housing market, which was a major driver of growth in the Florida economy for many years, is not expected to improve until unemployment declines (see the **Risk Factors** section). In general, economists are forecasting a slow improvement in the unemployment rate in 2011, and a stronger improvement in the economy in 2012 and beyond. The forecast used by Tampa Electric reflects a continuation of the modest customer growth trend that was experienced in 2010 in 2011. Following the very strong energy sales in 2010 due to weather, absolute levels of energy sales are expected to decline assuming normal weather. On a weather-normalized basis energy sales are expected to decline slightly due to lower customer usage in response to increased energy efficiency, voluntary conservation and the continued economic weakness. The average number of customers increased 0.6% in 2010 following a 0.1% decline in 2009. Actual average 2008 customer growth was 0.1% reflecting customer growth early in the year that was partially offset by a decline in the number of customers late in the year.

Longer-term, assuming continued economic recovery and that growth from population increases and more robust business expansion resumes, Tampa Electric expects average annual customer growth to return to a level of nearly 1.5% and weather-normalized average retail energy sales growth at about that same level starting in the 2012 time frame. This energy sales growth projection is lower than in periods prior to the economic downturn, reflecting changes in usage patterns and changes in population trends. These growth projections assume continued modest local area economic growth, normal weather, a recovery in the housing market over time, and a continuation of the current energy market structure.

The economy in Tampa Electric's service area grew modestly in 2010 after contracting in 2009 and 2008. The growth was lead primarily by the healthcare industry and tourism related businesses, but unemployment remains high. Initially, the contraction was centered in housing and related industries, but spread to the general economy later in 2007. The Tampa metropolitan area's civilian employment increased 0.3% in 2010 after decreasing 5.1% in 2009 and 2.7% in 2008. This level of job creation is slightly higher than the 0.05% increase experienced in Florida. The local Tampa area unemployment rate decreased to 12.0% at year-end 2010, compared to 12.4% at year-end 2009, and 8.3% at the end of 2008. The Tampa area year-end 2010 unemployment rate was the same as the state of Florida, but higher than the 9.4% for the nation, which is contrary to the trends experienced in previous economic slowdowns.

Following the expiration of the home buyer tax credit in June 2010, as in most areas of the country, the housing market in Tampa Electric's service area weakened for the remainder of 2010. As measured by the Case-Shiller Home Price Indices, home prices declined for much of the year and high numbers of foreclosures continued.

Operating Expenses

Total pretax operating expense decreased 6.5% in 2010 driven primarily by lower fuel expense. Excluding all FPSC-approved cost recovery clause-related expenses, the 2009 restructuring charges and the write-off of project development

costs, operations and maintenance expense increased $5.1 million in 2010, due to the accrual of performance-based incentive compensation for all employees partially offset by lower spending on generating unit maintenance and other savings as a result of the 2009 restructuring actions. Tampa Electric expects operation and maintenance expense, excluding fuel and purchased power, to decrease in 2011, assuming normal levels of employee incentive compensation accruals.

Total pretax operating expense increased 3.5% in 2009, driven by higher other operating expenses and maintenance expenses, which included the write-off of project development costs, the write-off of disallowed rate case expenses, and restructuring costs. Excluding all FPSC-approved cost recovery clause-related expenses, restructuring charges and the project development write-off, operations and maintenance expense increased $8.7 million, compared to 2008, primarily due to higher spending on generating unit maintenance and repairs, higher expenses to operate the distribution system, higher employee-related expenses, and slightly higher bad debt expense, partially offset by savings in salaries and other benefits as a result of the restructuring actions taken late in the year.

In 2010, depreciation and amortization expense increased $9.5 million, reflecting the additions to facilities to serve customers, which included peaking combustion turbines, NO_x control projects and rail coal unloading facilities. In 2009, depreciation expense increased $9.1 million and taxes other than income, which include property taxes, were higher due to the peaking combustion turbines placed in service in 2009 and normal additions to facilities to serve customers. Depreciation expense is projected to increase in 2011, but at a level of about 50% of the 2010 increase due to routine plant additions to serve Tampa Electric's customer base and maintain system reliability, but without the major incremental project completions as in 2009.

Fuel Prices and Fuel Cost Recovery

In November 2010, the FPSC approved cost recovery rates for fuel and purchased power, capacity, environmental and conservation costs for the period January through December 2011. The rates include the expected cost for natural gas and coal in 2011, and the net over-recovery of fuel, purchased power and capacity clause expenses, which were collected in 2010 and 2009 following the March mid-course adjustment described below.

In November 2009, the FPSC approved cost recovery rates for fuel and purchased power, capacity, environmental and conservation costs for the period January through December 2010. The rates included the expected cost for natural gas and coal in 2010, the net over-recovery of fuel, purchased power and capacity clause expenses, which were collected in 2009 following the March adjustment, and the operating cost for and a return on the capital invested in the fourth SCR project to enter service at the Big Bend Power Station as well as the operation and maintenance expense associated with the projects (see the **Regulation** and **Environmental Compliance** sections).

In November 2008, the FPSC approved Tampa Electric's originally requested 2009 fuel rates. The rates included the costs for natural gas and coal expected in 2009, and the recovery of fuel and purchased power expenses, which were not collected in 2008. In March 2009, Tampa Electric filed a mid-course correction with the FPSC to adjust its projected 2009 fuel and purchased power costs to reflect the decline in commodity fuel prices, primarily natural gas. The revised forecast reduced fuel and purchased power costs by $191 million for 2009, which when combined with $35 million over recovery in late 2008, resulted in $226 million lower projected fuel and purchased power cost (see the **Regulation** section).

Total fuel cost decreased in 2010 due to significantly lower cost for natural gas partially offset by slightly higher cost for coal. Total fuel cost increased in 2009, due to higher cost for coal partially offset by lower cost for natural gas. Purchased power expense increased in 2010 due to higher volumes purchased, but at lower prices due to lower natural gas prices. Purchased power decreased in 2009 due to lower prices for natural gas, which is the primary fuel used by other generators in Florida. Delivered natural gas prices decreased 15.7% in 2010 due to abundant supplies from on-shore domestic natural gas produced from shale formations, and storage inventories above historic averages resulting from lower demand for natural gas from industrial users caused by economic conditions. Delivered coal costs increased 2.3% in 2010. Coal and natural gas prices were $3.12 per million BTU (/MMBtu) and $6.74/MMBtu, respectively, in 2010.

Natural gas futures as traded on the New York Mercantile Exchange (NYMEX) and various forecasts for natural gas prices indicate that natural gas prices will be stable for two to three years due to increased availability of on-shore domestic natural gas produced from shale formations. Coal prices, while less volatile, were relatively stable in 2010 after sharp increases in 2008 and 2007. Coal prices experienced a significant decline in 2009 for spot purchases, due to lower demand for coal fired generation of electricity as a result of the economic conditions. Tampa Electric's primary coal supplies are from the Illinois Basin, which have experienced upward movements in prices over the past several years but not of the same magnitude as prices in the Central Appalachian coal producing region. Tampa Electric's coal prices are expected to remain stable in 2011 due to longer-term supply contracts.

Energy Supply

On a retail energy supply basis, Tampa Electric generation accounted for 99%, 98% and 94% of the total retail energy

sales in 2010, 2009 and 2008, respectively, with the remainder of the energy supplied by purchased power. Tampa Electric's generation increased in 2010 due to the conclusion of the major coal-fired unit outages for the installation of NO_x control equipment. Purchased power expense increased 1.1%, but purchased power volumes increased 5.0%. The lower prices were driven by lower per-unit prices associated with the purchases as a result of lower natural gas prices. Purchased power expense is expected to decrease in 2011 due to a lower volume of purchases driven by normal generating unit outage schedules compared to a major SCR installation outage for the final unit in 2010.

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 the Bayside Power Station, which was converted from the coal-fired Gannon Station. Nevertheless, coal is expected to continue to represent more than half of Tampa Electric's fuel mix due to the baseload units at the Big Bend Power Station and the coal gasification unit, Polk Unit One. Natural gas prices are expected to remain stable in 2011 and we expect to maintain the generation mix at about 2010 levels.

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 related to severe weather.

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. Tampa Electric implemented its plan in 2007 and estimates the average non-fuel operation and maintenance expense of this plan to be approximately $20 million annually for the foreseeable future.

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. Future capital expenditures required under the storm hardening program are expected to average more than $25 million annually for the foreseeable future (see the **Regulation** section).

Capital Spending

Prior to 2010, Tampa Electric was in a period of increased capital spending for infrastructure to reliably serve its customer base and for peaking generating capacity additions. In addition to the capital spending to comply with the storm hardening plan described above, Tampa Electric made capital investments in its transmission and distribution system to improve reliability and reduce customer outages, and for generating unit reliability.

Due to the recession experienced in the Florida and national economies and the Florida housing market slowdown in 2008 and 2009, Tampa Electric reassessed its forecast of long-term energy demand and sales growth. Tampa Electric had previously identified a need for new baseload capacity in early 2013; however, the current capital forecast reflects a deferral of construction of new baseload capacity beyond this forecast period. If growth resumes and demand increases above the current projections, Tampa Electric may require peaking capacity in the 2013 time frame. Tampa Electric may seek to purchase power rather than build additional capacity based on the economics of a decision to purchase rather than build new capacity (see the **Capital Expenditures** and **Regulation** sections).

Pending action by the Florida Legislature on a Florida Renewable Energy Portfolio Standard (RPS), the need for additional capital spending on renewable energy sources is likely but not yet defined (see the **Environmental Compliance** section). Depending on the final rules, which the legislature may enact in the 2011 legislative session, Tampa Electric may need to invest capital to develop additional sources of renewable power generation.

PEOPLES GAS (PGS)

Operating Results

PGS reported full year net income of $34.1 million in 2010, compared to net income of $31.9 million in 2009. There were no charges or gains in 2010. Non-GAAP results of $34.8 million in 2009 excluded $2.9 million of restructuring costs (see the **2009 Reconciliation of GAAP net income from continuing operations to non-GAAP results** table). Results in 2009 included a $4.0 million favorable adjustment to previously recorded deferred tax balances. Results in 2010 reflect a 0.5% higher average number of customers. Residential customer usage increased due to the cold weather in the winter of 2010 and the coldest December on record. In 2010, pretax base revenues increased approximately $10 million due to the unprecedented cold winter weather and approximately $5 million due to the higher base rates, which became effective in June 2009. Increased sales to commercial and industrial customers reflect the colder-than-normal weather, the return to service of several higher volume customers that were idle in the 2009 period and generally higher usage by those customers. Gas transported for power generation customers and off system sales increased in 2010 due to higher power demand in the first quarter. Non-fuel operations and maintenance expense increased, primarily due to higher spending on pipeline integrity and pipeline awareness, partially offset by lower employee related costs as a result of the 2009

restructuring actions. Results in 2010 also reflect increased depreciation expense due to routine plant additions.

In 2010, the total throughput for PGS was almost 1.6 billion therms. Industrial and power generation customers consumed approximately 49% of PGS' annual therm volume, commercial customers used approximately 26%, approximately 19% was sold off-system, and the balance was consumed by residential customers, which are essentially unchanged from 2009 sales.

Residential operations were about 30% of total revenues in 2010 and in 2009. New residential construction that includes natural gas and conversions of existing residences to gas has slowed significantly due to the weak Florida housing market. Like most other natural gas distribution utilities, PGS is adjusting to lower per-customer usage due to improving appliance efficiency. As customers replace existing gas appliances with newer, more efficient models, per-customer usage tends to decline.

As a result of the unprecedented cold winter weather in 2010, in the second quarter of 2010 PGS projected that it would earn above the top of its allowed ROE range of 9.75% to 11.75% in 2010. In 2010, PGS recorded a $9.2 million total pretax provision related to the earnings above the top of the range primarily in the second and third quarters. In December 2010, PGS and the Office of Public Counsel entered into a stipulation and settlement agreement that called for $3.0 million of the provision to be refunded to customers in the form of a credit on customer's bills in 2011, and the remainder applied to deficiencies in accumulated depreciation reserves. On Jan. 25, 2011, the FPSC approved the stipulation.

PGS reported net income of $31.9 million in 2009, compared to $27.1 million in 2008. Non-GAAP results, which exclude $2.9 million of restructuring charges, were $34.8 million in 2009 (see the **2009 Reconciliation of GAAP net income from continuing operations to non-GAAP results** table). There were no non-GAAP adjustments to the 2008 period. The higher 2009 results reflected a $4.0 million favorable adjustment to previously recorded deferred tax balances, and the new base rates effective in June 2009, partially offset by higher non-fuel operations and maintenance expenses and depreciation. Results reflected a 0.2% lower average number of customers. Residential customer usage increased due to colder winter weather in the first quarter of 2009, compared to the very mild winter weather in 2008. Sales to commercial customers increased, due to several higher volume new customers and conversion of propane customers to natural gas. Lower sales volumes to industrial customers reflected economic conditions and reduced operations by industries sensitive to the housing market, such as cement plants. Gas transported for power generation customers increased over 2008 due to lower natural gas prices, which made it a more economical generating fuel choice. Excluding restructuring charges, non-fuel operations and maintenance expense increased in 2009 compared to 2008 when operations and maintenance expense were reduced by a $1.5 million benefit from the recognition of environmental remediation insurance recoveries and a $0.9 million benefit related to the completion of pipeline installations for power generation customers. PGS experienced higher pipeline integrity costs and higher depreciation expense in 2009 due to routine plant additions.

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). Because this charge may be adjusted monthly based on a cap approved by the FPSC annually, PGS normally has a lower percentage of under- or over-recovered gas cost variances than Tampa Electric.

Because of lower customer growth, slower energy sales growth, higher levels of operations and maintenance spending, continued investment in the distribution system and higher costs associated with required safety requirements, such as transmission and distribution pipeline integrity management, PGS' 13-month average regulatory ROE was below the bottom of its allowed range at the end of 2007 and was 8.7% at the end of 2008.

Due to the significant decline in ROE, PGS filed for a $26.5 million base rate increase in August 2008. In May 2009, the FPSC awarded a $19.2 million revenue requirements increase that authorized an ROE mid-point of 10.75%, 54.7% equity in the capital structure, and a 2009 13-month average rate base of $561 million. The new rates were effective Jun. 18, 2009.

Summary of Operating Results

(millions)	***2010***	*% Change*	*2009*	*% Change*	*2008*
Revenues	**$529.9**	12.6	$470.8	(31.6)	$688.4
Cost of gas sold	**284.8**	16.5	244.5	(48.7)	476.6
Operating expenses	**171.8**	5.2	163.3	8.6	150.3
Operating income	**73.3**	16.1	63.0	2.4	61.5
Net income	**34.1**	6.9	31.9	17.7	27.1
Therms sold – by customer segment					
Residential	**90.5**	23.2	73.5	(1.2)	74.4
Commercial	**407.9**	6.9	381.7	1.5	375.9
Industrial	**507.2**	13.0	448.7	(12.6)	513.3
Power generation	**582.2**	8.1	538.3	18.1	455.6
Total	**1,587.8**	10.1	1,442.2	1.6	1,419.2
Therms sold – by sales type					
System supply	**451.0**	13.3	398.0	(13.1)	457.8
Transportation	**1,136.8**	8.9	1044.2	8.6	961.4
Total	**1,587.8**	10.1	1,442.2	1.6	1,419.2
Customer (thousands) – average	**336.0**	0.5	334.4	(0.2)	335.1

In Florida, natural gas service is unbundled for non-residential customers and residential customers that use more than 1,999 therms annually that elect this option, affording these customers the opportunity to purchase gas from any provider. The net result of 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 earnings impact to the company when a customer shifts to transportation-only sales. PGS markets its unbundled gas delivery services to customers through its "NaturalChoice" program. At year end 2010, approximately 15,700 out of 32,400 of PGS' eligible non-residential customers had elected to take service under this program.

Since early 2008 at the start of the housing market collapse, customer growth and therm sales growth have been difficult to forecast, due to the state of the national and Florida economies and the uncertainty of the timing of a recovery in the Florida housing market. In 2010, PGS experienced 0.5% customer growth after forecasting no customer growth for the year. In 2009, PGS had a lower average number of customers than in 2008. In 2008, PGS had forecast customer growth of approximately 1.0%; however, actual customer growth was 0.2%, which was significantly lower than the average customer growth experienced for the previous five years. PGS provides service in areas of Florida that experienced some of the most rapid growth in 2005 and 2006, including the Miami, Ft. Myers and Naples areas. These areas continue to experience the most significant impacts of the housing market collapse.

PGS Outlook

In 2011, PGS expects continued modest customer growth, but at a rate lower than Tampa Electric due to the more severe housing market downturn in some of the areas it serves. Assuming normal weather, therm sales to weather sensitive customers, especially residential customers, are expected to be lower than in 2010 when exceptionally cold weather boosted therm sales. Excluding all FPSC-approved cost recovery clause-related expenses, operation and maintenance expense is expected to decrease in 2011 due to the absence of the $6.2 million provision to limit earnings to the top of the allowed ROE range that was recorded as an operating expense. Revenue was also reduced by $3.0 million in 2010 in accordance with this FPSC approved regulatory stipulation. Depreciation expense is expected to increase slightly from continued capital investments in facilities to reliably serve customers.

Since its acquisition by TECO Energy in 1997, PGS has expanded its gas distribution system 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. In 2011, PGS expects its capital spending to support modest system expansion in anticipation that the Florida housing market will recover over the next several years. Over time, PGS expects customer additions and related revenues to increase, assuming an economic and housing market recovery throughout the state of Florida 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 60 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. PGS also receives gas delivered by Gulfstream Natural Gas Pipeline through seven gate stations.

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

In 2010, TECO Coal recorded full year net income of $53.0 million on sales of 8.8 million tons in 2010, compared to $37.2 million on sales of 8.7 million tons in 2009. These results reflect an average net per-ton selling price, excluding transportation allowances, of more than $76 per ton, due to a sales mix that was more heavily weighted to metallurgical coal than in 2009 and higher prices for metallurgical coal. The all-in total per-ton cost of production increased to $69 per ton, from increased surface mine reclamation activities and generally higher mining costs due to productivity impacts associated with increased inspection activities. Full year net income includes a $5.3 million favorable net benefit from the settlement of state income tax issues recorded in prior years partially offset by a $1.1 million charge for other tax adjustments. TECO Coal's 2010 effective income tax rate was 22%, excluding the income tax settlements discussed above, compared to 17% in the 2009 full year period.

TECO Coal recorded net income of $37.2 million in 2009, more than double the $18.0 million in 2008, on sales of 8.7 million tons, compared to sales of 9.3 million tons in 2008. Lower volume and the sales mix in 2009 reflected coal market conditions, which included high inventory levels at utility steam coal customers and reduced demand for coal used in the production of steel. At almost $72 per ton, the 2009 full-year average net per-ton selling price was 20% above the 2008 average selling price. At almost $67 per ton, the 2009 all-in total per-ton cost of production was 14% higher than in 2008. In 2009, TECO Coal's effective income tax rate was 17%.

TECO Coal Outlook

We expect TECO Coal's net income to increase in 2011 over 2010 from higher contract selling prices. TECO Coal has more than 90% of its expected 2011 sales of between 8.5 and 9.0 million tons contracted, resulting in an average contracted selling price across all products of $87 per ton. The product mix is expected to be about 40% specialty coal, which includes stoker, metallurgical and PCI coals, and the remainder utility steam coal. The cost of production is expected to increase to a range between $74 and $78 per ton due to expected higher contract miner costs, higher safety-related costs, higher royalties and severance costs, which are a function of selling price, and, due to delays in the issuance of permits, higher surface mining cost, primarily due to longer hauling distances. Diesel fuel prices have been hedged for those contracts that do not have diesel price adjustments in the contract at average prices at about the same level as 2010. TECO Coal's effective income tax rate is expected to be the normal 25% for 2010.

At the end of 2011, an approximately 600,000 ton per year steam coal contract at below-market prices concludes.

Historically, from time to time, TECO Coal has added to its proven and probable reserves. TECO Coal will continue to explore for additional reserves in and around its existing mining operations to prudently maintain or expand its reserves as appropriate.

For the past several years, the issuance of permits by the U.S. Army Corp of Engineers (USACE) under Section 404 of the Clean Water Act required for surface mining activities in the Central and Northern Appalachian mining regions have been challenged in the courts. These challenges have been appealed by various mining companies affected on a number of occasions, but very few permits have been issued over the past several years. TECO Coal had six permits on the list of permits subject to enhanced review by the U.S. EPA under its memorandum of understanding with the USACE, which was issued in September 2009, however, two have been withdrawn. TECO Coal has all of the permits required to meet its 2011 sales projections. However, production from a mine affected by one of those permits that has been delayed is no longer included in the 2011 sales projection due to uncertainty in the ability to obtain a permit or the timing of the issuance of a permit. This mine was previously expected to contribute approximately 300,000 tons to 2011 sales. To date, there has been no progress in granting these permits. TECO Coal is currently producing from other mines, but at a higher cost, to offset the lost production from the delayed permit.

On Apr. 1, 2010, the EPA issued new guidance on environmental permitting requirements for Appalachian mountain top removal and other surface mining projects. The guidance limits conductivity (level of mineral salts) in water discharges into streams from permitted areas, and was effective immediately on an interim basis. The EPA will decide whether to modify the guidance after consideration of public comments and the results of the Science Advisory Board (SAB) technical review of the EPA scientific reports. Because the EPA's standards appear to be unachievable under most circumstances, surface mining activity could be substantially curtailed since most new and pending permits would likely

be rejected. This guidance could also be extended to discharges from deep mines and preparation plants, which could result in a substantial curtailing of those activities as well. This guidance is facing legal challenges from coal mining industry-related organizations and states relating to the stringency of the standards as well as the focus on the coal industry and the Appalachian region in particular.

Coal Markets

In the third quarter of 2008, in response to the U.S. economic recession, the prices for many commodities started to drop. The decline in commodity prices, including coal, accelerated in the fourth quarter of 2008 due to the spread of the U.S. economic recession to many other economies around the world. At that time, the U.S. steel industry, which is a large consumer of metallurgical coal, was reported to be operating at a less than 40% utilization rate. In the first half of 2009, coal producers around the world experienced generally depressed demand for their product, which resulted in lower shipments and lower prices. In the second half of 2009, government economic stimulus actions resulted in very strong demand for metallurgical coal in China and India. As the international economies started to emerge from the economic recession in late 2009, demand and prices for metallurgical coal increased, both in the U.S. and in international markets.

In 2010, prices for metallurgical coal remained strong driven by increased demand from expanding economies in China and India, and recovering demand in the U.S. and Europe. The U.S. steel industry operated at about a 70% utilization rate in 2010 compared to a 40% utilization rate for most of 2009. During 2010, spot price for various grades of metallurgical coal produced by TECO Coal and others reportedly ranged from $110 per ton to $180 per ton. TECO Coal was essentially fully contracted for its metallurgical coal sales by the start of 2010, with virtually no tons available for sale in the spot market.

Demand for coal used by utilities to generate electricity stabilized in 2010 as the economy started to recover and demand for electricity grew following a decline in 2009 due to the economic recession. Natural gas prices, as measured on a cent per million Btu basis, were below coal prices, which allowed utilities to substitute natural gas for coal in the generation of electricity. As a result, utility coal stockpiles were significantly above long-term averages entering 2010. In 2010, utility customers accepted delivery of contracted tons following deferrals of contracted tons into future years in 2009. A cold 2010 winter and a hot summer reduced utility inventories, but not enough to create near-term demand for utility steam coal.

Industry reports indicate that utilities are not expected to purchase significant amounts of coal for 2011 beyond what is already contracted for. Utilities that have indicated an interest in purchasing coal are purchasing tons for delivery after 2011. The industry expects demand for utility steam coal to recover in the second half of 2011 and at that time for prices to improve from the current spot prices of approximately $70 per ton.

The significant factors that could influence TECO Coal's results in 2011 are the cost of production and the ability of the railroads to deliver the contracted volumes. Longer-term factors that could influence results include inventories at steam coal users, weather, the ability to obtain environmental permits for mining operations, general economic conditions, the level of oil and natural gas prices, commodity price changes that impact the cost of production, and changes in environmental regulations (see the **Environmental Compliance** and **Risk Factors** sections).

TECO GUATEMALA

Our TECO Guatemala operations include two power plants operating in Guatemala under long-term contracts. The San José and Alborada power stations in Guatemala both have long-term power sales contracts with the Guatemalan distribution utility EEGSA, the largest Guatemalan distribution utility, which serves Guatemala City, the capital of Guatemala and the surrounding region.

On Oct. 21, 2010, a TECO Guatemala subsidiary sold its 30% interest in DECA II to EPM, a multi-utility company based in Medellín Colombia, for a sale price of $181.5 million.

DECA II was a holding company in which, prior to the sale, TECO Guatemala Holdings, LLC (TGH), a wholly owned subsidiary of TECO Guatemala, held a 30% interest, Iberdrola Energia, S.A. (Iberdrola) held a 49% interest and Energias de Portugal, S.A. (EDP) held a 21% interest. Each of these parties sold its interest in DECA II. DECA II held an 80.9% ownership interest in EEGSA and affiliated companies.

TGH received $181.5 million of the $605.0 million total purchase price for its 30% interest. In addition, TGH repatriated approximately $25.0 million of cash previously held offshore in a tax deferral structure. TECO Guatemala recorded a $27.0 million gain on the sale, but the sale transaction resulted in a total net gain of $21.0 million for TECO Energy due to the $6.0 million negative valuation allowance recorded against foreign tax credits atTECO Energy Parent (see the **2010** and **2009 Reconciliation of GAAP net income from continuing operations to non-GAAP results** tables). TECO Guatemala also recorded a $24.9 million income tax charge related to the unwinding of the tax deferral structure, as the earnings from DECA II were no longer considered indefinitely reinvested.

The Alborada Power Station, which consists of oil-fired, simple-cycle combustion turbines, is a peak-load facility with high availability, but operates at a low capacity factor by design. Guatemala is heavily dependent on hydro-electric sources for baseload power generation. The Alborada Power Station is under contract to EEGSA, but it is designated to be an operating reserve for the country of Guatemala by the country's power dispatcher. The plant runs at peak times or in times of loss of a major generating unit or transmission circuit in the country. In 2001, TECO Guatemala exercised an option to extend the Alborada power sales contract for five years at the end of the contract period, which was originally scheduled for September 2010. The contract was extended for five years effective Sep. 14, 2010 at rates approximately 55%, or $7 million after tax on an annual basis, below the previous contract.

On Jan. 13, 2009, TGH delivered a Notice of Intent to the Guatemalan government that it intended to file an arbitration claim against the Republic of Guatemala under the Dominican Republic Central America – United States Free Trade Agreement (DR – CAFTA) alleging a violation of fair and equitable treatment of its investment in EEGSA. On Oct. 20, 2010, TGH filed a Notice of Arbitration with the International Centre for Settlement of Investment Disputes to proceed with its arbitration claim.

The arbitration was prompted by actions of the Guatemalan government in July 2008 which, among other things, unilaterally reset the distribution tariff for EEGSA at levels well below the tariffs in effect at the time that the distribution tariff was reset. These actions caused a significant reduction in earnings from EEGSA. As discussed above, until Oct. 21, 2010, TGH held a 24% ownership interest in EEGSA through a holding company DECA II when TGH's interest was sold. In connection with the sale of TGH's ownership interest in EEGSA, TGH reserved the right to pursue the arbitration claim described above. Iberdrola is in international arbitration under the bilateral trade treaty in place between the Republic of Guatemala and the Kingdom of Spain.

In 2010, TECO Guatemala reported net income of $41.6 million, compared to $38.6 million in 2009. In 2010, non-GAAP results were $39.5 million, which excluded a $27.0 million gain on the sale of its ownership interest in DECA II, and a $24.9 million tax charge related to previously undistributed earnings as a result of the sale. Non-GAAP results in 2009 were $29.9 million, which excluded an $8.7 million net gain on the sale of its minority ownership interest in the telecommunications company, Navega.

These results reflect the absence of earnings from DECA II for most of the fourth quarter, a $2.0 million reduction, lower capacity payments at the Alborada Power Station under the contract extension effective Sep. 14, 2010, and substantially higher earnings from the San José Power Station as the station operated normally throughout the year following the extended unplanned outages in 2009.

In 2009, TECO Guatemala's net income was $38.6 million, compared to $36.9 million in 2008. TECO Guatemala's full-year 2009 non-GAAP results, which exclude the $8.7 million gain on the sale of Navega were $29.9 million, compared to 2008 non-GAAP results of $46.5 million, which exclude $9.6 million of taxes related to the December cash repatriation. Results in 2009 reflected lower results at the San José Power Station due to unplanned outages for much of the first half of the year and lower capacity payments under the power sales contract as a result of lower availability due to the unplanned outages, partially offset by a $1.7 million net insurance recovery related to the unplanned outages. Results also reflected the reduction in the VAD tariff at EEGSA, which reduced 2009 earnings at TECO Guatemala by approximately $5.0 million. The effect of the VAD more than offset the benefit of 2.9% customer growth, higher energy sales, and cost control measures at EEGSA. The earnings from the DECA II unregulated EEGSA-affiliated companies, which provide, among other things, electricity transmission services, wholesale power sales to unregulated electric customers and engineering services, decreased due to the loss of the earnings from the telecommunications service provider, Navega, which was sold in the first quarter of 2009. The 2009 results for EEGSA and affiliated companies also included a $2.5 million benefit related to an adjustment to previously estimated year-end equity balances, compared to a similar $3.1 million benefit in 2008.

TECO Guatemala Outlook

In 2011, we expect normal operations for the Alborada and San José power stations. Earnings from the Alborada Power Station will be at the lower rates under the contract extension described above. TECO Guatemala's results will reflect the absence of earnings from DECA II, which was sold in October 2010. Prior to the sale, DECA II contributed $13.1 million to 2010 net income at TECO Guatemala.

PARENT/OTHER

The cost for Parent/other in 2010 was $98.5 million, compared to $54.0 million in 2009. The 2010 non-GAAP cost for Parent & other was $59.9 million, which excluded a $33.5 million charge related to early retirement of TECO Energy debt, and a $6.0 million foreign tax credit valuation allowance as a result of the sale of DECA II based on estimated foreign source income and projected timing of the utilization of the net operating loss carry forwards, the $1.8 million benefit related to the recovery of fees paid for the previously sold McAdams Power station, and $0.9 million of final restructuring costs. Non-GAAP results in 2009 were $48.6 million which included a $2.6 million benefit from a sale of

property by TECO Properties but excluded $1.6 million of restructuring cost and a $3.8 million charge associated with the sale of auction-rate securities held at TECO Energy parent (see the **2010** and **2009 Reconciliation of GAAP net income from continuing operations to non-GAAP results** tables).

Non-GAAP cost in 2010 included $9.6 million of foreign tax credit and other tax valuation adjustments based on estimated foreign source income and projected timing of the utilization of the net operating loss carry forwards, and a $1.1 million charge to adjust deferred tax balances related to Medicare Part D subsidies as a result of the Patient Protection and Affordable Care Act enacted early in 2010. Results also included a $3.5 million unfavorable tax adjustment that offsets the favorable domestic production deduction at Tampa Electric due to TECO Energy's consolidated net operating loss (NOL) position. Results also reflect $3.4 million lower interest expense as a result of debt restructuring and retirement.

In 2009, Parent/other cost was $54.0 million, compared to a cost of $55.2 million in 2008. Non-GAAP Parent/other cost was $48.6 million in 2009, compared to $45.8 million in 2008. Results in 2009 reflected a $2.6 million unfavorable valuation adjustment to foreign tax credits, a $1.5 million gain on the sale of a lease, the final asset held in a leveraged lease portfolio, and a $2.6 million benefit from a sale of property by TECO Properties. Results in 2009 also reflected negative tax return adjustments that normally occur, compared to 2008 when the tax return adjustments were favorable. Non-GAAP Parent/other cost in 2009 excluded $1.6 million of restructuring costs and a $3.8 million charge associated with the sale of student-loan securities held at TECO Energy parent (see the **2009** and **2008 Reconciliation of GAAP net income from continuing operations to non-GAAP results** tables).

OTHER ITEMS IMPACTING NET INCOME

Other income (expense)

In 2010, Other income (expense) of $14.1 million included a $55.5 million charge related to early debt retirement; $13.1 million from DECA II prior to its sale, which was accounted for as an equity investment; and $38.4 million pretax gain on TECO Guatemala's sale of its ownership interest in DECA II.

In 2009, Other income (expense) of $79.3 million reflected $68.5 million, which included the $18.3 million pretax gain on the sale of Navega, from the Guatemalan operations, which are accounted for as equity investments, and a net $3.3 million charge related to the sale of various investments.

In 2008, Other income (expense) of $100.7 million reflected $72.5 million of pretax income from the Guatemalan operations, which are accounted for as equity investments; $7.2 million of pretax interest income on invested cash balances; and $6.7 million of pretax income from the sale of right-of-way easements and a contract settlement related to future coal sales at TECO Coal.

AFUDC equity at Tampa Electric, which is included in Other income (expense), was $1.9 million, $9.3 million and $6.3 million in 2010, 2009 and 2008, respectively. AFUDC is expected to decrease in 2011 due to the completion of the installation of the fourth and final NO_x control unit at the Big Bend Power Station in 2010 (see the **Environmental Compliance** and **Liquidity, Capital Resources** sections).

Interest Expense

In 2010, total interest expense was $231.3 million compared to $227.0 million in 2009 and $228.9 million in 2008. In 2010, interest expense increased due to higher debt balances for six months of the year (see the **Financing Activity** section), prior to the early retirement of TECO Energy and TECO Finance debt in December, and lower AFUDC debt at Tampa Electric, which is a credit to interest expense. In 2009, interest expense was reduced by lower interest rates on floating rate debt and higher AFUDC debt at Tampa Electric.

Interest expense is expected to be lower in 2011 due to the retirement of $236 million of TECO Energy and TECO Finance debt in December 2010, and the retirement of $64 million of TECO Energy debt at maturity in April 2011 (see the **Liquidity, Capital Resources** section).

Income Taxes

The provision for income taxes increased in 2010 primarily due to higher operating income, taxes on TECO Guatemala's sale of its ownership interest in DECA II, and an increase to the foreign tax credit valuation allowance. The provision for income taxes increased in 2009 due to higher operating income, partially offset by lower foreign tax credit valuation allowances, lower taxes on cash repatriated from Guatemala, and increased depletion and AFUDC equity. Income tax expense as a percentage of income from continuing operations before taxes was 41.5% in 2010, 31.6% in 2009 and 36.8% in 2008. For 2011, we expect the effective tax rate to be in the range of 30% to 35%.

The cash payments for federal income taxes, as required by the federal Alternative Minimum Tax rules (AMT), state income taxes, foreign income taxes and payments (refunds) related to prior years' audits totaled $5.5 million, $4.1

million, and $6.0 million in 2010, 2009, and 2008, respectively.

On Dec. 17, 2010, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law. The legislation provides 100% bonus depreciation for capital investments placed in service after Sep. 8, 2010 and through Dec. 31, 2011 and 50% bonus for equipment placed in service after Dec. 31, 2011 and through Dec. 31, 2012. Based on the company's preliminary estimate, additional bonus depreciation will extend our NOL.

Due to the NOL carryforward position resulting from the disposition of the generating assets formerly held by TWG Merchant, cash tax payments for income taxes are limited to approximately 10% of the AMT rate. We expect future cash tax payments to be limited to a similar level reduced by AMT foreign tax credits and various state taxes. We currently expect to utilize these NOLs through 2015, at which time we expect to start using more than $195 million of AMT carry-forward to limit future cash tax payments for federal income taxes to the level of AMT. We currently project cash tax payments of between $30 and $35 million over the next five years.

The utilization of the NOL and AMT carryforward are dependent on the generation of sufficient taxable income in future periods.

LIQUIDITY, CAPITAL RESOURCES

The table below sets forth the Dec. 31, 2010 consolidated liquidity and cash balances, the cash balances at the operating companies and TECO Energy parent, and amounts available under the TECO Energy/Finance and Tampa Electric Company credit facilities.

	Balances as of Dec. 31, 2010			
(millions)	Consolidated	Tampa Electric Company	Unregulated Companies	Parent
Credit facilities	$ 675.0	$ 475.0	$ --	$ 200.0
Drawn amounts/LCs	19.4	12.7	--	6.7
Available credit facilities	655.6	462.3	--	193.3
Cash and short-term investments	82.3	3.7	38.9	39.7
Total liquidity	$737.9	$466.0	$38.9	$233.0

In 2010, we met our cash flow needs primarily from internal sources. Cash from operations was $664 million. We paid dividends of $175 million in 2010, and capital expenditures were $490 million. Other sources of cash included $183 million of proceeds from the sale of businesses, primarily the sale of our ownership interest in DECA II for $181 million and $8 million from the sale of common stock, primarily through dividend reinvestment. Proceeds from the sale of DECA II, along with repatriated cash of $25 million and cash on hand were used to retire long-term debt. Net long-term debt declined $136 million representing debt retirement at TECO Energy parent and TECO Finance and a $75 million remarketing by Tampa Electric Company of tax-exempt notes previously held in lieu of redemption. Short-term debt declined $43 million.

In 2009, we met our cash flow needs primarily from a mix of internal sources supplemented with net borrowings of $57 million, of which $102 million represented notes issued by Tampa Electric Company. Cash from operations was $725 million. Other sources of cash included $32 million of proceeds from the sale of businesses, primarily the sale of our ownership interest in the Guatemalan telecommunications provider, Navega, $5 million from the sale of common stock, primarily through dividend reinvestment, and $16 million from the sale of student loan securities and other investments. We paid dividends of $171 million in 2009, and capital expenditures were $640 million.

In 2008, we met our cash needs primarily from a mix of internal sources and cash on hand at the beginning of the year, including cash held offshore which was repatriated in December 2008. We supplemented this with net borrowings of $102 million, of which $68 million represented borrowings under bank credit facilities. Cash from operations was $388 million in 2008.

Cash from Operations

In 2010, consolidated cash flow from operations was $664 million, which was positively impacted by $55 million associated with net recoveries of deferred costs, primarily fuel and purchased power, under FPSC-approved recovery clauses. Cash from operations reflects an $81 million contribution to the pension plans in 2010, which included a $47 million pre-funding of our 2011 required contribution. Cash from operations also reflects the benefit of our tax NOL position, which resulted in minimal cash payments for state and federal income taxes (see the **Income Tax** section).

We expect cash from operations in 2011 to be higher than the 2010 level. We expect higher net income in 2011, but due to the over-recovery of fuel and purchased power costs in 2010, we expect the net recoveries under various regulatory

clauses to reduce cash from operations. In November 2010, the FPSC approved recovery clause rates that provide for refunds to customers of estimated 2010 net over-recoveries of fuel and purchased power over 12 months beginning Jan. 1, 2011 (see the **Regulation** section). Like 2010, we expect our NOL carryforwards to result in minimal state and federal income tax payments in 2011 (see the **Income Tax** section).

Cash from Investing Activities

Our investing activities in 2010 resulted in a net use of cash of $296 million, including capital expenditures totaling $490 million. In 2010 we received $183 million representing the proceeds from the sale of businesses and other assets, primarily the sale of our ownership interest in DECA II.

We expect capital spending for the next several years to be below 2010 levels primarily due to the completion of the SeaCoast Gas Transmission, LLC (SeaCoast LLC) intrastate pipeline and the NO_x control projects at Tampa Electric (see the **Capital Expenditures** section).

Cash from Financing Activities

Our financing activities in 2010 resulted in a net use of cash of $347 million. Major items included the net repayment of $189 million of TECO Parent and TECO Finance long-term debt, $75 million of proceeds from Tampa Electric Company's remarketing of tax-exempt notes previously held in lieu of redemption, and the repayment of $43 million of short-term debt (see the **Financing** section). We paid $175 million in common stock dividends, and we received almost $8 million from the sale of common stock from our dividend reinvestment program and exercises of stock options.

In 2011, Tampa Electric Company expects to utilize internally generated funds, equity contributions from TECO Energy, and short-term borrowings under its credit facilities to support its capital spending program and for normal working capital fluctuations. We have $64 million of TECO Energy parent and TECO Finance notes maturing in 2011 which we expect to retire at maturity. See the **Cash and Liquidity Outlook** section below for a discussion of financing expectations in 2011 and beyond.

Cash and Liquidity Outlook

In general, we target to maintain consolidated liquidity (unrestricted cash on hand plus undrawn credit facilities) of at least $500 million. At Dec. 31, 2010 our consolidated liquidity was $738 million, consisting of $466 million at Tampa Electric Company, $233 million at TECO Energy parent and $39 million at the other operating companies.

We expect our sources of cash in 2011 to include cash from operations at levels above 2010, due in large part to higher net income from the operating companies and lower pension contributions, due to prefunding the expected 2011 contribution in 2010, partially offset by lower net recoveries under various regulatory clauses in 2011 as described above. We plan to use cash generated in 2011 to fund capital spending estimated at $440 million, for dividends to shareholders and to retire maturing debt.

Tampa Electric Company expects to utilize cash from operations and equity contributions from TECO Energy to support its capital spending program, supplemented with minimal incremental utilization of its credit facilities. Our credit facilities contain certain financial covenants (see **Covenants in Financing Agreements** section). Although we expect the normal utilization of our credit facilities to be low, we estimate that we could fully utilize the total available capacity under our facilities in 2011 and remain within the covenant restrictions.

Beyond 2011, our long-term debt maturities for TECO Energy parent and TECO Finance total $200 million in 2015, $250 million in 2016, $300 million in 2017 and $300 million in 2020. Tampa Electric Company has two series of notes totaling $372 million maturing in 2012 and will need to issue replacement debt to fund some or all of those maturities. The existing bank credit facilities for both Tampa Electric Company and TECO Energy/TECO Finance expire in 2012. We expect to renew these facilities in late 2011 under similar terms, but at higher cost.

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, and coal margins. In addition, actual fuel and other regulatory clause net recoveries will typically vary from those forecasted; however, the 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 (see the **Risk Factors** section).

TECO Energy expects to continue to make equity contributions to Tampa Electric Company in order to support the capital structure and financial integrity of the utilities. Tampa Electric Company expects to fund its capital needs with a combination of internally generated cash and equity contributions from us. Through 2015, we expect to realize significant cash benefits from the utilization of net operating loss carryforwards generated in 2004 and 2005 upon the disposition of merchant power assets to reduce federal and certain state income taxes. We currently project cash tax payments between $30 and $35 million over the next five years.

As a result of our significant reduction of parent debt, and reduced business risk, we have improved our debt credit

ratings and ratings outlooks (see **Credit Ratings** section). It is our intention to continue to improve our financial profile, with a goal of achieving additional ratings improvements. In the unlikely event Tampa Electric Company's ratings were downgraded to below investment grade counterparties to our derivative instruments could request immediate payment or full collateralization of net liability positions. If the credit risk-related contingent features underlying these derivative instruments were triggered as of Dec. 31, 2010, we could have been required to post additional collateral or settle existing positions with counterparties totaling $29.7 million, which are Tampa Electric Company positions. In addition, credit provisions in long-term gas transportation agreements of Tampa Electric and PGS would give the transportation providers the right to demand collateral which we estimate to be approximately $64.4 million. None of our credit facilities or financing agreements have ratings downgrade covenants, which would require immediate repayment or collateralization; however, in the event of a downgrade, our interest expense could be higher.

SHORT-TERM BORROWING

Credit Facilities

At Dec. 31, 2010 and 2009, the following credit facilities and related borrowings existed:

		Dec. 31, 2010			Dec. 31, 2009		
(millions)		Credit Facilities	Borrowings Outstanding	Letters of Credit Outstanding	Credit Facilities	Borrowings Outstanding	Letters of Credit Outstanding
Tampa Electric							
	5-year facility	$325.0	$ 5.0	$0.7	$325.0	$ 55.0	$0.7
	1-year accounts receivable facility	150.0	7.0	--	150.0	--	--
TECO Finance :							
	5-year facility	200.0	--	6.7	200.0	--	6.9
Total		$675.0	$12.0 (1)	$7.4	$675.0	$55.0 (1)	$7.6

(1) Borrowings outstanding are reported as notes payable.

These credit facilities, including the one-year accounts receivable facility which was renewed in February 2011, require commitment fees ranging from 7.0 to 35.0 basis points. The weighted average interest rates on outstanding notes payable under the credit facilities at Dec. 31, 2010 and 2009 were 0.64% and 0.66%, respectively.

At Dec. 31, 2010, TECO Finance had a $200 million bank credit facility in place guaranteed by TECO Energy with a maturity date in May 2012. Tampa Electric Company had a bank credit facility totaling $325 million, also maturing in May 2012. In addition, Tampa Electric Company had a $150 million accounts receivable securitized borrowing facility which was renewed in February 2011 with a maturity date of February 2012. The TECO Finance and Tampa Electric Company bank credit facilities include sub-limits for letters of credit of $200 million and $50 million, respectively. At Dec. 31, 2010, the TECO Finance credit facility was undrawn and $6.7 million of letters of credit were outstanding. At Dec. 31, 2010, $12.0 million was drawn on the Tampa Electric Company credit facilities and $0.7 million of letters of credit were outstanding.

2010 Credit Facility Utilization

(millions)	Maximum drawn amount	Minimum drawn amount	Average drawn amount	Average interest rate
TECO Finance	$ 35.0	--	$ 3.0	0.85%
Tampa Electric	$102.0	--	$26.3	0.71%

At current ratings, TECO Finance's and Tampa Electric Company's bank credit facilities require commitment fees of 12.5 basis points and 7.0 basis points, respectively, and drawn amounts are charged interest at LIBOR plus 55.0 – 60.0 basis points and 35.0 – 40.0 basis points, respectively. At Dec. 31, 2010, the LIBOR interest rate was 0.26%.

Tampa Electric Company and TEC Receivables Corp. (TRC), a wholly-owned subsidiary of Tampa Electric Company, have 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 70 basis points at its current ratings under its renewed facility. Interest rates on the borrowings are based on prevailing asset-backed commercial paper rates, unless such rates are not available from conduit lenders, or under certain circumstances upon a change of accounting rules applicable to the lenders, in which case the rates will be at an interest rate equal to, at Tampa Electric Company's option, either Citibank's prime rate (or the federal funds rate plus 50 basis points, if higher) or a rate based on the London interbank deposit rate (if available) plus a margin. 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 (see the **Covenants in Financing Agreements** section). Tampa Electric Company renewed this facility Feb. 18, 2011 with a Feb. 17, 2012 maturity date (see **Note 25** to the TECO Energy **Consolidated Financial Statements**).

Covenants in Financing Agreements

In order to utilize their respective bank credit facilities, TECO Energy, TECO Finance and Tampa Electric Company must meet certain financial tests as defined in the applicable agreements (see the **Credit Facilities** section). In addition, TECO Energy, TECO Finance, Tampa Electric Company, and other operating companies have certain restrictive covenants in specific agreements and debt instruments. At Dec. 31, 2010, TECO Energy, TECO Finance, 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, 2010. 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, 2010*
Tampa Electric Company			
Credit facility[2]	Debt/capital	Cannot exceed 65%	49.1%
Accounts receivable credit facility[2]	Debt/capital	Cannot exceed 65%	49.1%
6.25% senior notes	Debt/capital Limit on liens[3]	Cannot exceed 60% Cannot exceed $700	49.1% $0 liens outstanding
Insurance agreement relating to certain pollution bonds	Limit on liens[3]	Cannot exceed $441 (7.5% of net assets)	$0 liens outstanding
TECO Energy/TECO Finance			
Credit facility[2]	EBITDA/interest[4]	Minimum of 2.6 times	4.6 times
TECO Energy 6.75% notes and TECO Finance 6.75% notes	Restrictions on secured debt[5]	(6)	(6)

(1) As defined in each applicable instrument.
(2) See **Note 6** to the **TECO Energy Consolidated Financial Statements** for a description of the credit facilities.
(3) If the limitation on liens is exceeded the company is required to provide ratable security to the holders of these notes.
(4) EBITDA generally represents EBIT before depreciation and amortization. However, the term is subject to the definition prescribed under the relevant agreement.
(5) These limitations would not include first mortgage bonds of Tampa Electric Company if any were outstanding.
(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, 2010

	Standard & Poor's	*Moody's*	*Fitch*
Tampa Electric Company	BBB	Baa1	BBB+
TECO Energy/TECO Finance	BBB-	Baa3	BBB-

On Oct. 22, 2010, Fitch Ratings placed TECO Energy, TECO Finance and Tampa Electric Company on Rating Watch Positive following the announcement of the sale of DECA II (see **TECO Guatemala** section). The Rating Watch Positive reflects Fitch's expectation that previously anticipated parent level debt reduction would be accelerated by the DECA II sale and the use of the resulting cash proceeds to retire parent level debt (see the **Financing Activities** section). This followed Fitch's revision of the long-term Rating Outlook to positive on Jun. 25, 2010.

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 TECO Energy, TECO Finance and Tampa Electric Company's senior unsecured debt investment grade ratings.

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. Our access to capital markets and cost of financing, including the applicability of restrictive financial covenants, are influenced by the ratings of our securities. In addition, certain of Tampa Electric Company's derivative instruments contain provisions that require Tampa Electric Company's debt to maintain an investment grade credit ratings. See **Note 12** to the **TECO Energy Consolidated Financial Statements**. The credit ratings listed above are included in this report in order to provide information that may be relevant to these matters and because downgrades, if any, in credit ratings may affect our ability to borrow and may increase financing costs, which may decrease earnings (see the **Risk Factors** section). These credit ratings are not necessarily applicable to any particular security that we may offer and therefore should not be relied upon for making a decision to buy, sell or hold any of our securities.

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, 2010

		Payments Due by Period				
(millions)	Total	2011	2012	2013	2014-2015	After 2015
Long-term debt [1]						
Recourse	$3,184.4	$67.1	$375.0	$60.7	$366.6	$2,315.0
Non-recourse [2]	44.7	11.2	11.2	11.2	11.1	--
Operating leases/rentals [3]	117.5	17.3	14.3	12.0	23.5	50.4
Net purchase obligations/commitments [4]	201.7	74.4	40.5	30.5	56.2	0.1
Interest payment obligations	1,871.0	179.4	172.6	160.1	279.0	1,079.9
Pension plans [5]	171.4	--	35.7	47.1	88.6	--
Total contractual obligations	$5,590.7	$349.4	$649.3	$321.6	$825.0	$3,445.4

(1) Includes debt at TECO Energy, TECO Finance, Tampa Electric, PGS 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 non-recourse project debt of the San José power project.
(3) Excludes payment obligations under contractual agreements of Tampa Electric and PGS for fuel, fuel transportation and power purchases which are recovered from customers under regulatory clauses approved by the FPSC annually (see the Regulation section). One of these agreements, in accordance with the accounting guidance for determining whether an arrangement contains a lease, has been determined to contain a lease (see **Note 12** to the **TECO Energy Consolidated Financial Statements**)
(4) Reflects those contractual obligations and commitments considered material to the respective operating companies, individually. At the end of 2010, these commitments include Tampa Electric's outstanding commitments for major projects and long-term capitalized maintenance agreements for its combustion turbines.
(5) 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** 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 Contractual Cash Obligations table above and not otherwise included in our Consolidated Financial Statements.

Contingent Obligations at Dec. 31, 2010

		Commitment Expiration					
(millions)		Total	2011	2013	2013	2014 - 2015	After 2015[1]
Letters of credit		$ 7.4	$ --	$ --	$ --	$ --	$ 7.4
Guarantees	Fuel purchase[2]	129.7	--	--	--	--	129.7
	Other	5.4	--	--	--	--	5.4
Total contingent obligations		$ 142.5	$ --	$ --	$ --	$ --	$ 142.5

(1) These letters of credit and guarantees renew annually and are shown on the basis that they will continue to renew beyond 2015.

(2) The amounts shown are the maximum theoretical amounts guaranteed under current agreements.

Capital Expenditures

	Actual	Forecast			
(millions)	2010	2011	2012	2013 – 2015	2011 – 2015 Total
Tampa Electric					
Transmission	$ 40	$ 45	$ 40	$ 90	$ 175
Distribution	90	90	90	295	475
Generation	135	135	140	360	635
Other	20	30	35	115	180
NO_x control projects	15	--	--	--	--
Other environmental	5	25	40	45	110
Tampa Electric total	305	325	345	905	1,575
Net cash effect of accruals and Retentions	25	--	--	--	--
Tampa Electric net	330	325	345	905	1,575
PGS	60	60	60	180	300
Unregulated companies[1]	100	55	60	155	270
Total	$490	$440	$465	$1,240	$2,145

(1) Represents the capital expenditures of TECO Coal, SeaCoast LLC and the consolidated operations of TECO Guatemala.

TECO Energy's 2010 capital expenditures of $490 million included $330 million at Tampa Electric, including $3 million of AFUDC – debt and equity and $25 million of amounts paid in 2010 but incurred in a prior period. Capital expenditures at PGS were $60 million in 2010. Tampa Electric's capital expenditures in 2010 were primarily for equipment and facilities to meet modest customer growth, generating equipment maintenance, environmental compliance, and completion of the final NO_x control project (see the **Environmental Compliance** section). Capital expenditures for PGS were approximately $30 million for system expansion and approximately $30 million for maintenance of the existing system. TECO Coal's capital expenditures included $30 million primarily for normal mining equipment replacement, and $20 million for new mine development. SeaCoast LLC invested approximately $50 million for the construction of the SeaCoast LLC natural gas pipeline in northeast Florida, which was completed in late 2010. SeaCoast LLC, an indirect wholly-owned subsidiary of TECO Energy, owns a 24 mile intrastate natural gas pipeline in northeast Florida that began serving the Jacksonville Electric Authority Greenland Energy Center in late 2010 under a long-term contract. Currently the Greenland Energy Center is the sole customer of SeaCoast LLC; however, we are seeking other customers for the existing capacity on this pipeline.

TECO Energy estimates capital spending for ongoing operations to be $440 million for 2011 and approximately $1.7 billion during the 2012 – 2015 period.

For 2011, Tampa Electric expects to spend $325 million. For the transmission and distribution systems Tampa Electric expects to spend $135 million in 2011, including approximately $90 million for normal transmission and distribution system expansion and reliability, and $30 million for transmission and distribution system storm hardening. Capital expenditures for the existing generating facilities of $135 million include approximately $25 million for repair and refurbishments of combustion turbines under long-term agreements with equipment manufacturers, approximately $50 million for generating unit outages, $15 million for a reclaimed water pipeline to eliminate ground water usage at the Polk Power Station, and $45 million for other improvements and refurbishments to generating units. In addition, Tampa

Electric expects to spend $25 million for environmental compliance programs in 2011.

In the 2012 – 2015 period, Tampa Electric expects to spend $35 million for the completion of the reclaimed water pipeline project at the Polk Power Station. Capital spending for environmental compliance is expected to average approximately $20 million annually in the same period. In addition to the above amounts, Tampa Electric expects to spend approximately $285 million annually to support normal system growth and reliability in the 2012 – 2015 period. This level of ongoing capital expenditures reflects the costs for materials and contractors, 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 programs and requirements include: approximately $20 million annually for repair and refurbishments of combustion turbines under long-term agreements with equipment manufacturers, average annual expenditures of more than $90 million to support generating unit availability and reliability; average annual expenditures of $35 million for general infrastructure to support customers; average annual expenditures of more than $25 million for transmission and distribution system storm hardening; approximately $30 million annually for transmission system reliability and capacity improvements; and an average of approximately $85 million annually for distribution system reliability and to meet the expected customer growth.

Capital expenditures for PGS are expected to be about $60 million in 2011 and $240 million during the 2012 – 2015 period. Included in these amounts is an average of approximately $35 million annually for projects associated with customer growth and system expansion. The remainder represents capital expenditures for ongoing renewal, replacement and system safety.

The unregulated companies expect to invest $55 million in 2011 and $215 million during the 2012 – 2015 period. Included in these amounts are expenditures for coal mine development to maintain production, compliance with new safety requirements under the MINER Act, and for normal coal mining equipment renewal and replacement at TECO Coal, and capital to support generating unit reliability at TECO Guatemala.

Tampa Electric – Generating Capacity Additions

In 2009, Tampa Electric completed the construction of five peaking capacity combustion turbines at the Bayside and Big Bend power stations. These units were used to meet the summer peak demand requirements in 2009 and the new winter peak experienced in January 2010. One combustion turbine at each of the facilities is configured to meet the North American Reliability Council (NERC) black start requirements for system reliability.

Due to the 2008 and 2009 financial crisis and the slowdown in the Florida and national economies, Tampa Electric has deferred new baseload capacity until beyond the 2015 forecast period. Tampa Electric may require peaking capacity in the 2013 period, after the expiration of the purchased power agreement with the Hardee Power Station in Central Florida. If demand growth resumes and additional generating capacity is required, Tampa Electric may construct this additional peaking capacity or seek to purchase power rather than build based on the economics (see the **Tampa Electric** and **Regulation** sections). If Tampa Electric builds this capacity, capital expenditures would start in 2012.

If the U.S. Congress or the Florida Legislature enacted a national or Florida Renewable Energy Portfolio Standard (RPS), the need for additional capital spending for renewable generating resources to meet the requirements of an RPS is likely but not yet defined (see the **Environmental Compliance** section). Depending on the final federal or state rules, which may be enacted in 2011, Tampa Electric may need to invest capital to develop additional sources of renewable power generation.

The forecast of 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 reliability and growth at Tampa Electric and PGS; the programs for transmission and distribution system storm hardening and transmission system reliability requirements; and incremental investments above normal maintenance capital to expand the PGS system and production 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).

Financing Activity

Our year-end 2010 consolidated capital structure was 60% debt and 40% common equity. The debt-to-total-capital ratio has improved significantly over the past four years, primarily due to the repayment of more than $900 million of parent and parent guaranteed debt, consisting of $765 million in 2007 and a net $189 million in 2010, as well as the increase in retained earnings. At Dec. 31, 2010, Tampa Electric Company's year-end capital structure was 49% debt and 51% common equity.

In 2010, we raised $3.6 million of equity primarily through our dividend reinvestment plan.

In December 2010, Tampa Electric Company completed an exchange offer (the Exchange Offer) which resulted in the exchange of $278.5 million principal amount of Tampa Electric Company notes for $278.5 million principal amount of Tampa Electric Company 5.40% Notes due 2021. The Exchange Offer resulted in the exchange of $131.5 million

principal amount of Tampa Electric Company 6.875% Notes due 2012 and $147.0 million principal amount of Tampa Electric Company 6.375% Notes due 2012 for $278.5 million principal amount of Tampa Electric Company 5.40% Notes due 2021. After the Exchange Offer, $118.5 million principal amount of Tampa Electric Company 6.875% Notes due 2012 and $253.0 million principal amount of Tampa Electric Company 6.375% Notes due 2012 remain outstanding.

In December 2010, TECO Energy and TECO Finance redeemed $73.2 million and $163.1 million, respectively, of 7.0% notes due May 1, 2012. The redemption price was equal to $1,089.73 per $1,000 principal amount of notes redeemed, plus accrued and unpaid interest on the redeemed notes up to the redemption date. In connection with this transaction, a $13.2 million charge for premiums and fees was recorded at TECO Energy Parent & other (see the **2010 Reconciliation of GAAP net income from continuing operations to non-GAAP results** table).

In November 2010, the PCIDA issued $75.0 million Solid Waste Disposal Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010, in a term-rate mode pursuant to the terms of the Loan and Trust Agreement governing those bonds. Proceeds of the bonds were used to redeem $75.0 million Polk County Industrial Development Authority (PCIDA) Solid Waste Disposal Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 bonds, which previously had been in auction rate mode and were held by Tampa Electric Company since Mar. 26, 2008. The Series 2010 bonds bear interest at 1.50% per annum and are subject to mandatory tender for purchase on Mar. 1, 2011. Tampa Electric Company entered into a Loan and Trust Agreement with the PCIDA, as issuer, and The Bank of New York Trust Company, N.A., as trustee, in connection with the issuance of the Series 2010 Bonds. Tampa Electric Company is responsible for payment of the interest and principal associated with the bonds.

On Mar. 26, 2008, Tampa Electric Company purchased in lieu of redemption $75.0 million PCIDA Solid Waste Disposal Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 and $20 million Hillsborough County Industrial Development Authority (HCIDA) Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007C (collectively, the "2007 Bonds"). After the Nov. 15, 2010 issuance of the Series 2010 PCIDA Bonds, $20 million of bonds purchased in lieu of redemption were held by the trustee at the direction of Tampa Electric Company as of Dec. 31, 2010 (the "Held Bonds") to provide an opportunity to evaluate refinancing alternatives. The Held Bonds effectively offset the outstanding debt balances and are presented net on the balance sheet.

In April 2010, TECO Energy redeemed $100 million aggregate principal amount of its 7.2% Notes due 2011. The redemption price was equal to $1,066.38 per $1,000 principal amount of notes redeemed, plus accrued and unpaid interest on the redeemed notes up to the redemption date. In connection with this transaction, a $4.1 million charge for premiums and fees was recorded at TECO Energy Parent & other (see the **2010 Reconciliation of GAAP net income from continuing operations to non-GAAP results** table).

In April 2010, TECO Energy redeemed all of the outstanding $100 million aggregate principal amount of its Floating Rate Notes due 2010. The redemption price was equal to 100% of the principal amount of notes redeemed, plus accrued and unpaid interest on the redeemed notes up to the redemption date.

In March, 2010, TECO Energy and TECO Finance completed debt tender offers which resulted in the purchase of $70 million principal amount of TECO Energy notes for cash and approximately $230 million principal amount of TECO Finance notes for cash. The tender offers resulted in the purchase and retirement of: $43.0 million principal amount of TECO Energy 7.2% Notes due 2011; $27.0 million principal amount of TECO Energy 7.0% Notes due 2012; $156.9 million principal amount of TECO Finance 7.2% Notes due 2011; $73.1 million principal amount of TECO Finance 7.0% Notes due 2012. In connection with this transaction, a $16.2 million charge for premiums and fees was recorded at TECO Energy Parent & other (see the **2010 Reconciliation of GAAP net income from continuing operations to non-GAAP results** table).

In March 2010, TECO Finance, Inc. issued $250 million aggregate principal amount of 4.00% Notes due Mar. 15, 2016 and $300 million aggregate principal amount of 5.15% Notes due Mar. 15, 2020. The 2016 Notes were priced at 99.594% of the principal amount to yield 4.077% to maturity, and the 2020 Notes were priced at 99.552% of the principal amount to yield 5.208% to maturity. TECO Finance is a wholly-owned subsidiary of TECO Energy whose business activities consist solely of providing funds to TECO Energy for its diversified activities. The TECO Finance notes are fully and unconditionally guaranteed by TECO Energy.

The offering resulted in net proceeds to TECO Finance (after deducting underwriting discounts and commissions and estimated offering expenses) of $543.5 million. TECO Finance used a portion of these net proceeds to fund the cash purchase of the TECO Energy and TECO Finance notes tendered in March 2010 (see "TECO Energy, Inc. and TECO Finance, Inc. Tender Offers" described above) and to fund the redemptions of the TECO Energy Floating Rate Notes due 2010 and 7.20% Notes due 2011 in April 2010.

In July 2009, Tampa Electric Company completed an offering of $100 million aggregate principal amount of 6.10% Notes due May 15, 2018. These notes were sold at 102.988% of par. The offering resulted in net proceeds (after deducting underwriting discounts and commissions and estimated offering expenses) of $102.0 million. Net proceeds were used to repay short-term debt and for general corporate purposes.

Effective Jan. 1, 2010, new accounting standards for consolidations amended the determination of the primary beneficiaries for variable interest entities. As a result of adopting these standards, TECO Guatemala, Inc., a wholly-owned subsidiary of TECO Energy, was determined to be the primary beneficiary of, and therefore required to consolidate, both the TCAE and CGESJ projects in Guatemala. The consolidation resulted in a net $44.4 million increase of non-recourse debt.

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.

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, 2010, we had net deferred income tax assets of $57.3 million, attributable primarily to property-related items, alternative minimum tax credit carryforwards, operating loss carryforwards, foreign tax credits and a valuation allowance. Based primarily on historical income levels and the company's expectations for steady future earnings growth, management has determined that the net deferred tax assets recorded at Dec. 31, 2010 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, both operating and capital, 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**).

The Financial Accounting Standards Board (FASB) has guidance that 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 uncertainty in income taxes in **Note 4** to the **TECO Energy Consolidated Financial Statements**.

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 members of 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, salary increases and discount 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.

We believe that the accounting related to employee postretirement benefits is a critical accounting estimate for the following reasons: 1) a change in the estimated benefit obligation could have a material impact on reported assets, accumulated other comprehensive income and results of operations; and 2) changes in assumptions could change our annual pension funding requirements, having a significant impact on our annual cash requirements.

Pension plan assets (plan assets) are invested in a mix of equity and fixed income securities. 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 reflects current economic conditions. This technique matches the yields from high-quality (AA-rated, 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 assumption, which is subject to change each year. The compensation 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% decrease in the assumed rate of return on plan assets would have decreased 2010 net income by approximately $4.4 million. Likewise, a 1% decrease in the discount rate assumption would have resulted in an approximately $5.3 million decrease in 2010 net income. For 2011, a 1% decrease in the discount rate assumption would result in an approximately $3.2 million increase in the expected pension cost. A 1% decrease in the assumed rate of return on plan assets would result in an approximately $5.0 million increase in expected pension cost.

Unrecognized actuarial gains and losses are being recognized over a period of up to 9 years, 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 applicable accounting guidance 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. In March 2010, the Patient Protection and Affordability Care Act and a companion bill, the Health Care and Education Reconciliation Act, combined the Health Care Reform Acts, were signed into law. Among other things, both acts reduce the tax benefits available to an employer that receives the Medicare Part D subsidy, resulting in a write-off of any associated deferred tax asset. As a result, TECO Energy reduced its deferred tax asset by $6.4 million and recorded a corresponding charge of $1.1 million and a regulatory tax asset of $5.3 million.

Additionally, the Health Care Reform Acts contain other provisions that may impact TECO Energy's obligation for retiree medical benefits. In particular, the Health Care Reform Acts include a provision that imposes an excise tax on certain high-cost plans beginning in 2018, whereby premiums paid over a prescribed threshold will be taxed at a 40% rate. TECO Energy does not currently believe the excise tax or other provisions of the Health Care Reform Acts will materially increase its postretirement benefit obligation. Accordingly, a re-measurement of TECO Energy's postretirement benefit obligation is not required at this time. However, TECO Energy will continue to monitor and assess the impact of the Health Care Reform Acts, including any clarifying regulations issued to address how the provisions are to be implemented, on its future results of operations, cash flows or financial position.

The key assumptions used in determining the amount of obligation and expense recorded for postretirement benefits other than pension (OPEB), under the applicable accounting guidance, include the assumed discount rate and the assumed rate of increases in future health care costs. In 2009 we elected to begin determining the discount rate for the OPEB using that individual plan's projected benefit cash flow rather than using the same discount rate that was determined for the pension plan. 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 (MMA) was enacted. MMA 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 guidance that 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 the guidance 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 (APBO) at Dec. 31, 2010 by $35.3 million and increased net income for 2010 by $1.8 million. In 2010, we filed for and received a Part D subsidy of $0.8 million for the first three quarters of 2010. Payments for the fourth quarter of 2010 have not been received yet. The Health Care Reform Acts eliminated the tax-free status of those subsidies beginning in 2013.

The assumed health care cost trend rate for medical costs was 8.0% in 2010 and decreases to 4.50% in 2023 and thereafter. A 1% increase in the health care trend rates would have produced a 3.1% increase in the aggregate service and interest cost for 2010, which would have decreased net income $0.5 million, and a 3.8% increase in the accumulated postretirement benefit obligation as of Dec. 31, 2010, the measurement date.

A 1% decrease in the health care trend rates would have produced a 3.2% decrease in the aggregate service and interest cost for 2010, which would have increased net income $0.4 million, and a 3.2% decrease in the accumulated postretirement benefit obligation as of Dec. 31, 2010, 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 the discussion of employee postretirement benefits in **Note 5** to the TECO Energy **Consolidated Financial Statements**.

Evaluation of Assets for Impairment

Long-Lived Assets

In accordance with accounting guidance for 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 Dec. 31, 2010, there were no indications of impairment for any of the company's long-lived assets.

Goodwill

Under the accounting guidance for goodwill, goodwill is not subject to amortization. Rather, goodwill is subject to an annual (or more frequently if events and circumstances indicate a possible impairment) assessment for impairment at the reporting unit level. 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.

At Dec. 31, 2010, the company had $55.4 million of goodwill on its balance sheet, which is reflected in the TECO Guatemala segment. This goodwill balance arose from the purchase of multiple entities as a result of the company's investments in its San José and Alborada power plants ($52.3 million and $3.1 million, respectively). Since these two investments are one level below the operating segment level, discrete cash flow information is available, and management regularly reviews their operating results separately. This is the reporting unit level at which potential impairment is tested. At Dec. 31, 2010, there was no impairment of this goodwill.

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 accounting guidance for certain types of regulation. This guidance 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.

As a result of regulatory treatment and corresponding accounting treatment, we expect that the impact on utility costs and required investment associated with future changes in environmental regulations would create regulatory assets. Current regulation in Florida allows utility companies to recover from customers prudently incurred costs (including, for required capital investments, depreciation and a return on invested capital) for compliance with new environmental regulations through the ECRC (see the **Environmental Compliance** and **Regulation** sections).

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. We believe the application of regulatory accounting guidance is a critical accounting policy since 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

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the Financial Accounting Standards Board (FASB) issued guidance requiring improved disclosures about the credit quality of a company's financing receivables and their associated credit reserves. The guidance is effective for interim and annual periods that end after Dec. 15, 2010. This guidance did not have any effect on the company's results of operations, statement of position or cash flows.

Subsequent Events

In February 2010, the FASB issued additional guidance related to subsequent event disclosure. The guidance was effective upon issuance and has no effect on the company's results of operations, statement of position or cash flows.

Fair Value Measures and Disclosures

In January 2010, the FASB issued guidance that requires entities to disclose more information regarding the movements between Levels 1 and 2 of the fair value hierarchy. The guidance was effective for fiscal years that begin after Dec. 15, 2010, and for interim periods within that year. This guidance will not have any effect on the company's results of operations, statement of position or cash flows.

INFLATION

The effects of general inflation on our results have not been significant for the past several years. The annual average 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 1.5%, 2.7% and 3.8% in 2010, 2009 and 2008, respectively. The current economic situation and the state of the economic recovery cause the outlook for 2011 to be stronger than 2010. Reports published by the Federal Reserve Bank of Atlanta indicate that CPI-U is expected to rise 1.7% in 2011.

ENVIRONMENTAL COMPLIANCE

Environmental Matters

Among our companies, Tampa Electric has the most significant number of stationary sources with air emissions regulated by the Clean Air Act, material Clean Water Act implications, and that may be impacted by possible federal and state legislative initiatives. Tampa Electric has undertaken major steps to dramatically reduce its air emissions through a series of voluntary actions, including technology selection (e.g., IGCC and conversion of coal-fired units to natural-gas fired combined cycle); implementation of a responsible fuel mix taking into account price and reliability impacts to its customers; a substantial capital expenditure program to add Best Available Control Technology (BACT) emissions controls; implementation of additional controls to accomplish early reductions of certain emissions; and enhanced controls and monitoring systems for certain pollutants. Together, these improvements 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.

Air Quality Control

Consent Decree

Tampa Electric, through voluntary negotiations with the U.S. Environmental Protection Agency (EPA), the U.S. Department of Justice (DOJ) 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, a provision was made for environmental controls and pollution reductions, and Tampa Electric implemented 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 on Big Bend Units 1 through 4, and the repowering of the coal-fired Gannon Power Station to natural gas, which was renamed as the H. L. Culbreath Bayside Power Station (Bayside Power Station), in 2003 and 2004. Upon completion of the conversion, the station capacity was approximately 1,800 megawatts (nominal) of natural gas-fueled, combined-cycle electric generation. The repowering has reduced the facility's NO_x and SO_2 emissions by approximately 99% and particulate matter (PM) emissions by approximately 92% from 1998 levels.

In 2004, Tampa Electric made its NO_x reduction technology selection and decided to install SCR systems for NO_x control on the four coal-fired Big Bend units. The units were reported in-service in May 2007, June 2008, May 2009 and May 2010.

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 Power 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). Cost recovery for the SCRs began for each unit in the year that the unit entered service.

In November 2007, Tampa Electric entered into an agreement with the EPA and DOJ for a Second Amendment to the Consent Decree. The Second Amendment: 1) establishes a 0.12 lb/MMBtu NO_x limit on a 30-day rolling average for Big Bend Units 1 through 3, which is lower than the original Consent Decree, which had a provision for a limit as high as 0.15 lb/MMBtu depending on certain conditions; 2) allows for the sale of NO_x allowances gained as a result of surpassing the emission limit goals of the Consent Decree; and 3) calls for Tampa Electric to install a second PM Continuous Emissions Monitoring System and potentially replace the originally installed system if the new system is successful.

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 emissions from its facilities by 164,000 tons, 63,000 tons and 4,500 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 the Big Bend Power Station are capable of removing more than 95% of the SO_2 emissions from the flue gas streams.

The repowering of the Gannon Power Station to the Bayside Power Station has resulted in a significant reduction in emissions of all pollutant types. With the completion of the final Big Bend SCR in May 2010, the SCR projects resulted in a total phased reduction of NO_x emissions by 63,000 tons per year from 1998 levels.

In total, Tampa Electric's emission reduction initiatives have resulted in the annual reduction of SO_2, NO_x and PM emissions by 94%, 91% and 87% in 2010, respectively, below 1998 levels. With these state-of-the-art improvements in place, Tampa Electric's activities have helped to significantly enhance the quality of the air in the community. As a result of all its completed emission reduction actions, Tampa Electric has achieved emission reduction levels called for in Phase I of the Clean Air Interstate Rule (CAIR). In July 2008, U.S. Court of Appeals for the District of Columbia Circuit vacated CAIR on emissions of SO_2 and NO_x. The federal appeals court reinstated CAIR in December 2008 as an interim solution.

On Sep. 16, 2009, the EPA announced it would reconsider its 2008 decision setting national standards for ground-level ozone. The EPA is reconsidering the standards to ensure they are grounded in science, protect public health with an adequate margin of safety, and are sufficient to protect the environment. Much of the State of Florida is not expected to meet the current ground-level ozone standards and will most likely be deemed non-attainment. A non-attainment area is an area that does not meet National Ambient Air Quality Standards under the Clean Air Act. States not in compliance will establish State Implementation Plans (SIP). Compliance with a Florida SIP may be accomplished by utilizing existing controls to a greater extent or installing new control technology to make further reductions. Future power generation expansion in a non-attainment classification would require purchasing emissions offsets or making reductions in existing Tampa Electric facilities to generate offsets.

In July 2010, the EPA proposed a new rule, Clean Air Transport Rule (CATR) to replace CAIR. CATR is focused on reducing SO_2 and NO_x in 31 eastern states and the District of Columbia. Compliance with CATR, which would be measured at the individual power plant level, would most likely require the additions of scrubbers or SCRs on coal-fired power plants. In addition, the rule proposes intrastate emissions allowance trading and limited interstate emissions allowance trading to achieve compliance. The final rules are expected in 2011 with implementation in the 2012 to 2014 time frame. It is likely that the EPA will propose new ozone and particulate rules and would incorporate them into CATR. All of Tampa Electric's conventional coal fired units are already equipped with scrubbers and SCRs, and the Polk Unit 1 IGCC unit removes SO_2 in the gasification process.

The EPA is under a court order to issue rules in March 2011 to reduce Hazardous Air Pollutants (HAPS). These rules are expected to reduce mercury, acid gas, organics, and heavy metals emissions and require Maximum Achievable Control Technology (MACT). The final HAPS MACT rules are expected in late 2011 with implementation in 2014 or 2015. A potential outcome of the HAPS MACT rule is the retirement of smaller, older coal-fired power plants that do not already have emissions controls installed. All of Tampa Electric's conventional coal fired units are already equipped with scrubbers and SCRs, and the Polk Unit 1 IGCC unit emissions are minimized in the gasification process, therefore Tampa Electric expects the co-benefits of these control devices to minimize the impact of this rule.

Reductions in mercury emissions have occurred due to the repowering of the Gannon Power Station to the Bayside Power Station. At the Bayside Power Station, where mercury levels have decreased 99% below 1998 levels, there are virtually zero mercury emissions. Additional mercury reductions have been achieved from the installation of NO_x controls at Big Bend Power Station, which have led to a reduction of mercury emissions of more than 75% from 1998 levels. The Clean Air Mercury Rule (CAMR) Phase I requirements were scheduled for implementation in 2010. CAMR was vacated by the U.S. Court of Appeals for the District of Columbia Circuit on Feb. 8, 2008. Prior to the court's decision Tampa Electric expected that it would have been in compliance with CAMR Phase I without additional capital investment.

Carbon Reductions

Tampa Electric has historically supported voluntary efforts to reduce carbon emissions and has 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 20%, bringing emissions to near 1990 levels. Tampa Electric expects emissions of CO_2 to remain near 1990 levels until the addition of the next baseload unit, which is not expected until after 2014 (see the **Tampa Electric** and **Capital Expenditures** sections). Tampa Electric estimates that the repowering to natural gas and the shut-down of the Gannon Station coal-fired units resulted in an annual decrease in CO_2 emissions of approximately 4.8 million tons below 1998 levels. During this same time frame, the numbers of retail customers and retail energy sales have risen by approximately 25%.

Tampa Electric's voluntary activities to reduce carbon emissions also include membership in the U.S. Department of Energy's Climate Challenge (now Power Partners) program since 1994, voluntary annual reporting of greenhouse gas (GHG) emissions through the Energy Information Agency (EIA) EIA-1605(b) Report beginning in 1995 and participation in the Chicago Climate Exchange (CCX), a voluntary but legally binding cap and trade program dedicated to reducing GHG emissions since 2003. Because of Tampa Electric's membership in the CCX, its reported CO_2 emissions are audited annually by the Financial Industry Regulatory Authority (formerly National Association of Securities Dealers), which has certified the results thus far. In January 2008, the CCX recognized Tampa Electric for achieving its Phase I GHG participation targets for CO_2 reduction. While the commitment required in Phase I was a reduction of 4% below the average of the year 1998 – 2001, Tampa Electric surpassed this level with an actual reduction of approximately 20%.

Recently the EPA issued its Final Rule on the mandatory reporting of GHGs, requiring facilities that emit 25,000 metric tons or more of CO_2 per year to begin collecting GHG data under a new reporting system on Jan. 1, 2010, with the first annual report due Mar. 31, 2011. Tampa Electric expects to comply with the mandatory reporting requirement, in large part utilizing the same methods and procedures utilized for the voluntary activities.

Climate Change

There are pending legislative and regulatory initiatives on the federal and state levels to establish programs that would require reductions in GHG emissions. While the timing of passage of any federal legislation into law remains uncertain, we will participate in the debate in an effort to encourage a comprehensive environmental approach to carbon emission reductions that maintains a reliable energy supply at affordable prices. In order to meet the reduction contemplated, Tampa Electric could be required to make significant additional capital investments in technologies to reduce GHG that are not yet commercially viable.

On Dec. 15, 2009, the EPA published the final Endangerment Finding in the Federal Register. Although the finding is technically being made in the context of GHG emissions from new motor vehicles and does not in itself impose any requirements on industry or other entities, the finding will trigger GHG regulation of a variety of sources under the CAA. Related to utility sources, the EPA's "tailoring rule" rule, which addresses the GHG emission threshold triggers that would require permitting review of new and/or major modifications to existing stationary sources of GHG emissions, became effective Jan. 2, 2011. While this rule does not have an immediate impact on Tampa Electric's on-going operations, it will factor into any permitting activities for new and modified fossil-fuel fired electric generating units going forward.

At the state level, activities aimed at reducing Florida's GHG emissions were initiated through the former Governor's Executive Orders in 2007 and broad energy and climate legislation was passed by the state legislature. However, the process has since slowed and is likely to be pushed out since the issue has become increasingly active at the federal level.

The company is examining various options relating to its carbon emissions. At this time, Tampa Electric expects to meet its needs for its next baseload generating capacity with natural gas fired combined-cycle technology, as well as

energy efficiency programs and renewable resources (see the **Tampa Electric** section). While natural gas has lower carbon emissions than coal, fuel price changes have the potential to make natural gas generating facilities less economic than coal-fired facilities. Large-scale fuel switching from coal to natural gas by utilities could increase natural gas prices, which would reduce the economic efficiency of natural gas generation facilities. Increased costs for electricity may cause customers to change usage patterns, which would impact Tampa Electric's sales.

Tampa Electric currently emits approximately 16.6 million tons of CO_2 per year. Assuming a projected long-term average annual load growth of 1.0% - 2.0%, Tampa Electric may emit approximately 19.8 million tons of CO_2 (an increase of approximately 19%) by 2020 if natural gas-fired peaking and combined-cycle generation additions are used to meet growing customer needs.

Tampa Electric expects that the costs to comply with new environmental regulations would be eligible for recovery through the ECRC. If approved as prudent, the costs required to comply with CO_2 emissions reductions would be reflected in customers' bills. If the regulation allowing cost recovery is changed and the cost of compliance is not recovered through the ECRC, Tampa Electric could seek to recover those costs through a base-rate proceeding, but can not predict whether the FPSC would grant such recovery. Although Tampa Electric's current coal-based generation has declined to less than 60% of its output in 2010 from 95% of its output in 2002, due primarily to the conversion of the coal-fired Gannon Power Station into the natural gas-fired Bayside Power Station, coal fired facilities remain a significant part of Tampa Electric's generation fleet and additional coal units could be used in the future.

In the case of TECO Guatemala, the coal-fired San José Power Station in Guatemala is in compliance with current World Bank and Guatemalan Environmental Guidelines. While there are no known plans for legislation mandating GHG reductions in Guatemala, new rules or regulations could require additional capital investments or increase operating costs.

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

Renewable Energy

Renewables are a component of Tampa Electric's environmental portfolio. Tampa Electric's renewable energy program offers to sell renewable energy as an option to customers and utilizes energy generated in the state from renewable sources (e.g. biomass and solar). To date, 39 million kWh of renewable energy have been produced to support participating customer requirements.

Tampa Electric has installed 81.7 kilowatts of solar panels to generate electricity from the sun at two schools, Tampa Electric's Manatee Viewing Center, the Museum of Science and Industry, Tampa's Lowry Park Zoo and the Florida Aquarium, and continues to evaluate opportunities for additional solar panel installations. Tampa Electric's largest solar panel array, rated at 23.8 kilowatts, is located at Tampa Electric's Manatee Viewing Center in Apollo Beach, Florida. The electricity the photovoltaic array generates, which flows to Tampa Electric's grid, could offset the carbon dioxide emissions produced by four typical-size cars in a year. The company continues to evaluate opportunities for additional solar panel installations. In the area of 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, where it was ground and mixed with the pulverized coal slurry used in the plant's gasifier.

Despite the emphasis on the use of renewable energy sources, an FPSC study conducted by Navigant Consulting in 2008 indicates that only under the most favorable conditions of high customer incentives, a mature Renewable Energy Credit (REC) market and a high revenue rate cap would allow utilities to achieve the former Governor's renewable energy target. The Navigant study also found that solar photovoltaic power generation and biomass were the most viable sources of renewable energy and that Florida was a poor location for either significant land based wind generation or concentrating solar generation. While support for tax incentives for renewable energy development specific to regional disparities may facilitate the development of new sources, mandates for renewable portfolios at high percentages create concerns that RECs will have to be purchased to meet the mandate, rates for customers will grow rapidly and such mandates are not likely to result in significant quantities of renewable energy sources to be developed in the state. A mandatory renewable energy portfolio standard could add to Tampa Electric's costs and adversely affect its operating results.

In Florida, the Executive Orders tasked the FPSC with evaluating a renewable portfolio target of 20% by 2020. The 2008 Energy Bill directed the FPSC to draft a rule for a RPS to be presented to the Florida Legislature for ratification, but did not specify targets and timeframes. Under this direction, the FPSC submitted recommendations for ratification, but ultimately the Legislature did not ratify the rule in the 2009 session and is not expected to do so going forward. While renewable energy issues remain a part of the discussion in Florida, and many groups are emphasizing the need for renewable energy legislation, the Legislature may take up the issue of renewables in the upcoming legislative session in 2011, but prospects are uncertain.

Although the U.S. Congress has considered, but to date has not passed, a federal RPS, there is likely to be an increased

emphasis on the passage of a federal RPS. Tampa Electric could incur significant costs to comply with a high percentage renewable energy portfolio standard, as proposed, and its operating results could be adversely affected if the company were not permitted to recover these costs from customers, or if customers change usage patterns in response to increased rates.

Water Supply and Quality

The EPA's final Clean Water Act Section 316(b) rule became effective Jul. 9, 2004. The rule established aquatic protection requirements for existing facilities that withdraw 50 million gallons or more of water per day from rivers, streams, lakes, reservoirs, estuaries, oceans, or other U.S. waters for cooling purposes. Tampa Electric uses water from Tampa Bay at its Bayside and Big Bend facilities as cooling water. Both plants use mesh screens to reduce the adverse impacts to aquatic organisms and Big Bend units 3 and 4 use proprietary fine-mesh screens, the best available technology, to further reduce impacts to aquatic organisms. Subsequent to promulgation of the rule, a number of states, environmental groups and others sought judicial review of the rule. On Jan. 25, 2007, the U.S. Court of Appeals for the Second Circuit overturned and remanded several provisions of the rule to the EPA for revisions. Among other things, the court rejected the EPA's use of "cost-benefit" analysis and suggested some ways to incorporate cost considerations. The Supreme Court agreed to review the Second Circuit's decision and heard arguments in December 2008. The EPA decided to rewrite the rule, and expects to propose a new rule in 2011. The full impact of the new regulations will depend on subsequent legal proceedings, the results of studies and analyses performed as part of the rules' implementation, and the actual requirements established by state regulatory agencies.

On Dec. 6, 2010, the EPA published its final rule, setting numeric nutrient criteria for Florida's lakes and flowing waters. The final rule is being challenged in the courts by numerous parties, including the State of Florida. The final rule sets numeric limits for nitrogen and phosphorous in lakes and streams and for nitrate plus nitrite in springs. The EPA promulgated the rule pursuant to the terms of a consent decree approved by the court in Florida Wildlife Federation v. Jackson, 08-0324 (N.D. Fla.), in which environmentalists sued the Agency for allegedly violating a duty under the Federal Water Pollution Control Act (Clean Water Act or Act) to set the numeric criteria. In response to comments raising numerous implementation concerns, the EPA decided to delay the effective date of the criteria until 15 months after publication. The EPA announced that, in the interim, it will undertake a series of implementation steps in Florida, including an "education and outreach rollout," training meetings, and the development of guidance materials to coincide with the expected comment period on proposed site-specific alternative criteria. If the rule is implemented as adopted, it would directly affect Polk Power Station's cooling reservoir discharge to surface water, requiring the station to reduce the amount of nutrients in the cooling reservoir water before discharge. However, the full effect of the EPA's numeric nutrient criteria will depend on the outcome of various legal proceedings. Also pursuant to the aforementioned consent decree, the EPA will propose numeric criteria for estuaries and coastal waters by November 2011, and finalize the rules by August 2012 pending the outcome of the previously described legal challenges.

The Big Bend, Bayside and Polk Power stations also use water on a daily basis to generate electricity with steam and to operate emission control devices (e.g. its scrubbers to reduce SO_2 emissions, water injection to reduce NO_x emissions). Water recycling and beneficial reuse programs are widely employed in the fresh water systems at all three power stations to reduce demand on higher-cost water sources such as municipal water systems.

In December 2010, Clintwood Elkhorn Mining Company, a subsidiary of TECO Coal, received an Administrative Order from the EPA relating to the discharge of wastewater associated with inactive mining operations in Pike County, Kentucky. TECO Coal is in the process of responding to such matter, and the scope and extent of its potential liability, if any, and the costs of any required investigation and remediation related to its inactive mining operations in the area have not been determined.

Section 404 of the Clean Water Act and Coal Surface Mine Permits

For the past several years, new permits issued by the USACE under Section 404 of the Clean Water Act for new surface coal mining operations have been challenged in court by various environmental groups resulting in a backlog of permit applications and very few permits being issued.

On Apr. 1, 2010, the EPA issued new guidance on environmental permitting requirements for Appalachian mountain top removal and other surface mining projects. The guidance limits conductivity (level of mineral salts) in water discharges into streams from permitted areas, and was effective immediately on an interim basis. The EPA will decide whether to modify the guidance after consideration of public comments and the results of the SAB technical review of the EPA scientific reports, which is expected in April 2011. Because the EPA's standards appear to be unachievable under most circumstances, surface mining activity could be substantially curtailed since most new and pending permits would likely be rejected. This guidance could also be extended to discharges from deep mines and preparation plants, which could result in a substantial curtailing of those activities as well. This guidance is facing legal challenges from coal mining industry-related organizations and states relating to the stringency of the standards as well as the focus on the coal industry and the Appalachian region in particular.

Conservation

Energy conservation is becoming increasingly important in a period of volatile energy prices and in the GHG emissions reduction debate. In 2007, the Governor signed three Executive Orders aimed at reducing Florida's emissions of GHG, which included a directive for the development of new policies to enhance energy efficiency and conservation statewide. The Climate Action Team described above completed a final report by the October 2008 deadline and included policy recommendations on energy efficiency and conservation targets which may either be used in the development of new legislation or in the augmentation of existing FPSC regulation.

During 2010, Tampa Electric offered customers 27 comprehensive programs to conserve energy. These programs were designed to reduce peak energy demand which allows Tampa Electric to delay construction of future generation facilities. Since their inception, these conservation programs have reduced the summer peak demand by 273 megawatts, and the winter peak demand by 687 megawatts. These programs and their costs are approved annually by the FPSC with the costs recovered through a clause on the customer's bill. In addition, PGS offers programs that enable customers to reduce their energy consumption with the costs also recovered through a clause on the customer's bill.

In December 2009, the FPSC established new demand-side-management (DSM) goals for 2010-2019 for all investor-owned electric utilities. For Tampa Electric, the summer and winter demand goals are 138 and 109 megawatts, respectively, and the annual energy goal is 360 gigawatt hours. These goals are very aggressive and represent as much as a 300 percent increase over the company's previous goals.

Tampa Electric developed its DSM plan designed to meet the new goals and filed the plan with the FPSC in March 2010. The plan contained 36 programs that include two offerings promoting the renewable technologies of photovoltaics and solar water heating. Final approval of the plan occurred in November 2010. The company is actively developing the infrastructure necessary to support and promote the new plan and expects to make the programs available to customers during the second quarter of 2011.

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, 2010, Tampa Electric Company has estimated its ultimate financial liability to be approximately $21.3 million (primarily related to PGS), and this amount has been reflected in the company's financial statements. This amount is higher than prior estimates to reflect a 2010 study for the costs of remediation primarily related to one site. 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. Under current regulation, these additional costs would be eligible for recovery through customer rates.

In October 2010, the EPA notified Tampa Electric Company that it is a PRP under the federal Superfund law for the proposed contaminated soil removal action and further clean up, if necessary, at a property owned by Tampa Electric Company in Tampa, Florida. The property owned by Tampa Electric Company is undeveloped except for location of transmission lines and poles, and is adjacent to an industrial site, not owned by Tampa Electric Company, which the EPA has studied since 1992 or earlier. The EPA has asserted this potential liability due to Tampa Electric Company's ownership of the property described above but, to the knowledge of Tampa Electric Company, is not based upon any release of hazardous substances by Tampa Electric Company. Tampa Electric Company is in the process of responding to such matter, and the scope of its potential liability, if any, and the costs of any required investigations and remediation have not been determined.

In 2004 Merco Group at Adventura Landings I, II, and III (together Merco) filed suit against PGS in Dade County Circuit Court alleging that coal tar from a certain former PGS manufactured gas plant site had been deposited in the early 1960s onto property owned by Merco. PGS contends that the coal tar did not originate from is manufactured gas plant site

and has filed a third-party complaint against Continental Holdings, Inc. as the owner at the relevant time of the site that PGS believes was the source of the coal tar on Merco's property. Trial in this matter is scheduled for April 2011. At this time, the ultimate resolution of this proceeding is uncertain and no potential loss has been accrued (see **Footnote 12** to the TECO Energy **Consolidated Financial Statements**).

Coal Combustion Byproducts Recycling

The combustion of coal at two of Tampa Electric's power generating facilities, the Big Bend and Polk Power stations, produces ash and other byproducts, collectively known as Coal Combustion Byproducts (CCBs). The CCBs produced at Big Bend include fly ash, gypsum, boiler slag, bottom ash and economizer ash. The CCBs produced at the Polk Power Station include gasifier slag and sulfuric acid. Overall, over 97% of all CCBs produced at these facilities were marketed to customers for beneficial use in commercial and industrial products in 2010.

In response to the TVA Kingston coal ash pond failure in December 2008, the EPA proposed new regulations for the management and disposal of CCBs. These proposed rules include two potential designations of CCBs both of which are intended to eliminate unlined wet impoundments. One designation would categorize CCBs as hazardous wastes. The other proposed rule would set minimum standards for the final disposal of CCBs. In addition, these rules would prohibit construction of new unlined by-product storage ponds and place additional management requirements on existing ash ponds such as those at Big Bend. Only the hazardous designation would be expected to affect Tampa Electric's current management practices and storage facilities for CCBs. Required changes would include disposing of any CCB waste as Hazardous Waste, converting to dry handling of coal ash, and elimination of any wet storage impoundments in current use. The non-hazardous option would not be expected to have as great an impact on Tampa Electric, since this option would allow for the continued operation of lined wet impoundments and all of its CCB storage areas are either lined or are in the process of being lined in accordance with current requirements.

REGULATION

Tampa Electric's and PGS' retail operations 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 provides an opportunity for the utility to collect total revenues (revenue requirements) equal to its cost to provide service, plus a reasonable return on invested capital.

For both Tampa Electric and PGS, the costs of owning, operating and maintaining the utility systems, excluding fuel and conservation costs as well as purchased power and certain environmental costs for the electric system, are recovered through base rates. These costs include operation and maintenance expenses, depreciation and taxes, as well as a return on investment in assets used and useful in providing electric and natural gas distribution services (rate base). The rate of return on rate base, which is intended to approximate the individual company'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 (ROE). Base rates are determined in FPSC revenue requirement and rate setting hearings which occur at irregular intervals at the initiative of Tampa Electric, PGS, 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 and ancillary 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 the **Environmental Compliance** section).

Tampa Electric - Base Rates

Tampa Electric's rates and allowed ROE range of 10.25% to 12.25%, with a midpoint of 11.25%, which was established in 2009, 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's 13-month average regulatory ROE was 8.7% at the end of 2008 compared to an authorized midpoint of 11.75%, due to lower customer growth, slower energy sales growth, and ongoing high levels of capital investment. As a result, Tampa Electric filed for a $228 million base rate increase in August 2008. In March 2009, the FPSC awarded $104 million higher revenue requirements effective in May 2009 that authorized an ROE mid-point of 11.25%, 54.0% equity in the capital structure, and 2009 13-month average rate base of $3.4 billion. A component of that decision was a $33.5 million 2010 base rate increase associated with the five peaking CTs and the solid-fuel rail unloading facilities at the Big Bend Power Station scheduled to enter service before the end of 2009. The FPSC later clarified that it would perform an

audit to review the continuing need for the CTs and the costs incurred to place the CTs and rail unloading facilities in service.

In July 2009, in response to a motion for reconsideration, the FPSC determined that adjustments to the capital structure used to calculate the rates effective in 2009 should have been calculated over all sources of capital rather than only investor sources. This change resulted in a $9.3 million increase in revenue requirements in 2009 for a total increase of $113.6 million. At the same time, the FPSC voted to reject the intervenors' joint motion requesting reconsideration of the 2010 portion of base rates approved in 2009.

In September 2009, the intervenors filed a joint appeal to the Florida Supreme Court related to the FPSC's decision rejecting their motion for reconsideration of the 2010 portion of base rates approved in 2009.

In December 2009, the FPSC approved Tampa Electric's petition requesting an effective date of Jan. 1, 2010 for the proposed rates supporting the CTs and rail unloading facilities and based on its Staff audit of Tampa Electric's actual costs incurred, the FPSC determined the portion of base rates approved in 2009 should be reduced by $8.4 million to $25.7 million, subject to refund. A regulatory proceeding was scheduled for October 2010 regarding the continuing need for the CTs, the appropriate amount to be recovered and the resulting rates.

In July 2010, Tampa Electric entered into a stipulation with the intervenors to resolve all issues related to the 2008 base rate case including the base rates effective Jan. 1, 2010 as well as the intervenors' appeal to the Florida Supreme Court. Under the terms of the stipulation, the $25.7 million rate increase would remain in effect for 2010, and Tampa Electric would make a one-time reduction of $24.0 million to customers' bills in 2010. Effective Jan. 1, 2011, and for subsequent years, rates of $24.4 million (a $1.3 million reduction from the $25.7 million in effect for 2010) related to the rate increase will be in effect.

In August 2010, the FPSC approved the July stipulation, as filed in Docket No. 090368-EI "Review of the continuing need and cost associated with Tampa Electric Company's 5 Combustion Turbines and Big Bend Rail Facility". This stipulation resolved all issues in the above docket and all issues in the intervenors' appeal of the FPSC's 2009 decision in Tampa Electric's base rate proceeding pending before the Florida Supreme Court. The docket related to the base rate proceeding is now closed. The one-time reduction of $24.0 million to customers' bills in 2010 was reflected in operating results as a reduction in revenue and base rates reflect a total rate increase of $137.6 million as of Jan. 1, 2011.

Tampa Electric-Cost Recovery Clauses

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 fuel, environmental compliance, conservation programs and purchased power costs and estimated customer usage for a calendar year recovery period, with a true-up adjustment to reflect the variance of actual costs to projected costs for prior periods. The FPSC may disallow recovery of any costs it considers unreasonable or imprudently incurred.

In September 2010, 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 2011. In November 2010, the FPSC approved Tampa Electric's requested rates. The rates include the projected cost for natural gas, oil and coal, including transportation, for 2011 and the net over-recovery of fuel, purchased power and capacity clause expenses, which were collected in 2010 and 2009. Rates in 2010 also reflected a two-block residential fuel factor structure with a lower factor for the first 1,000 kilowatt-hours used each month for the first time. Due to increased reliance on natural gas to fuel its generating fleet and continued low natural gas prices, Tampa Electric's residential customer rate per 1,000 kilowatt-hours decreased $5.22 from $112.73 in 2010 to $107.51 in 2011.

The FPSC determined 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 the Big Bend coal fired units for NO_x control in compliance with the environmental consent decree. The SCR for Big Bend Unit 4 was reported in-service in May 2007, the SCR for Big Bend Unit 3 was reported in-service in June 2008, the SCR for Big Bend Unit 2 was reported in-service in May 2009 and the SCR for Big Bend Unit 1 was reported in-service in May 2010, and cost recovery started in the respective in-service years (see the **Environmental Compliance** section).

Wholesale and Transmission Rate Cases

In July 2010, Tampa Electric filed wholesale requirements and transmission rate cases with the FERC. Tampa Electric's last wholesale requirements rate case was in 1991, and the associated service agreements were approved by the FERC in the mid-1990s.

The transmission rate case updates Tampa Electric's charges under its FERC-approved Open Access Transmission Tariff (OATT) for the various forms of wholesale transmission service it provides. These rates were last updated in 2003, pursuant to a settlement agreement between the company and its then transmission customers. The wholesale

requirements rate proceeding addresses the rates and terms and conditions of Tampa Electric's existing wholesale customers.

The FERC approved Tampa Electric's proposed transmission rates as filed with the FERC, which became effective Sep. 14, 2010, subject to refund. The FERC also approved Tampa Electric's proposed wholesale requirements rates, as filed with the FERC, to become effective Mar. 1, 2011, subject to refund. The proposed wholesale requirements and transmission rates are not expected to have a material impact on Tampa Electric's results.

A procedural schedule including technical and settlement conference dates has been approved by the settlement judge in each case. Technical and settlement conferences have been held in both cases, and the next settlement conference is scheduled for Mar. 15, 2011 in the requirements case.

Coal Transportation Contract

In 2003, following a request for proposal process, Tampa Electric executed a new five-year contract with TECO Transport, (at the time an affiliated company, now United Maritime, an unaffiliated company) effective Jan. 1, 2004, for waterborne coal transportation and storage services at market rates. Hearings regarding the prudence of the RFP process and final contract were held and a final order on the matter was issued in October 2004, which reduced the annual amount Tampa Electric could recover from its customers through the fuel adjustment clause for the water transportation services for coal and petroleum coke provided by TECO Transport through the expiration of that contract at the end of 2008. The annual disallowance was $8 million to $10 million, depending on the volumes and origination points of the coal shipments, which was reflected in our 2008 results. To settle a dispute with the FPSC that arose in 2008 over the calculation of the waterborne transportation disallowance over its five-year life, Tampa Electric recorded a $1.9 million charge in 2008 (see the **Tampa Electric** section).

Tampa Electric issued an RFP for solid fuel transportation services in October 2007. Tampa Electric structured the RFP to comply with the FPSC order issued in October 2004. New contracts for solid fuel deliveries were executed with United Maritime, AEP Memco and CSX Railroad prior to the expiration of the then existing contract with United Maritime on Dec. 31, 2008. The rail service contract provides Tampa Electric with bimodal capability for solid fuel transportation, which the FPSC had encouraged Tampa Electric to pursue, with the 2009 completion of construction of rail unloading facilities at the Big Bend Power Station (see the **Liquidity, Capital Resources** section). In its November 2010 fuel hearings, the FPSC approved the full recovery of rates for 2011 that included the costs associated with the contracts described above.

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, building and strengthening transmission and distribution systems that would minimize long-term outages and restoration costs.

The FPSC subsequently issued an order requiring all 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. Tampa Electric has implemented its plan and estimates the average incremental non-fuel operation and maintenance expense of this plan to be approximately $20 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. Future capital expenditures required under the storm hardening program are expected to average approximately $25 million annually for the foreseeable future.

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, 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.

FPSC rules require 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 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.

PGS Rates

PGS' rates and allowed ROE range of 9.75% to 11.75%, with a midpoint of 10.75%, which was established in 2009, 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 PGS, FPSC staff or other interested parties.

PGS' previous base rates became effective in January 2003. PGS' 2003 authorized rates provided an allowed ROE range from 10.25% to 12.25% with an 11.25% midpoint. At the end of 2007, PGS' 13-month average regulatory ROE was below the bottom of its allowed range as a result of higher operating costs, continued investment in the distribution system and higher costs associated with required safety requirements, such as transmission and distribution pipeline integrity management.

In August 2008, PGS filed for a $26.5 million base rate increase. In May 2009, the FPSC approved a $19.2 million increase in annual base rates, authorizing a new ROE range of 9.75% to 11.75% with a mid-point of 10.75% and an equity ratio of 54.7% for rates effective in June 2009.

As a result of the unprecedented cold winter weather in 2010, in the second quarter of 2010 PGS projected it would earn above the top of its ROE cap of 11.75% in 2010. PGS recorded a $9.2 million total provision related to the 2010 earnings above the top of the range. In December 2010, PGS and the Office of Public Counsel entered into a stipulation and settlement agreement requesting Commission approval that $3.0 million of the provision to be refunded to customers in the form of a credit on customers' bills in 2011, and the remainder be applied to accumulated depreciation reserves. On Jan. 25, 2011 the FPSC approved the stipulation.

PGS Cost Recovery Clauses

PGS recovers the costs it pays for gas supply and interstate transportation for system supply through the PGA clause. This clause 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 delivers to its customers. These charges may be adjusted monthly based on a cap approved annually during an FPSC hearing. The cap is based on estimated costs of purchased gas and pipeline capacity, and estimated customer usage for a calendar year recovery period, with a true-up adjustment to reflect the variance of actual costs and usage to projected charges for prior periods. In November 2010, the FPSC approved rates under PGS' PGA for the period January 2011 through December 2011 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, PGS customers (except interruptible customers) also pay a per-therm conservation charge for all gas. This charge is intended to permit PGS to recover 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, prudently incurred expenditures made in connection with these programs if it demonstrates 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, propane and fuel oil. PGS has taken actions to retain and expand its natural gas distribution business, including managing costs and providing high quality service to customers.

In Florida, gas service is unbundled for all non-residential customers. PGS has a "NaturalChoice" program, offering unbundled transportation service to all eligible customers and allowing non-residential customers and residential customers using more than 1,999 therms annually to purchase commodity gas from a third party but continue to pay PGS for the transportation. 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 15,700 transportation-only customers as of Dec. 31, 2010 out of approximately 32,400 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.

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 Policy with respect to interest rate risk exposures. Under the Policy, 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, our 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; and
- Price fluctuations for physical purchases of fuel at TECO Coal.

Our 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

Accounting standards for derivative instruments and hedging activities require us 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 or net 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 **Note 22** to the TECO Energy **Consolidated Financial Statements**).

Fair Value Measurements

Effective Jan. 1, 2008, the company adopted accounting standards for fair value measurement. These standards define fair value, establish a framework for measuring fair value under generally accepted accounting principles, and expand disclosures about financial assets and liabilities carried at fair value. The majority of the company's financial assets and liabilities are in the form of natural gas, heating oil or interest rate derivatives classified as cash flow hedges. This adoption did not have a material impact on our results of operations, liquidity or capital.

Most natural gas derivatives were entered into by the regulated utilities to manage the impact of natural gas prices on customers. As a result of applying the provisions of accounting standards for regulated activities, the changes in value of natural gas derivatives of Tampa Electric and PGS are recorded as regulatory assets or liabilities to reflect the impact of the risks of hedging activities in the fuel recovery clause. Because the amounts are deferred and ultimately collected through the fuel clause, the unrealized gains and losses associated with the valuation of these assets and liabilities do not impact our results of operations.

Heating oil hedges are used to mitigate the fluctuations in the price of diesel fuel which is a significant component in the cost of coal production at TECO Coal and its subsidiaries.

The valuation methods we used to determine fair value are described in **Note 22** 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 for credit purposes and managed as appropriate, considering the legal structure and any netting agreements in place. Credit exposures are calculated, compared to limits and reported to management on a daily basis. The Credit Guidelines are administered and monitored within the Middle Office, independent of the Front Office.

We have implemented procedures to monitor the creditworthiness of our counterparties and to consider nonperformance in valuing counterparty positions. Net liability positions are generally not adjusted as we use our derivative transactions as hedges and we have the ability and intent to perform under each of our contracts. In the instance of net asset positions, we consider general market conditions and the observable financial health and outlook of specific counterparties, forward looking data such as credit default swaps when available and historical default probabilities from credit rating agencies in evaluating the potential impact of nonperformance risk to derivative positions.

Certain of our derivative instruments contain provisions that require our debt, or in the case of derivative instruments where Tampa Electric Company is the counterparty, Tampa Electric Company's debt, to maintain an investment grade credit rating from any or all of the major credit rating agencies. If our debt ratings, including Tampa Electric Company's, were to fall below investment grade, it could trigger these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on Dec. 31, 2010 was $29.8 million, all of which were Tampa Electric Company positions. If the credit-risk-related contingent features underlying these agreements were triggered as of Dec. 31, 2010, we could have been required to post collateral or settle existing positions with counterparties totaling $29.8 million. In the unlikely event that this situation would occur, we believe that we maintain adequate lines of credit to meet these obligations. At Dec. 31, 2010, all other positions held by TECO Energy, Inc. were asset positions.

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, 2010 and 2009, 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 low amounts of variable rate debt at TECO Energy and at our subsidiaries.

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 2.7% at Dec. 31, 2010 and 2.7% at Dec. 31, 2009 (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. 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 were 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 Tampa Electric and PGS 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, 2010 and 2009, a change in commodity prices would not have had a material impact on earnings for Tampa Electric or PGS, but could have had an impact on the timing of the cash recovery of the cost of fuel (see the **Tampa Electric** and **Regulation** sections).

Unregulated Operating Companies

Our unregulated operating companies, TECO Coal and TECO Guatemala, are subject to significant commodity risk. The operating companies do not speculate using derivative instruments. However, all derivative instruments may not 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. 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, 2010, TECO Coal had derivative instruments in place to reduce the price variability for its anticipated 2011 diesel oil purchases for nearly all coal production volumes sold under contracts that did not include a fuel price component. Accordingly, a change in the average annual price for diesel oil is not expected to significantly change TECO Coal's cost of production.

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. However, changes in the relative cost of coal-fired and oil-fired generation in Guatemala can have a substantial impact on the dispatch frequency of TECO Guatemala's units and its ability to achieve incremental spot market sales.

Changes in Fair Value of Derivatives (millions)

Net fair value of derivatives as of Dec. 31, 2009	$ (36.6)
Additions and net changes in unrealized fair value of derivatives	(75.1)
Changes in valuation techniques and assumptions	—
Realized net settlement of derivatives	84.8
Net fair value of derivatives as of Dec. 31, 2010	$ (26.9)

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

Total energy contract net assets (liabilities) as of Dec. 31, 2009	$ (36.6)
Change in fair value of net derivative assets (liabilities):	
Recorded as regulatory assets and liabilities or other comprehensive income	(75.1)
Recorded in earnings	—
Realized at settlement of derivatives	84.8
Net option premium payments	—
Net purchase (sale) of existing contracts	—
Total energy contract net assets (liabilities) as of Dec. 31, 2010	$ (26.9)

Maturity and Source of Energy Derivative Contracts Net Assets (Liabilities) at Dec. 31, 2010

(millions)	Current	Non-current	Total Fair Value
Source of fair value			
Actively quoted prices	$ —	$ —	$ —
Other external price sources [1]	(24.5)	(2.4)	(26.9)
Model prices [2]	—	—	—
Total	$ (24.5)	$ (2.4)	$ (26.9)

(1) Information from external sources includes information obtained from OTC brokers, industry price services or surveys and multiple-party on-line platforms. This information is reviewed by management for reasonableness by comparing it to prices quoted on NYMEX.

(2) 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.

Report of Independent Registered Certified Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of TECO Energy, Inc. and its subsidiaries (the Company) at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 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 accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in **Note 19** to the financial statements, the Company changed its method of accounting for consolidation of Variable Interest Entities as of January 1, 2010.

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.
/s/ PricewaterhouseCoopers, LLP

Tampa, Florida

February 25, 2011

TECO ENERGY, INC.
Consolidated Balance Sheets

Assets *(millions)*	*Dec. 31, 2010*	*Dec. 31, 2009*
Current assets		
Cash and cash equivalents	$ 67.5	$ 46.0
Short-term investments	14.8	0.8
Receivables, less allowance for uncollectibles of $4.5 and $3.0 at Dec. 31, 2010 and 2009, respectively	333.4	277.4
Inventories, at average cost		
Fuel	169.5	124.3
Materials and supplies	78.1	65.7
Current derivative assets	2.7	0.8
Income tax receivables	0.4	1.7
Prepayments and other current assets	28.5	25.7
Current regulatory assets	62.7	109.2
Total current assets	757.6	651.6
Property, plant and equipment		
Utility plant in service		
Electric	6,558.9	6,079.5
Gas	1,115.0	1,017.2
Construction work in progress	212.4	304.5
Other property	398.5	377.2
Property, plant and equipment	8,284.8	7,778.4
Accumulated depreciation	(2,443.8)	(2,234.3)
Total property, plant and equipment, net	5,841.0	5,544.1
Other assets		
Deferred income taxes	57.3	222.7
Long-term regulatory assets	341.9	335.6
Investment in unconsolidated affiliates	0.0	279.3
Goodwill	55.4	59.4
Long-term derivative assets	0.2	0.2
Deferred charges and other assets	141.2	126.6
Total other assets	596.0	1,023.8
Total assets	$ 7,194.6	$ 7,219.5

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

TECO ENERGY, INC.
Consolidated Balance Sheets – continued

Liabilities and Capital (millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Current liabilities		
Long-term debt due within one year		
Recourse	$ 67.1	$ 106.5
Non-recourse	11.2	1.4
Notes payable	12.0	55.0
Accounts payable	281.5	251.4
Customer deposits	156.5	151.2
Current regulatory liabilities	110.0	85.4
Current derivative liabilities	27.2	34.0
Interest accrued	42.4	45.3
Taxes accrued	26.2	20.5
Other current liabilites	18.2	20.6
Total current liabilities	752.3	771.3
Other liabilities		
Investment tax credits	10.4	10.8
Long-term regulatory liabilities	630.8	602.6
Long-term derivative liabilities	2.6	3.6
Deferred credits and other liabilities	479.8	544.2
Long-term debt, less amount due within one year		
Recourse	3,114.6	3,195.4
Non-recourse	33.5	6.2
Total other liabilities	4,271.7	4,362.8
Commitments and contingencies (see **Note 12**)		
Capital		
Common equity (400.0 million shares authorized; par value $1; 214.9 million shares and 213.9 million shares outstanding at Dec. 31, 2010 and 2009, respectively)	214.9	213.9
Additional paid in capital	1,542.0	1,530.8
Retained earnings	430.0	365.7
Accumulated other comprehensive loss	(17.2)	(25.0)
TECO Energy stockholder's equity	2,169.7	2,085.4
Noncontrolling interest	0.9	0.0
Total capital	2,170.6	2,085.4
Total liabilities and capital	$ 7,194.6	$ 7,219.5

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,*		*2010*	*2009*	*2008*
Revenues				
Regulated electric and gas (includes franchise fees and gross receipts taxes of $116.1 in 2010, $115.7 in 2009 and $109.2 in 2008)		$ 2,672.6	$ 2,649.1	$ 2,778.2
Unregulated		815.3	661.4	597.1
Total revenues		3,487.9	3,310.5	3,375.3
Expenses				
Regulated operations				
Fuel		748.9	909.9	819.4
Purchased power		179.6	177.6	305.4
Cost of natural gas sold		284.5	242.7	476.6
Other		370.0	318.7	277.7
Operation other expense				
Mining related costs		482.7	458.7	440.6
Guatemalan power generation		65.1	12.3	14.3
Other		6.6	4.8	3.9
Maintenance		184.8	187.6	173.9
Depreciation and amortization		312.9	287.9	266.1
Restructuring charges		1.5	25.7	0.0
Loss (gain) on sale, net of transaction related costs		0.0	0.0	0.9
Recoveries from previously impaired assets		(2.9)	0.0	0.0
Taxes, other than income		227.4	224.4	211.5
Total expenses		2,861.1	2,850.3	2,990.3
Income from operations		626.8	460.2	385.0
Other income (expense)				
Allowance for other funds used during construction		1.9	9.3	6.3
Other income		57.3	23.3	21.5
Loss on debt extinguishment		(55.5)	0.0	0.0
Income from equity investments		10.4	46.7	72.9
Total other income		14.1	79.3	100.7
Interest charges				
Interest expense		232.4	231.5	231.3
Allowance for borrowed funds used during construction		(1.1)	(4.5)	(2.4)
Total interest charges		231.3	227.0	228.9
Income before provision for income taxes		409.6	312.5	256.8
Provision for income taxes		170.0	98.6	94.4
Net income		239.6	213.9	162.4
Less: Net income attributable to noncontrolling interest		(0.6)	0.0	0.0
Net income attributable to TECO Energy		$ 239.0	$ 213.9	$ 162.4
Average common shares outstanding	– Basic	212.6	211.8	210.6
	– Diluted	214.8	213.1	211.4
Earnings per share	– Basic	$ 1.12	$ 1.00	$ 0.77
	– Diluted	$ 1.11	$ 1.00	$ 0.77
Dividends declared and paid per common share outstanding		$ 0.815	$ 0.800	$ 0.795

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

TECO ENERGY, INC.
Consolidated Statements of Comprehensive Income
Unaudited

(millions)			
For the years ended Dec. 31,	*2010*	*2009*	*2008*
Net income	$239.6	$213.9	$162.4
Other comprehensive income (loss), net of tax			
Net unrealized gains (losses) on cash flow hedges	3.1	17.8	(18.9)
Amortization of unrecognized benefit costs and other	3.7	1.3	2.6
Change in benefit obligation due to annual remeasurement	0.0	0.2	(10.8)
Recognized benefit costs due to settlement	1.0	0.0	0.0
Reclassification to earnings - loss on available-for-sale securities	0.0	1.7	(1.7)
Other comprehensive income, net of tax	7.8	21.0	(28.8)
Comprehensive income			
Comprehensive income attributable to noncontrolling interests	(0.6)	0.0	0.0
Comprehensive income attributable to TECO Energy, Inc.	$246.8	$234.9	$133.6

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,	*2010*	*2009*	*2008*
Cash flows from operating activities			
Net income	$ 239.6	$ 213.9	$ 162.4
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	312.9	287.9	266.1
Deferred income taxes	162.9	98.5	95.4
Investment tax credits, net	(0.4)	(0.4)	(1.0)
Allowance for other funds used during construction	(1.9)	(9.3)	(6.3)
Non-cash stock compensation	7.4	10.3	9.7
Gain on sales of business / assets, pretax	(39.6)	(16.0)	(1.7)
Equity in earnings of unconsolidated affiliates, net of cash distributions on earnings	6.9	(4.3)	(22.8)
Non-cash debt extinguishment / exchange	2.2	0.0	0.0
Deferred recovery clause	55.0	136.6	(115.8)
Receivables, less allowance for uncollectibles	(43.9)	8.5	10.0
Inventories	(41.4)	(27.0)	(9.0)
Prepayments and other deposits	(1.3)	0.1	(2.8)
Taxes accrued	4.9	0.2	(14.8)
Interest accrued	(6.0)	0.1	12.4
Accounts payable	51.0	(38.7)	(8.3)
Other	(43.9)	64.3	14.3
Cash flows from operating activities	664.4	724.7	387.8
Cash flows from investing activities			
Capital expenditures	(489.7)	(639.8)	(589.5)
Allowance for other funds used during construction	1.9	9.3	6.3
Net proceeds from sales of business / assets	183.1	31.6	0.6
Net cash increase from consolidation	24.1	0.0	0.0
Restricted cash	0.0	0.5	(0.1)
(Investments in)/Distributions from unconsolidated affiliates	(1.7)	(0.2)	13.2
Other investments	(14.0)	16.3	76.1
Cash flows used in investing activities	(296.3)	(582.3)	(493.4)
Cash flows from financing activities			
Dividends	(174.7)	(170.8)	(168.6)
Proceeds from sale of common stock	7.8	5.1	21.8
Proceeds from long-term debt	661.2	102.0	327.8
Repayment of long-term debt	(797.2)	(6.9)	(293.8)
Dividends to noncontrolling interests	(0.7)	0.0	0.0
Net (decrease) increase in short-term debt	(43.0)	(38.0)	68.0
Cash flows used in financing activities	(346.6)	(108.6)	(44.8)
Net increase (decrease) in cash and cash equivalents	21.5	33.8	(150.4)
Cash and cash equivalents at beginning of the year	46.0	12.2	162.6
Cash and cash equivalents at end of the year	$ 67.5	$ 46.0	$ 12.2
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest	$ 219.0	$ 216.4	$ 203.0
Income taxes paid	$ 5.5	$ 4.1	$ 6.0

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	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Capital
Balance, Dec. 31, 2007	210.9	$ 210.9	$ 1,489.2	$ 334.1	$ (17.2)	0.0	$ 2,017.0
Net income				162.4			162.4
Other comprehensive loss, after tax					(28.8)		(28.8)
Common stock issued	2.0	2.0	19.3				21.3
Cash dividends declared				(168.6)			(168.6)
Stock compensation expense			9.7				9.7
Implementation of guidance for employer's post-retirement benefits				(5.3)			(5.3)
Balance, Dec. 31, 2008	212.9	$ 212.9	$ 1,518.2	$ 322.6	$ (46.0)	0.0	$ 2,007.7
Net income				213.9			213.9
Other comprehensive income, after tax					21.0		21.0
Common stock issued	1.0	1.0	2.2				3.2
Cash dividends declared				(170.8)			(170.8)
Stock compensation expense			10.4				10.4
Balance, Dec. 31, 2009	213.9	$ 213.9	$ 1,530.8	$ 365.7	$ (25.0)	0.0	$ 2,085.4
Net income				239.0		0.6	239.6
Other comprehensive income, after tax					7.8		7.8
Common stock issued	1.0	1.0	2.6				3.6
Cash dividends declared				(174.7)			(174.7)
Stock compensation expense			7.4				7.4
Noncontrolling - dividends						(0.7)	(0.7)
Noncontrolling - effect of TCAE consolidation						1.0	1.0
Tax benefits - stock options			1.2				1.2
Balance, Dec. 31, 2010	214.9	$ 214.9	$ 1,542.0	$ 430.0	$ (17.2)	$ 0.9	$ 2,170.6

(1) TECO Energy had a maximum of 400 million shares of $1 par value common stock authorized as of Dec.31, 2010, 2009, 2008 and 2007.

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

TECO ENERGY, INC.
NOTES TO 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.

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 (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.

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 included in "Deferred charges and other assets" included $8.4 million at Dec. 31, 2010 and $7.0 million at Dec. 31, 2009 of cash held in escrow related to the 2003 sale of Hardee Power Partners (HPP). The cash will be released from escrow in 2012, upon maturity of debt financing currently held by the purchaser of HPP. The $1.4 million change reflects the amortization of a related investment that is carried on the amortized cost basis.

Cost Capitalization

Debt issuance costs – The company capitalizes the external costs of obtaining debt financing and includes them in "Deferred charges and other assets" on TECO Energy's Consolidated Balance Sheet and amortizes such costs over the life of the related debt on a straight-line basis that approximates the effective interest method. These amounts are reflected in "Interest expense" on TECO Energy's Consolidated Statements of Income.

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 have power purchase agreements (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 subsidiaries compute 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. TECO Coal subsidiaries depreciate certain mining assets by the units of production method that assigns a rate per unit produced by dividing the original cost over the estimated amount of units.

Total depreciation expense for the years ended Dec. 31, 2010, 2009 and 2008 was $297.1 million, $275.2 million and $257.3 million, respectively. The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property was 3.6% for 2010, 2009 and 2008.

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 8.16% for May 2009 through December 2010 and 7.79% for January 2008 through April 2009. Total AFUDC for 2010, 2009 and 2008 was $3.0 million, $13.8 million and $8.7 million, respectively.

Inventory

TECO Energy subsidiaries value materials, supplies and fossil fuel inventory (coal, oil and natural gas) using a weighted-average cost method. These materials, supplies and fuel inventories are carried at the lower of weighted-average cost or market, unless evidence indicates that the weighted-average cost (even if in excess of market) will be recovered with a normal profit upon sale in the ordinary course of business.

Fuel Inventory *(millions)*	*Dec. 31, 2010*	*Dec. 31, 2009*
Tampa Electric	$119.0	$85.8
TECO Coal	33.9	38.5
TECO Guatemala[1]	16.6	0.0
	$169.5	$124.3

(1) TECO Guatemala fuel was consolidated effective Jan.1, 2010. See **Note 19**.

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, 2010 and 2009 are presented in the following table:

TECO Energy's Percent Ownership in Unconsolidated Affiliates [1]

Dec. 31,	*2010*	*2009*
TECO Guatemala		
Distribución Eléctrica CentroAmericana II, S.A.(DECA II)	0%[2]	30%
Central Generadora Electrica San José, Limitada (San José or CGESJ)	N/A[3]	100%
Tampa Centro Americana de Electricidad, Limitada (Alborada or TCAE)	N/A[3]	96%

(1) TECO Energy, Inc. received $15.6 million, $42.2 million and $63.3 million during the years ended Dec. 31, 2010, 2009 and 2008, respectively, as dividends from unconsolidated affiliates.
(2) In October 2010, TECO Guatemala sold its 30% interest in DECA II.
(3) Effective Jan. 1, 2010, the accounting standards for consolidation of VIEs were amended. As a result of adopting this amendment, the company reconsolidated both TCAE and CGESJ. See **Note 19** for more information.

Regulatory Assets and Liabilities

Tampa Electric and PGS are subject to accounting guidance for the effects of certain types of regulation (see **Note 3** for additional details).

Deferred Income Taxes

TECO Energy uses the asset and liability method to determine deferred income taxes. Under the asset and 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 accounting standards for revenue recognition. 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 the FERC. See **Note 3** for a discussion of significant regulatory matters and the applicability of the accounting guidance for certain types of regulation to the company.

Revenues for TECO Coal shipments via rail are recognized when title and risk of loss transfer to the customer. For coal shipments via ocean vessel, revenue is recognized under international shipping standards as defined by Incoterms 2000 when title and risk of loss transfer to the customer.

Revenues for energy marketing operations at TECO Gas Services are presented on a net basis in accordance with the accounting guidance for reporting revenue gross as a principal versus net as an agent and recognition and reporting of gains and losses on energy trading contracts 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, 2010, 2009 and 2008 were $8.7 million, $1.9 million and $17.3 million, respectively.

Shipping and Handling

TECO Coal includes the costs to ship product to customers in "Operation other expense - Mining related costs" on the Consolidated Statements of Income for the periods ended Dec. 31, 2010, 2009 and 2008 of $27.3 million, $24.3 million and $30.1 million, respectively.

Cash Flows Related to Derivatives and Hedging Activities

The company classifies cash inflows and outflows related to derivative and hedging instruments in the appropriate cash flow sections associated with the item being hedged. In the case of heating oil swaps which are used to mitigate the fluctuations in the price of diesel fuel, primarily at TECO Coal, the cash inflows and outflows are included in the operating section. For natural gas, primarily at Tampa Electric and PGS, and ongoing interest rate swaps, the cash inflows and outflows are included in the operating section. For interest rate swaps that settle coincident with the debt issuance, the cash inflows and outflows are treated as premiums or discounts and included in the financing section of the Consolidated Statements of Cash Flows.

Revenues and Cost Recovery

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- 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 regulatory liabilities, and under-recoveries of costs are recorded as regulatory assets.

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, 2010 and 2009, unbilled revenues of $65.5 million and $51.6 million, respectively, are included in the "Receivables" line item on TECO Energy's Consolidated Balance Sheets.

Tampa Electric purchases power on a regular basis primarily to meet the needs of its retail customers. Tampa Electric purchased power from non-TECO Energy affiliates at a cost of $179.6 million, $177.6 million and $305.4 million, for the years ended Dec. 31, 2010, 2009 and 2008, 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 incurs 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 $116.1 million, $115.7 million and $109.2 million for the years ended Dec. 31, 2010, 2009 and 2008, 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, 2010, 2009 and 2008, these totaled $115.7 million, $115.6 million and $109.0 million, respectively.

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 postretirement and pension liabilities, and medical and general liability claims incurred but not reported. 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 and workers' compensation using discount rates mandated by statute or otherwise deemed appropriate for the circumstances. Discount rates used in estimating these other self-insurance liabilities at both Dec. 31, 2010 and 2009 ranged from 4.00% to 4.75%.

Stock-based Compensation

TECO Energy accounts for its stock-based compensation in accordance with the accounting guidance for share-based payment. Under the provisions of this guidance, 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). See **Note 9** 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 $200 million 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. This covenant is not applicable at TECO Energy's current credit ratings. 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 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 2010, 2009 and 2008 were not material. The foreign investments are generally protected from any significant currency gains or losses by the terms of the Guatemalan power sales agreements and other related contracts, in which payments are defined in U.S. dollars.

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' collection experience. Circumstances that could affect Tampa Electric's and PGS' 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.

2. New Accounting Pronouncements

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the Financial Accounting Standards Board (FASB) issued guidance requiring improved disclosures about the credit quality of a company's financing receivables and their associated credit reserves. The guidance is effective for interim and annual periods that end after Dec. 15, 2010. This guidance did not have any effect on the company's results of operations, statement of position or cash flows.

Subsequent Events

In February 2010, the FASB issued additional guidance related to subsequent event disclosure. The guidance was effective upon issuance and has no effect on the company's results of operations, statement of position or cash flows.

Fair Value Measures and Disclosures

In January 2010, the FASB issued guidance that requires entities to disclose more information regarding the movements between Levels 1 and 2 of the fair value hierarchy. The guidance was effective for fiscal years that begin after Dec. 15, 2010, and for interim periods within that year. This guidance will not have any effect on the company's results of operations, statement of position or cash flows.

3. Regulatory

Tampa Electric's and PGS' retail businesses are regulated by the FPSC. Tampa Electric also is subject to regulation by the FERC under the Public Utility Holding Company Act of 2005 (PUHCA 2005). However, pursuant to a waiver granted in accordance with the FERC's regulations, TECO Energy is not subject to certain accounting, record-keeping and reporting requirements prescribed by the FERC's regulations under PUHCA 2005. 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 utilities such as Tampa Electric and PGS to collect total revenues (revenue requirements) equal to their cost of providing service, plus a reasonable return on invested capital.

Stipulation with Intervenors – Tampa Electric

The FPSC, in connection with Tampa Electric's 2008 base rate request, approved a $25.7 million increase in base rates effective Jan. 1, 2010 (step increase), subject to refund, for certain capital additions placed in service in 2009.

In connection with the base rate request, the FPSC had rejected the intervenors' arguments that the approved 2010 increase violated the intervenors' due process rights, Florida Statutes or FPSC rules. The intervenors filed an appeal with the Florida Supreme Court in September 2009, which Tampa Electric opposed.

In July 2010, Tampa Electric entered into a stipulation with the intervenors to resolve all issues related to the 2008 base rate case, including the 2010 step increase, as well as the intervenors' appeal to the Florida Supreme Court. Under the terms of the stipulation, the $25.7 million step increase would remain in effect for 2010, and Tampa Electric would make a one-time reduction of $24.0 million to customers' bills in 2010.

In August 2010, the FPSC voted to approve the July stipulation, which was contained in their Docket No. 090368-EI "Review of the continuing need and cost associated with Tampa Electric Company's 5 Combustion Turbines and Big Bend Rail Facility". This stipulation now resolves all issues in the above docket and all issues in the intervenors' appeal of the FPSC's 2009 decision in Tampa Electric's base rate proceeding pending before the Florida Supreme Court. The docket related to the base rate proceeding is now closed. The one-time reduction of $24.0 million to customers' bills in 2010 is reflected in the third quarter operating results as a reduction in revenue.

Effective Jan. 1, 2011, and for subsequent years, rates of $24.4 million (a $1.3 million reduction from the $25.7 million in effect for 2010) related to the step increase will be in effect.

Wholesale and Transmission Rate Cases

In July 2010, Tampa Electric filed wholesale requirements and transmission rate cases with the FERC. Tampa Electric's last wholesale requirements rate case was in 1991 and the associated service agreements were approved by the FERC in the mid-1990s. The FERC approved Tampa Electric's proposed transmission rates as filed, which became effective Sep. 14, 2010, subject to refund. The FERC also approved Tampa Electric's proposed wholesale requirements rates as filed, to become effective Mar. 1, 2011, subject to refund. The proposed wholesale requirements and transmission rates are not expected to have a material impact on Tampa Electric's results.

Storm Damage Cost Recovery

Tampa Electric accrues $8.0 million annually effective May 2009 to a FERC-authorized and FPSC-approved self-insured storm damage reserve. This reserve was created after Florida's investor owned utilities (IOUs) were unable to obtain transmission and distribution insurance coverage due to destructive acts of nature. Tampa Electric's storm reserve was $37.4 million and $29.3 million as of Dec. 31, 2010 and Dec. 31, 2009, respectively.

Stipulation with the Office of Public Counsel - PGS

On Jun. 9, 2010, PGS filed a letter with the FPSC agreeing to cap its earned return on common equity (ROE) for the year ending Dec. 31, 2010 at 11.75%, the maximum of the ROE range established in its last base rate proceeding.

On Dec. 16, 2010, PGS and the Office of Public Counsel filed a joint motion for FPSC approval of a proposed stipulation resolving all issues relating to any 2010 overearnings of PGS.

On Jan. 25, 2011, the FPSC approved the stipulation for PGS to provide a one-time credit to customer bills totaling $3.0 million for 2010 earnings above 11.75%, excluding the portion of the company's share of net revenues derived from off-system sales, and credit the remaining balance to its accumulated depreciation reserves.

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.

Tampa Electric and PGS apply the accounting standards for regulated operations. 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 the deferral of costs as regulatory assets to the period that the regulatory agency recognizes them when cost recovery is ordered over a period longer than a fiscal year.

Details of the regulatory assets and liabilities as of Dec. 31, 2010 and Dec. 31, 2009 are presented in the following table:

Regulatory Assets and Liabilities

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Regulatory assets:		
Regulatory tax asset [1]	$ 66.6	$ 69.0
Other:		
Cost recovery clauses	41.9	89.4
Postretirement benefit asset	237.5	229.1
Deferred bond refinancing costs [2]	15.4	18.0
Environmental remediation	23.6	21.2
Competitive rate adjustment	3.3	3.1
Other	16.3	15.0
Total other regulatory assets	338.0	375.8
Total regulatory assets	404.6	444.8
Less: Current portion	62.7	109.2
Long-term regulatory assets	$ 341.9	$ 335.6
Regulatory liabilities:		
Regulatory tax liability [1]	$ 17.7	$ 19.6
Other:		
Cost recovery clauses	76.2	61.4
Environmental remediation	21.2	19.9
Transmission and delivery storm reserve	37.4	29.3
Deferred gain on property sales [3]	6.3	2.8
Provision for stipulation and other[4]	9.8	0.7
Accumulated reserve-cost of removal	572.2	554.3
Total other regulatory liabilities	723.1	668.4
Total regulatory liabilities	740.8	688.0
Less: Current portion	110.0	85.4
Long-term regulatory liabilities	$ 630.8	$ 602.6

(1) Primarily related to plant life and derivative positions.
(2) Amortized over the term of the related debt instruments.
(3) Amortized over a 4 or 5-year period with various ending dates.
(4) Includes a provision to reflect the FPSC approved PGS stipulation regarding PGS' 2010 earnings above 11.75%. A one-time credit to customer bills totaling $3.0 million will be applied in March 2011 and the remaining balance of the 2010 earnings above 11.75% will be credited to its accumulated depreciation reserves.

All regulatory assets are being recovered through the regulatory process. The following table further details the regulatory assets and the related recovery periods:

Regulatory assets

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Clause recoverable [1]	$ 45.2	$ 92.5
Components of rate base [2]	248.1	238.1
Regulatory tax assets [3]	66.6	69.0
Capital structure and other [3]	44.7	45.2
Total	$ 404.6	$ 444.8

(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 a 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) *For the year ended Dec. 31,*	*2010*	*2009*	*2008*
Current income taxes			
Federal	$5.7	$0.0	$0.0
Foreign	7.0	0.6	0.5
State	(5.2)	(0.1)	(0.6)
Deferred income taxes			
Federal	147.4	86.0	90.9
Foreign	0.0	0.0	0.1
State	15.5	12.5	4.4
Amortization of investment tax credits	(0.4)	(0.4)	(0.9)
Total income tax expense	$ 170.0	$ 98.6	$ 94.4

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, 2010 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,	*2010*	*2009*
Deferred income tax assets [1]		
Alternative minimum tax credit carryforward	$ 195.1	$ 197.2
Losses and credit carryforwards	483.1	553.2
Other	131.1	119.8
Gross deferred income tax assets	809.3	870.2
Valuation allowance	(30.2)	(14.6)
Total deferred income tax assets	779.1	855.6
Deferred income tax liabilities [1]		
Property related	716.3	611.4
Deferred fuel	5.5	21.5
Total deferred income tax liabilities	721.8	632.9
Net deferred income tax assets	$ 57.3	$ 222.7

(1) Certain property related assets and liabilities have been netted.

At Dec. 31, 2010, the company had cumulative unused federal and state (Florida) net operating losses (NOLs) of $1,085.0 million and $407.9 million, respectively, expiring at various times between 2025 and 2028. In addition, the company has unused general business credits of $3.7 million expiring between 2026 and 2029 and unused foreign tax credits of $61.4 million expiring between 2015 and 2020. The company also had available alternative minimum tax credit carryforwards for tax purposes of $195.1 million which may be used indefinitely to reduce federal income taxes.

The company establishes valuation allowances on its deferred tax assets, including losses and tax credits, when the amount of expected future taxable income is not likely to support the use of the deduction or credit. Valuation allowances have been established for state capital loss carryforwards, net of federal tax, and foreign tax credits. During 2010, our valuation allowance increased $15.6 million. The increase includes a $1.9 million valuation allowance established against state capital loss carryforwards that will more likely than not expire before the company has sufficient capital gains to offset the losses within the remaining carryforward period. The valuation allowance on foreign tax credits increased $13.7 million due to an increase in the estimated amount of unrealizable foreign tax credits. Our valuation allowance on foreign tax credits was $28.3 million at Dec. 31, 2010. The valuation allowances

reduce our deferred tax assets to an amount that will more likely than not be realized. The amount of foreign tax credits considered realizable, however, could be reduced in the near term if estimates of future foreign source income during the carryforward period are reduced or if the company's projected NOL position extends beyond the carryforward period.

Effective Income Tax Rate

(millions) *For the years ended Dec. 31,*	*2010*	*2009*	*2008*
Income tax expense at the federal statutory rate of 35%	$ 143.4	$ 109.4	$ 89.9
Increase (decrease) due to			
State income tax, net of federal income tax	6.7	8.0	2.5
Foreign income taxed at different rates	(20.1)	(18.0)	(18.6)
Equity portion of AFUDC	(0.7)	(3.2)	(2.2)
Tax on repatriation of foreign earnings	37.1	12.5	14.8
Valuation allowance	15.6	2.6	12.0
Depletion	(9.1)	(7.3)	(4.6)
Other	(2.9)	(5.4)	0.6
Total income tax expense on consolidated statements of income	$ 170.0	$ 98.6	$ 94.4
Income tax expense as a percent of income from continuing operations, before income taxes	41.5%	31.6%	36.8%

For the three years presented, the company experienced a number of events that have impacted the overall effective tax rate on continuing operations. These events included permanent reinvestment of foreign income as required by the accounting standards, repatriation of foreign earnings to the United States, the sale of foreign subsidiaries (see **Note 16**), valuation allowance on foreign tax credits and depletion. The increase in the company's 2010 effective tax rate compared to 2009 was primarily due to the increased tax on the repatriation of foreign earnings as a result of TECO Guatemala's sale of its ownership interest in DECA II and the valuation allowance on foreign tax credits.

During 2010, the company repatriated $224.2 million of foreign earnings resulting in a $38.1 million additional tax expense, net of foreign tax credits. Of this amount, $34.0 million represented the tax expense on the repatriation of foreign earnings due to TECO Guatemala's sale of its ownership interest in DECA II. At the end of 2010, the company no longer had any foreign earnings considered indefinitely reinvested.

During 2008, the company repatriated $98.2 million of foreign earnings resulting in $14.7 million additional tax expense, net of foreign tax credits. Of this amount, $71.7 million represented a one-time repatriation from certain foreign subsidiaries whose remaining earnings at the end of the year were considered indefinitely reinvested.

The actual cash paid for income taxes as required for the alternative minimum tax, state income taxes and prior year audits in 2010, 2009 and 2008 was $5.5 million, $4.1 million and $6.0 million, respectively.

The company accounts for uncertain tax positions in accordance with FASB guidance. This guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under the guidance, the company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The guidance also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

During the first and second quarters of 2010, the company reached a favorable settlement for certain state items that were under appeal. As a result, the company recorded an after-tax benefit of $4.0 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Unrecognized Tax Benefits

(millions)	*2010*	*2009*	*2008*
Balance at Jan. 1,	$ 10.2	$ 14.9	$ 14.9
Increases due to tax positions related to prior years	-	0.7	-
Decreases due to tax positions related to prior years	(5.8)	(0.9)	-
Decreases due to settlements with taxing authorities	(2.2)	-	-
Decreases due to payments to taxing authorities	-	(4.5)	-
Increases due to expiration of statute of limitations	1.9	-	-
Balance at Dec. 31,	$ 4.1	$ 10.2	$ 14.9

The company recognizes interest and penalties associated with uncertain tax positions in "Operation other expense – Other" in the Consolidated Statements of Income. In 2010, 2009 and 2008 the company recognized ($1.1) million, $0.9 million and $1.4 million, respectively, of pre-tax (benefits) charges for interest only. Additionally, the company had $4.0 million of interest and penalties accrued at Dec. 31, 2010. As a result of the company reconsolidating TCAE (see **Note 19**), interest and penalties recorded on TCAE's books for an uncertain tax position are disclosed in the company's totals.

The company's U.S. subsidiaries join in the filing of a U.S. federal consolidated income tax return. The Internal Revenue Service (IRS) concluded its examination of the company's 2009 consolidated federal income tax return during 2010. During the fourth quarter, the company finalized a settlement with the IRS related to the only outstanding issue for the 2008 tax return with no material impact on earnings and operating cash flows. The U.S. federal statute of limitations remains open for the year 2007 and forward. Year 2010 is currently under examination by the IRS under the Compliance Assurance Program, a program in which the company is a participant. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by taxing authorities in major state and foreign jurisdictions include 2005 and forward.

5. Employee Postretirement Benefits

TECO Energy recognizes in its statement of financial position the over-funded or under-funded status of its postretirement benefit plans. This status is measured as the difference between the fair value of plan assets and the projected benefit obligation (PBO) in the case of its defined benefit plan, or the accumulated postretirement benefit obligation (APBO) in the case of its other postretirement benefit plan. Changes in the funded status are reflected, net of estimated tax benefits, in the benefit liabilities and accumulated other comprehensive loss in the case of the unregulated companies, or the benefit liabilities and regulatory assets in the case of Tampa Electric Company. The results of operations are not impacted.

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.

The Pension Protection Act of 2006 became effective Jan. 1, 2008 and requires companies to, among other things, maintain certain defined minimum funding thresholds (or face plan benefit restrictions), pay higher premiums to the Pension Benefit Guaranty Corporation if they sponsor defined benefit plans, amend plan documents and provide additional plan disclosures in regulatory filings and to plan participants.

The Worker, Retiree and Employer Recovery Act of 2008 (WRERA) was signed into law on Dec. 23, 2008. WRERA grants plan sponsors relief from certain funding requirements and benefits restrictions, and also provides some technical corrections to the PPA. There are two primary provisions that impact funding results for TECO Energy. First, for plans funded less than 100%, required shortfall contributions will be based on a percentage of the funding target until 2011, rather than the funding target of 100%. These percentages are 94% and 96% in 2009 and 2010, respectively. Second, one of the technical corrections, referred to as asset smoothing, allows the use of asset averaging subject to certain limitations in the determination of funding requirements. The Jan. 1, 2010 estimate reflected the adoption of the asset smoothing methodology under WRERA.

The qualified pension plan's actuarial value of assets, including credit balance, was 90% of the Pension Protection Act funded target as of Jan. 1, 2010 and is estimated at 80% of the Pension Protection Act funded target as of Jan. 1, 2011.

Amounts disclosed for pension benefits also include the unfunded obligations for the supplemental executive retirement plan (SERP). This is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management.

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. 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.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) 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.

The FASB issued accounting guidance and disclosure requirements related to the MMA. The guidance 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.

In March 2010, the Patient Protection and Affordability Care Act and a companion bill, the Health Care and Education Reconciliation Act were signed into law. Among other things, both acts reduce the tax benefits available to an employer that receives the Medicare Part D subsidy, resulting in a write-off of any associated deferred tax asset. As a result, TECO Energy reduced its deferred tax asset by $6.4 million and recorded a corresponding charge of $1.1 million and a regulatory tax asset of $5.3 million.

Additionally, the Health Care Reform Acts contain other provisions that may impact TECO Energy's obligation for retiree medical benefits. In particular, the Health Care Reform Acts include a provision that imposes an excise tax on certain high-cost plans beginning in 2018, whereby premiums paid over a prescribed threshold will be taxed at a 40% rate. TECO Energy does not currently

believe the excise tax or other provisions of the Health Care Reform Acts will materially increase its postretirement benefit obligation. TECO Energy will continue to monitor and assess the impact of the Health Care Reform Acts, including any clarifying regulations issued to address how the provisions are to be implemented, on its future results of operations, cash flows or financial position.

The company received subsidy payments under Part D for the 2008 and 2009 plan years, along with payments for the first three quarters of the 2010 plan year. The company expects to receive the fourth quarter 2010 plan year payment later in 2011.

	Pension Benefits		Other Benefits	
Obligations and Funded Status *(millions)*	*2010*	*2009*	*2010*	*2009*
Change in benefit obligation				
Net benefit obligation at prior measurement date [1]	$587.7	$555.4	$207.6	$188.9
Service cost	16.1	15.7	3.1	2.9
Interest cost	33.2	33.7	10.9	11.2
Plan participants' contributions	0.0	0.0	3.6	3.5
Actuarial loss	12.4	29.6	11.8	16.6
Plan amendments	0.0	0.4	0.0	0.0
Curtailment	0.0	(0.8)	0.0	0.0
Gross benefits paid	(34.2)	(46.3)	(16.7)	(16.4)
Settlements	(4.9)	0.0	0.0	0.0
Federal subsidy on benefits paid	n/a	n/a	1.7	0.9
Net benefit obligation at measurement date [1]	$610.3	$587.7	$222.0	$207.6
Change in plan assets				
Fair value of plan assets at prior measurement date [1]	$388.9	$360.7	$0.0	$0.0
Actual return on plan assets [2]	42.3	66.3	0.0	0.0
Employer contributions	87.6	8.2	11.5	12.9
Plan participants' contributions	0.0	0.0	3.6	3.5
Settlements	(4.9)	0.0	0.0	0.0
Gross benefits paid	(34.2)	(46.3)	(15.1)	(16.4)
Fair value of plan assets at measurement date [1]	$479.7	$388.9	$0.0	$0.0
Funded status				
Fair value of plan assets [3]	$479.7	$388.9	$0.0	$0.0
Benefit obligation (PBO/APBO)	610.3	587.7	222.0	207.6
Funded status at measurement date [1]	(130.6)	(198.8)	(222.0)	(207.6)
Unrecognized net actuarial loss	220.8	228.7	31.9	18.3
Unrecognized prior (benefit) service cost	(1.7)	(2.1)	5.7	6.5
Unrecognized net transition obligation	0.0	0.0	4.2	6.5
Accrued liability at end of year	$88.5	$27.8	($180.2)	($176.3)
Amounts recognized in balance sheet				
Regulatory assets	$176.3	$181.7	$61.2	$47.4
Accrued benefit costs and other current liabilities	(4.4)	(7.2)	(13.8)	(13.4)
Deferred credits and other liabilities	(126.2)	(191.6)	(208.2)	(194.2)
Accumulated other comprehensive loss (income) (pretax)	42.8	44.9	(19.4)	(16.1)
Net amount recognized at end of year	$88.5	$27.8	($180.2)	($176.3)

(1) The measurement dates were Dec. 31, 2010 and Dec. 31, 2009.
(2) The actual return on plan assets differed from expectations due to general market conditions.
(3) The Market Related Value (MRV) of plan assets is used as the basis for calculating the expected return on plan assets (EROA) component of periodic pension expense. MRV reflects the fair value of plan assets adjusted for experience gains and losses (i.e. the differences between actual investment returns and expected returns) spread over five years.

Amounts recognized in accumulated other comprehensive income

	Pension Benefits		Other Benefits	
(millions)	*2010*	*2009*	*2010*	*2009*
Net actuarial loss (gain)	$ 42.3	$ 44.3	$ (19.3)	$ (16.3)
Prior service cost (credit)	0.5	0.6	(1.0)	(1.2)
Transition obligation (asset)	0.0	0.0	0.9	1.4
Amount recognized	$ 42.8	$ 44.9	$ (19.4)	$ (16.1)

The accumulated benefit obligation for all defined benefit pension plans was $558.4 million at Dec. 31, 2010 and $530.1 million at Dec. 31, 2009.

Assumptions used to determine benefit obligations at Dec. 31, 2010 and 2009:

	Pension Benefits		Other Benefits	
	2010	*2009*	*2010*	*2009*
Discount rate	5.30%	5.75%	5.25%	5.60%
Rate of compensation increase - weighted	3.88%	4.25%	3.87%	4.25%
Healthcare cost trend rate				
Initial rate	n/a	n/a	8.00%	8.00%
Ultimate rate	n/a	n/a	4.50%	5.00%
Year rate reaches ultimate	n/a	n/a	2023	2016

A one-percentage-point change in assumed health care cost trend rates would have the following effect on the benefit obligation:

(millions)	Increase	Decrease
Effect on postretirement benefit obligation	$ 8.4	$ (7.0)

	Pension Benefits			Other Benefits		
Net periodic benefit cost[1] *(millions)*	*2010*	*2009*	*2008*	*2010*	*2009*	*2008*
Service cost	$ 16.2	$ 15.7	$ 15.4	$ 3.2	$ 2.9	$ 4.1
Interest cost	33.2	33.6	31.9	10.9	11.3	12.0
Expected return on plan assets	(36.3)	(37.8)	(39.0)	-	-	-
Amortization of:						
Actuarial loss	12.4	8.7	4.0	-	-	-
Prior service (benefit) cost	(0.4)	(0.4)	(0.4)	0.8	0.8	1.8
Transition obligation	-	-	-	2.3	2.3	2.3
Curtailment loss (benefit)	-	0.2	-	-	-	-
Settlement loss	1.6	-	0.9	-	-	-
Net periodic benefit cost	$ 26.7	$ 20.0	$ 12.8	$ 17.2	$ 17.3	$ 20.2

(1) Benefit Cost was measured for the twelve months ended Dec. 31, 2010, 2009 and 2008. The company elected a 15-month transition approach allowed by accounting standards for employer's defined benefit pension and other post-retirement plans to move from an early measurement date of Sep. 30, 2007 to a year-end measurement date of Dec. 31, 2008. In connection with this election, the company recorded after-tax charges to retained earnings of $2.2 million for pensions and $3.1 million for other postretirement benefits in the fourth quarter of 2008.

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 $1.9 million and $0.1 million, respectively. The estimated net loss, prior service credit 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 are $0.5 million, $0.2 million and $0.1 million, respectively.

In addition, the estimated net loss and prior service benefit for the defined benefit pension plans that will be amortized from regulatory assets into net periodic benefit cost over the next fiscal year are $9.3 million and $0.5 million. The estimated net loss, 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 will be $0.4 million, $1.0 million and $1.8 million, respectively.

Assumptions used to determine net periodic benefit cost for years ended Dec. 31,

	Pension Benefits			Other Benefits		
	2010	*2009*	*2008*	*2010*	*2009*	*2008*
Discount rate	5.75%	6.05%	6.20%	5.60%	6.05%	6.20%
Expected long-term return on plan assets	8.25%	8.25%	8.25%	n/a	n/a	n/a
Rate of compensation increase	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Healthcare cost trend rate						
Initial rate	n/a	n/a	n/a	8.00%	8.50%	9.25%
Ultimate rate	n/a	n/a	n/a	5.00%	5.00%	5.25%
Year rate reaches ultimate	n/a	n/a	n/a	2017	2016	2016

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 benefit plans to develop a present value that is converted to a discount rate.

The expected return on assets assumption was based on historical returns, fixed income spreads and equity premiums consistent with our portfolio and asset allocation. A change in asset allocations could have a significant impact on the expected return on assets. Additionally, expectations of long-term inflation, real growth in the economy and a provision for active management and expenses paid were incorporated in the assumption. For the year ended Dec. 31, 2010, TECO Energy's pension plan experienced actual asset returns of approximately 11%.

The compensation 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.

A one-percentage-point change in assumed health care cost trend rates would have the following effect on expense:

(millions)	Increase	Decrease
Effect on periodic cost	$ 0.5	$ (0.4)

Pension Plan Assets

Pension plan assets (plan assets) are primarily 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 and funding requirements over the long term. 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.

Asset Category		*2010*	*2009*
Equity securities	55%	56%	66%
Fixed income securities	45%	44%	34%
Total	100%	100%	100%

The company reviews the plan's asset allocation periodically and re-balances the investment mix to maximize asset returns, optimize the matching of investment yields with the plan's expected benefit obligations, and minimize pension cost and funding. The company expects to take additional steps to more closely match plan assets with plan liabilities.

The plan's investments are held by a trust fund administered by JP Morgan Chase Bank, N.A. (JP Morgan). JP Morgan measures fair value using the procedures set forth below for all investments. When available, JP Morgan uses quoted market prices on investments traded on an exchange to determine fair value and classifies such items as Level 1. In some cases where a market exchange price is available, but the investments are traded in a secondary market, JP Morgan makes use of acceptable practical expedients to calculate fair value, and the company classifies these items as Level 2.

If observable transactions and other market data are not available, fair value is based upon third party developed models that use, when available, current market-based or independently-sourced market parameters such as interest rates, currency rates or option volatilities. Items valued using third party generated models are classified according to the lowest level input or value driver that is most significant to the valuation. Thus, an item may be classified in Level 3 even though there may be significant inputs that are readily observable.

The following table sets forth by level within the fair value hierarchy the plan's investments as of Dec. 31, 2010 and Dec. 31, 2009. As required by the fair value accounting standards, the investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The plan's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For cash equivalents, the cost approach was used in determining fair value. For bonds and U.S. government

agencies, the income approach was used. For other investments, the market approach was used.

(millions)	At Fair Value as of Dec. 31, 2010			
	Level 1	Level 2	Level 3	Total
Accounts receivable	$31.4	$0.0	$0.0	$31.4
Accounts payable	(45.2)	0.0	0.0	(45.2)
Cash equivalents				
Short term investment fund (STIF)	7.9	0.0	0.0	7.9
Repurchase agreements	0.0	14.0	0.0	14.0
Money markets	0.0	0.3	0.0	0.3
Total cash equivalents	7.9	14.3	0.0	22.2
Equity securities				
Common stocks	112.6	0.0	0.0	112.6
Preferred stocks	0.0	1.0	0.0	1.0
American depository receipt (ADR)	4.8	1.3	0.0	6.1
Real estate investment trust (REIT)	2.0	0.0	0.0	2.0
Commingled fund	0.0	24.8	0.0	24.8
Mutual fund	121.5	0.0	0.0	121.5
Total equity securities	240.9	27.1	0.0	268.0
Fixed income securities				
Municipal bonds	0.0	7.9	0.0	7.9
Government bonds	0.0	26.3	0.0	26.3
Corporate bonds	0.0	26.0	0.0	26.0
Asset backed securities (ABS)	0.0	0.6	0.0	0.6
Mortgage back securities (MBS)	0.0	53.6	0.0	53.6
Collateralized mortgage obligation/Real estate mortgage investment conduit (CMO/REMIC)	0.0	3.0	0.0	3.0
Mutual funds	0.0	86.1	0.0	86.1
Total fixed income securities	0.0	203.5	0.0	203.5
Derivatives				
Swaps	0.0	0.1	0.0	0.1
Written options	0.0	(0.3)	0.0	(0.3)
Total derivatives	0.0	(0.2)	0.0	(0.2)
Total	$235.0	$244.7	$0.0	$479.7

(millions)	At Fair Value as of Dec. 31, 2009			
	Level 1	Level 2	Level 3	Total
Accounts receivable	$72.8	$0.0	$0.0	72.8
Accounts payable	(35.6)	0.0	0.0	(35.6)
Cash equivalents				
Treasury bill	0.0	0.3	0.0	0.3
Certificate of deposit	0.0	3.6	0.0	3.6
STIF	6.7	0.0	0.0	6.7
Total cash equivalents	6.7	3.9	0.0	10.6
Equity securities				
Common stocks	94.1	0.0	0.0	94.1
Preferred stocks	0.0	1.0	0.0	1.0
ADR	7.1	1.1	0.0	8.2
REIT	1.1	0.0	0.0	1.1
Commingled fund	0.0	22.8	0.0	22.8
Mutual fund	127.2	0.0	0.0	127.2
Total equity securities	229.5	24.9	0.0	254.4
Fixed income securities				
Municipal bonds	0.7	3.2	0.0	3.9
Government bonds	0.0	27.5	0.0	27.5
Corporate bonds	0.0	24.3	0.0	24.3
MBS	0.0	25.7	0.0	25.7
ABS	0.0	0.7	0.0	0.7
CMO/REMIC	0.0	3.9	0.0	3.9
Mutual fund	0.0	0.9	0.0	0.9
Total fixed income securities	0.7	86.2	0.0	86.9
Options	0.0	(0.3)	0.0	(0.3)
Miscellaneous	0.0	0.1	0.0	0.1
Total	$274.1	$114.8	$0.0	$388.9

- Cash equivalents, excluding the STIF, are valued using cost due to their short term nature. Additionally, cash equivalents are backed by 102% collateral.
- The STIF is a money market mutual fund and is valued using the net asset value (NAV), as determined by the fund's trustee in accordance with U.S. GAAP, at year end. Shares may be sold any day the fund is accepting purchase orders, at the next NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV, making this a Level 1 asset.
- The primary pricing inputs in determining the fair value of the Level 1 assets, excluding the mutual fund, are quoted prices in active markets.
- The primary pricing inputs in determining the fair value of Level 2 preferred stock and ADR are prices of similar securities and benchmark quotes.
- The commingled fund invests primarily in international equity securities, normally excluding securities issued in the U.S., with large- and mid-market capitalizations. The fund may invest in "value" or "growth" securities and is not limited to a particular investment style. The fund is valued using the NAV, as determined by the fund's trustee in accordance with U.S. GAAP, at year end. For redemption, written notice of the amount to be withdrawn must be given no later than 4:00 p.m. eastern standard time.
- The primary pricing input in determining the Level 1 mutual fund is the mutual fund's NAV. The Level 1 mutual fund is an open-ended mutual fund and the NAV is validated with purchases and sales at NAV, making this a Level 1 asset.
- The primary pricing inputs in determining the fair value Level 2 municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of government bonds are the U.S. treasury curve, Consumer Price Index (CPI), and broker quotes, if available. The primary pricing inputs in determining the fair value of corporate bonds are the U.S. treasury curve, base spreads, yield to maturity (YTM), and benchmark quotes. ABS and CMO are priced using to be announced (TBA) prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information.
- The primary pricing input in determining the fair value of the Level 2 mutual fund is its NAV at year end. Shares may be purchased at the NAV without sales charges or other fees. Since this mutual fund is a private fund, it is a Level 2 asset. The fund invests primarily in emerging market fixed income securities. For redemption, written notice of the amount to be withdrawn must be given no later than 4:00 p.m. eastern standard time. Redemption proceeds

will normally be received within three business days.

- The level 2 options are valued using the bid-ask spread and the last price. Swaps are valued using benchmark yields, swap curves, and cash flow analyses.

Other Postretirement Benefit Plan Assets

There are no assets associated with TECO Energy's other postretirement benefits plan.

Contributions

TECO Energy's policy is to fund the qualified pension plan at or above amounts determined by its actuaries to meet Employee Retirement Income Security Act (ERISA) guidelines for minimum annual contributions and minimize Pension Benefit Guarantee Corporation (PBGC) premiums paid by the plan. TECO Energy contributed $81.3 million in 2010 and $6.7 million to this plan in 2009, which met the minimum funding requirements for both 2010 and 2009. These amounts are reflected in the "Other" line on the Consolidated Statements of Cash Flows. TECO Energy does not plan to make a contribution in 2011 since the contributions made in 2010 satisfy the funding requirements for 2011. TECO Energy estimates annual contributions to range from $35 - $50 million per year in 2012 to 2015 based on current assumptions.

The SERP is funded annually to meet the benefit obligations. The company made contributions of $6.3 million and $1.5 million to this plan in 2010 and 2009, respectively. In 2011, the company expects to make a contribution of about $4.4 million to this plan.

The other postretirement benefits are funded annually to meet benefit obligations. 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 2011, the company expects to make a contribution of about $13.8 million. Postretirement benefit levels are substantially unrelated to salary.

Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Expected Benefit Payments - TECO Energy (including projected service and net of employee contributions)	**Pension Benefits**	**Other Postretirement Benefits**	
Expected benefit payments *(millions)*:		Gross	Expected Federal Subsidy
2011	$ 41.7	$ 15.1	$ 1.3
2012	$ 44.7	$ 15.9	$ 1.4
2013	$ 45.0	$ 16.7	$ 1.6
2014	$ 46.7	$ 17.5	$ 1.8
2015	$ 47.5	$ 18.0	$ 1.9
2016-2020	$ 273.5	$ 96.4	$ 11.7

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. Effective April 2010, employer matching contributions were 60% of eligible participant contributions with additional incentive match of up to 40% of eligible participant contributions based on the achievement of certain operating company financial goals. Prior to this, the employer matching contributions were 50% of eligible participant contributions, with an additional incentive match of up to 50%. For the years ended Dec. 31, 2010, 2009 and 2008, the company and its subsidiaries recognized expense totaling $12.6 million, $8.1 million and $7.1 million, respectively, related to the matching contributions made to this plan.

6. Short-Term Debt

At Dec. 31, 2010 and 2009, the following credit facilities and related borrowings existed:

Credit Facilities

(millions)	Dec. 31, 2010 Credit Facilities	Dec. 31, 2010 Borrowings Outstanding (1)	Dec. 31, 2010 Letters of Credit Outstanding	Dec. 31, 2009 Credit Facilities	Dec. 31, 2009 Borrowings Outstanding (1)	Dec. 31, 2009 Letters of Credit Outstanding
Tampa Electric Company:						
5-year facility (2)	$325.0	$5.0	$0.7	$325.0	$55.0	$0.7
1-year accounts receivable facility	150.0	7.0	0.00	150.0	0.00	0.00
TECO Energy/TECO Finance:						
5-year facility (2)(3)	200.0	0.00	6.7	200.0	0.00	6.9
Total	$675.0	$12.0	$7.4	$675.0	$55.0	$7.6

(1) Borrowings outstanding are reported as notes payable.

(2) These 5-year facilities mature May 9, 2012.

(3) TECO Finance is the borrower and TECO Energy is the guarantor of this facility.

At Dec. 31, 2010, these credit facilities require commitment fees ranging from 7.0 to 60.0 basis points. The weighted average interest rate on outstanding notes payable at Dec. 31, 2010 and 2009 was 0.64% and 0.66%, respectively.

Tampa Electric Company Accounts Receivable Facility

On Feb. 18, 2011, Tampa Electric Company and TEC Receivables Corp. (TRC), a wholly-owned subsidiary of Tampa Electric Company, amended their $150 million accounts receivable collateralized borrowing facility, entering into Omnibus Amendment No. 9 to the Loan and Servicing Agreement with certain lenders named therein and Citicorp North America, Inc. as Program Agent. The amendment extends the maturity date to Feb. 17, 2012. Please refer to **Note 25** for additional information.

7. Long-Term Debt

At Dec. 31, 2010, total long-term debt had a carrying amount of $3,229.1 million and an estimated fair market value of $3,449.3 million. At Dec. 31, 2009, total long-term debt had a carrying amount of $3,309.7 million and an estimated fair market value of $3,500.3 million.

A substantial part of the tangible assets of Tampa Electric are pledged as collateral to secure its first mortgage bonds. 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 2011 through 2015 and thereafter are as follows:

Long-Term Debt Maturities

Dec. 31, 2010 (millions)	2011	2012	2013	2014	2015	Thereafter	Total Long-Term Debt
TECO Energy	$48.7	$0.0	$0.0	$0.0	$8.8	$0.0	$57.5
TECO Finance	15.0	0.0	0.0	0.0	191.2	850.0	1,056.2
Tampa Electric	0.0	308.3	60.7	83.3	83.3	1,308.3	1,843.9
PGS	3.4	66.7	0.0	0.0	0.0	156.7	226.8
TECO Guatemala	11.2	11.2	11.2	11.1	0.0	0.0	44.7
Total long-term debt maturities	$78.3	$386.2	$71.9	$94.4	$283.3	$2,315.0	$3,229.1

Debt Securities

Refinancing of CGESJ Debt

On Dec. 29, 2010 Central Generadora Eléctrica San José, Limitada refinanced its $44.7 million loan at a fixed rate of 3.0% for 2011 and a floating rate of 3-month Libor plus 275 basis points for 2012-2014. The loan is repaid quarterly with a final payment on Dec. 31, 2014. In connection with this transaction, $0.9 million of unamortized costs were expensed, and are included in "Loss on debt extinguishment" on the Consolidated Statements of Cash Flows for the twelve months ended Dec. 31, 2010.

Tampa Electric Company Exchange Offer and Issuance of 5.40% Notes due 2021

On Dec. 14, 2010, Tampa Electric Company completed an exchange offer (the Exchange Offer) which resulted in the exchange of approximately $278.5 million principal amount of Tampa Electric Company notes for approximately $278.5 million principal amount of newly issued Tampa Electric Company 5.40% Notes due 2021.

The Exchange Offer resulted in the exchange and retirement of approximately:

- $131.5 million principal amount of Tampa Electric Company 6.875% Notes due 2012
- $147.0 million principal amount of Tampa Electric Company 6.375% Notes due 2012

for approximately $278.5 million principal amount of newly issued Tampa Electric Company 5.40% Notes due 2021.

The 5.40% Notes bear interest at a rate of 5.40% per year, payable on May 15 and November 15 each year, beginning May 15, 2011 and mature May 15, 2021. Tampa Electric Company may redeem some or all of the 5.40% Notes at a price equal to the greater of (i) 100% of the principal amount of the applicable Tampa Electric Company notes to be redeemed, plus accrued and unpaid interest, or (ii) the net present value of the remaining payments of principal and interest on the Tampa Electric 5.40% Notes, discounted at the applicable trea sury rate (as defined in the applicable supplemental indenture), plus 25 basis points. Such redemption price would include accrued and unpaid interest to the redemption date. In accordance with allowed regulatory treatment, the unamortized costs are being amortized over the life of the original notes.

After the Exchange Offer, approximately $118.6 million principal amount of Tampa Electric Company 6.875% Notes due 2012 and $253.0 million principal amount of Tampa Electric Company 6.375% Notes due 2012 remain outstanding.

Redemption of TECO Energy, Inc. and TECO Finance, Inc. 7.0% Notes due 2012

On Dec. 2, 2010, TECO Energy and TECO Finance redeemed $73.2 million and $163.1 million, respectively, of 7.0% Notes due May 1, 2012. The redemption price was equal to $1,089.73 per $1,000 principal amount of notes redeemed, plus accrued and unpaid interest on the redeemed notes up to the redemption date. In connection with this transaction, $21.6 million of premiums and fees were expensed, and are included in "Loss on debt extinguishment" on the Consolidated Statements of Income and as part of the "Cash flows from operating activities" in the Consolidated Statements of Cash Flows for the twelve months ended Dec. 31, 2010.

Issuance of Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010

On Nov. 23, 2010, the Polk County Industrial Development Authority (PCIDA) issued $75.0 million Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010, in a term-rate mode pursuant to the terms of the Loan and Trust Agreement governing those bonds. Proceeds of the bonds were used to redeem $75.0 million PCIDA Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 bonds, which previously had been in auction rate mode and were held by the Tampa Electric Company since Mar. 26, 2008. The Series 2010 bonds bear interest at the initial term rate of 1.50% per annum and are subject to mandatory tender for purchase on Mar. 1, 2011, at which time the interest rate on the Series 2010 bonds may be converted to another interest rate mode or another term interest rate of the same or different duration. Tampa Electric Company is responsible for payment of the interest and principal associated with the bonds. Tampa Electric Company entered into a Loan and Trust Agreement with the PCIDA, as issuer, and The Bank of New York Trust Company, N.A., as trustee, in connection with the issuance of the Series 2010 bonds.

On Mar. 26, 2008, Tampa Electric Company purchased in lieu of redemption $75.0 million PCIDA Solid Waste Disposal Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 and $20.0 million Hillsborough County Industrial Development Authority (HCIDA) Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007C (collectively, the "2007 Bonds"). After the Nov. 15, 2010 issuance of the Series 2010 PCIDA Bonds, $20.0 million in bonds purchased in lieu of redemption were held by the trustee at the direction of Tampa Electric Company as of Dec. 31, 2010 (the "Held Bonds") to provide an opportunity to evaluate refinancing alternatives. The Held Bonds effectively offset the outstanding debt balances and are presented net on the balance sheet.

Redemption of TECO Energy, Inc. 7.2% Notes due 2011

On Apr. 22, 2010, TECO Energy redeemed $100.0 million aggregate principal amount of its 7.2% Notes due 2011. The redemption price was equal to $1,066.38 per $1,000 principal amount of notes redeemed, plus accrued and unpaid interest on the redeemed notes up to the redemption date. In connection with this transaction, $6.6 million of premiums and fees were expensed, and are included in "Loss on debt extinguishment" on the Consolidated Statements of Income and as part of the "Cash flows from operating activities" in the Consolidated Statements of Cash Flows for the twelve months ended Dec. 31, 2010.

Redemption of TECO Energy, Inc. Floating Rate Notes due 2010

On Apr. 14, 2010, TECO Energy redeemed all of the outstanding $100.0 million aggregate principal amount of its Floating Rate Notes due 2010. The redemption price was equal to 100% of the principal amount of notes redeemed, plus accrued and unpaid interest on the redeemed notes up to the redemption date.

TECO Energy, Inc. and TECO Finance, Inc. Tender Offers

On Mar. 22, 2010, TECO Energy and TECO Finance completed debt tender offers which resulted in the purchase of approximately $70.0 million principal amount of TECO Energy notes for cash and approximately $230.0 million principal amount of TECO Finance notes for cash.

The tender offers resulted in the purchase and retirement of approximately:

- $43.0 million principal amount of TECO Energy 7.2% Notes due 2011
- $27.0 million principal amount of TECO Energy 7.0% Notes due 2012
- $156.9 million principal amount of TECO Finance 7.2% Notes due 2011
- $73.1 million principal amount of TECO Finance 7.0% Notes due 2012

In connection with these debt tender transactions, $25.5 million of premiums and fees were expensed, and are included in "Loss on debt extinguishment" on the Consolidated Statements of Income and as part of the "Cash flows from operating activities" in the Consolidated Statements of Cash Flows for the twelve months ended Dec. 31, 2010. "Loss on debt extinguishment" also includes remaining unamortized debt issue costs of $0.9 million.

Issuance of TECO Finance, Inc. 4.00% Notes due 2016 and 5.15% Notes due 2020

On Mar. 15, 2010, TECO Finance, Inc. issued $250.0 million aggregate principal amount of 4.00% Notes due Mar. 15, 2016 and $300.0 million aggregate principal amount of 5.15% Notes due Mar. 15, 2020. The 2016 Notes were priced at 99.594% of the principal amount to yield 4.077% to maturity, and the 2020 Notes were priced at 99.552% of the principal amount to yield 5.208% to maturity. TECO Finance is a wholly-owned subsidiary of TECO Energy whose business activities consist solely of providing funds to TECO Energy for its diversified activities. The TECO Finance notes are fully and unconditionally guaranteed by TECO Energy.

The offering resulted in net proceeds to TECO Finance (after deducting underwriting discounts and commissions and estimated offering expenses) of approximately $543.5 million. TECO Finance used a portion of these net proceeds to fund the cash purchase of the TECO Energy and TECO Finance notes tendered in March 2010 (see "TECO Energy, Inc. and TECO Finance, Inc. Tender Offers" above) and to fund the redemptions of the TECO Energy Floating Rate Notes due 2010 and 7.20% Notes due 2011 in April 2010. TECO Finance may redeem some or all of the 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 notes to be redeemed or (ii) the sum of the present value of the remaining payments of principal and interest on the notes to be redeemed, discounted at an applicable treasury rate (as defined in the indenture), plus 25 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date.

Reconsolidation of TCAE and CGESJ

Effective Jan. 1, 2010, new accounting standards for consolidations amended the determination of the primary beneficiaries for variable interest entities. As a result of adopting these standards, TECO Guatemala, Inc., a wholly-owned subsidiary of TECO Energy, was determined to be the primary beneficiary of, and therefore required to consolidate, both the TCAE and CGESJ projects in Guatemala. (See **Note 19**.) The consolidation resulted in a net $44.4 million increase of non-recourse debt.

At Dec. 31, 2010 and 2009, TECO Energy had the following long-term debt outstanding:

Long-Term Debt *(millions) Dec. 31,*		*Due*	*2010*	*2009*
TECO Energy	Notes[1]:			
	Floating rate 2.3% (effective rate 2.5%) for 2009	2010	$ -	$ 100.0
	7.50% (effective rate of 7.8%) for 2009	2010	-	2.8
	7.20% (effective rate of 7.4%)	2011	48.7	191.7
	7.00% (effective rate of 7.1%) for 2009	2012	-	100.2
	6.75% (effective rate of 6.9%)[2]	2015	8.8	8.8
			57.5	403.5
TECO Finance	Notes[1][3]:7.2% (effective rate of 7.4%)	2011	15.0	171.8
	7.00% (effective rate of 7.1%) for 2009	2012	-	236.2
	6.75% (effective rate of 6.9%)[2]	2015	191.2	191.2
	4.00% (effective rate of 4.2%)	2016	250.0	-
	6.572% (effective rate of 7.3%)	2017	300.0	300.0
	5.15% (effective rate of 5.3%)	2020	300.0	-
			1,056.2	899.2
Tampa Electric	Installment contracts payable[4] :			
	5.10% Refunding bonds (effective rate of 5.6%)	2013	60.7	60.7
	5.65% Refunding bonds (effective rate of 5.9%)	2018	54.2	54.2
	Variable rate bonds repurchased in 2008 [5]	2020	-	-
	5.50% Refunding bonds (effective rate of 6.2%)	2023	86.4	86.4
	5.15% Refunding bonds (effective rate of 5.4%) [6]	2025	51.6	51.6
	Variable rate bonds (effective rate of 4.3%) [7]	2030	75.0	-
	5.00% Refunding bonds (effective rate of 5.9%) [8]	2034	86.0	86.0
	Notes[1]: 6.875% (effective rate of 7.0%)	2012	99.6	210.0
	6.375% (effective rate of 7.4%)	2012	208.7	330.0
	6.25% (effective rate of 6.3%) [2]	2014-2016	250.0	250.0
	6.10% (effective rate of 6.4%)	2018	200.0	200.0
	5.40% (effective rate of 5.8%)	2021	231.7	-
	6.55% (effective rate of 6.6%)	2036	250.0	250.0
	6.15% (effective rate of 6.2%)	2037	190.0	190.0
			1,843.9	1,768.9
Peoples Gas System	Senior Notes[1][2]: 9.93%	2010	-	1.0
	8.00%	2011-2012	6.8	9.5
	Notes[1]:6.875% (effective rate of 7.1%)	2012	19.0	40.0
	6.375% (effective rate of 7.4%)	2012	44.3	70.0
	6.10% (effective rate of 7.0%)	2018	50.0	50.0
	5.40% (effective rate of 5.4%)	2021	46.7	-
	6.15% (effective rate of 6.2%)	2037	60.0	60.0
			226.8	230.5
TECO Guatemala	Notes[1][2]: 3.00% Fixed rate for 2011, floating thereafter	2011-2014	44.7	-
	3.00% Fixed rate	2010-2014	-	7.6
			44.7	7.6
Unamortized debt discount, net			(2.7)	(0.2)
			3,226.4	3,309.5
Less amount due within one year			78.3	107.9
Total long-term debt			$ 3,148.1	$ 3,201.6

(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 financial covenants.

(3) Guaranteed by TECO Energy.

(4) Tax-exempt securites.

(5) In March 2008 these bonds, which were in auction rate mode, were purchased in lieu of redemption by Tampa Electric Company. These held variable rate bonds have a par amount of $20.0 million and are due in 2020.

(6) These bonds were converted in March 2008 from auction rate mode to a fixed rate mode for the term ending Sep. 1, 2013.

(7) These bonds were converted in December 2010 from an auction rate mode to a term rate mode ending Mar. 1, 2011.

(8) These bonds were converted in March 2008 from an auction rate mode to a fixed rate mode for the term ending Mar. 15, 2012.

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 May 5, 2010, the shareholders approved the 2010 Equity Incentive Plan (2010 Plan) as an amendment and restatement of both the company's 2004 Equity Incentive Plan (2004 Plan) and the 1997 Director Equity Plan (1997 Plan, and together with the 2004 Plan, the Old Plans). The 2010 Plan superseded the Old Plans and no additional grants will be made under the Old Plans. The rights of the holders of outstanding options, unvested restricted stock or other outstanding awards under the Old Plans were not affected. The purpose of the 2010 Plan is to attract and retain key employees and non-employee directors, to enable the company to provide equity-based incentives relating to achieving long-range performance goals and to enable award recipients to participate in the long-term growth of the company. The 2010 Plan is administered by the Compensation Committee of the Board of Directors (Committee), which may grant awards to any employee of the company who is capable of contributing significantly to the successful performance of the company. Only the Board of Directors may grant awards to any non-employee members of the Board of Directors.

The 2010 Plan amended the 2004 Plan to reduce the number of shares of common stock subject to grants to 4.0 million shares (a reduction of 3.0 million shares), remove the cap on shares available for stock grant, place various limitations on the terms of awards granted under the 2010 Plan, remove the ability to make awards to consultants of the company and reapprove the business criteria upon which objective performance goals may be established by the Committee to continue to permit the company to take federal tax deductions for performance-based awards made to certain senior officers under Section 162(m) of the tax code.

The types of awards that can be granted under the 2010 Plan include stock options, stock grants and stock equivalents. Stock options were last awarded in 2006 under the Old Plans. Stock grants and time-vested restricted stock are valued at the fair market value on the date of grant, with expense recognized over the vesting period, which is normally three years. Time-vested restricted stock granted to directors vests one-third each year. Performance-based restricted stock has been granted to officers and employees, with shares potentially vesting after three years. The total awards for performance-based restricted stock vest based on the total return of TECO Energy common stock compared to a peer group of utility stocks. The performance based grants can vest between 0% and 150% of the original grant. Dividends are paid on all time-vested stock grants during the vesting period. Dividends are paid on all performance stock granted prior to 2010 during the vesting period. Dividends are accrued during the vesting period on all performance stock granted in 2010 and paid at vesting date on the shares that vest. 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.

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 accounting guidance for the 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.

Assumptions	*2010*	*2009*	*2008*
Assumptions applicable to performance-based restricted stock			
Risk-free interest rate	1.37%	1.36%	2.46%
Expected lives (in years)	3	3	3
Expected stock volatility	35.83%	34.11%	18.38%
Dividend yield	4.90%	7.54%	4.80%

Under the 2010 Plan and the Old Plans 0.8 million, 0.9 million and 0.7 million shares of restricted stock were granted in 2010, 2009 and 2008, respectively, with weighted average fair values of $17.22, $10.63 and $16.85, respectively. The total fair market value of awards vesting during 2010, 2009 and 2008 was $10.2 million, $7.0 million and $2.6 million, respectively, which includes stock grants, time-vested restricted stock and performance-based restricted stock. As of Dec. 31, 2010, there was $11.6 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.

The following table provides additional information on compensation costs and income tax benefits and excess tax benefits related to the stock-based compensation awards.

(millions)	*2010*	*2009*	*2008*
Compensation costs [1]	$ 7.4	$ 10.4	$ 9.8
Income tax benefits [1]	2.9	4.0	3.8
Excess tax benefits [2]	0.8	0.3	1.9

(1) Reflected on the Consolidated Statements of Income.
(2) Reflected as financing activities on the Consolidated Statements of Cash Flows.

The aggregate intrinsic value of stock options exercised was $0.7 million, $0.1 million and $8.4 million for the periods ended Dec. 31, 2010, 2009 and 2008, respectively. Cash received from option exercises under all share-based payment arrangements was $2.9 million, $0.4 million and $18.2 million for the periods ended Dec. 31, 2010, 2009 and 2008, respectively. The income tax benefit realized from stock option exercises was $0.3 million, $0.1 million and $3.2 million for the periods ended Dec. 31, 2010, 2009 and 2008, respectively.

A summary of non-vested shares of restricted stock for the 2010 Plan is shown as follows:

Nonvested Restricted Stock

	Time Based Restricted Stock[1]		**Performance Based Restricted Stock[1]**	
	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, 2009	582	$ 14.44	1,161	$ 14.39
Granted	195	16.73	573	17.38
Vested	(208)	15.96	(423)	18.05
Forfeited	(5)	14.62	(12)	14.70
Nonvested balance at Dec. 31, 2010	564	$ 14.67	1,299	$ 14.51

(1) The weighted average remaining contractual term of restricted stock is 2 years.

Stock option transactions during 2010 under the 2010 Plan are summarized as follows:

Stock Options

	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, 2009	6,002	$ 21.66		
Granted	-	-		
Exercised	(213)	13.71		
Cancelled	(887)	21.49		
Outstanding balance at Dec. 31, 2010[(1)]	4,902	$ 22.04	3	$ 7.3
Exercisable at Dec. 31, 2010[(1)]	4,902	$ 22.04	3	$ 7.3
Available for future grant at Dec. 31, 2010	3,374			

(1) Option prices range from $11.09 to $31.58.

As of Dec. 31, 2010, the options outstanding and exercisable under the 2010 Plan are summarized below:

	Stock Options Outstanding and Exercisable		
Range of Option Prices	Option Shares (thousands)	Weighted Avg. Option Price	Weighted Avg. Remaining Contractual Life
$11.09 - $13.64	985	$12.78	3 Years
$16.21 - $19.05	1,526	$16.31	5 Years
$27.97 - $31.58	2,391	$29.50	1 Years
Total	4,902	$22.04	3 Years

Dividend Reinvestment Plan

In 1992, TECO Energy implemented a Dividend Reinvestment and Common Stock Purchase Plan. TECO Energy raised $3.7 million, $3.8 million and $3.6 million of common equity from this plan in 2010, 2009 and 2008, respectively.

Shareholder Rights Plan

The Shareholder Rights Plan expired according to its terms in May 2009.

Other

In February 2009, the Committee awarded eight senior officers time-vested restricted common stock in-lieu of cash for 50% of their annual incentive award; the remaining balances of these 2008 incentive awards were paid in cash. The full cost of these incentives were reflected in the 2008 income statement under the caption "Operation other expense-Other." In connection with these restricted stock awards, 72,342 shares were issued at a grant-date value of $12.15. These awards vested one year from the date of grant.

10. Other Comprehensive Income

TECO Energy reported the following other comprehensive income (loss) (OCI) for the years ended Dec. 31, 2010, 2009 and 2008, related to changes in the fair value of cash flow hedges and amortization of unrecognized benefit costs associated with the company's pension plans:

Other Comprehensive Income *(millions)*	*Gross*	*Tax*	*Net*
2010			
Unrealized gain on cash flow hedges	$ 1.0	$ (0.4)	$ 0.6
Plus: Loss reclassified to net income	3.9	(1.4)	2.5
Gain on cash flow hedges	4.9	(1.8)	3.1
Amortization of unrecognized benefit costs and other	3.7	0.0	3.7
Recognized benefit costs due to settlement	1.7	(0.7)	1.0
Total other comprehensive income	$ 10.3	$ (2.5)	$ 7.8
2009			
Unrealized gain on cash flow hedges	$ 4.0	$ (1.5)	$ 2.5
Plus: Loss reclassified to net income	24.3	(9.0)	15.3
Gain on cash flow hedges	28.3	(10.5)	17.8
Amortization of unrecognized benefit costs and other	2.1	(0.8)	1.3
Change in benefit obligation due to remeasurement	0.4	(0.2)	0.2
Reclassification to earnings loss on available-for-sale securities[1]	1.7	0.0	1.7
Total other comprehensive income	$ 32.5	$ (11.5)	$ 21.0
2008			
Unrealized loss on cash flow hedges	$ (25.2)	$ 9.4	$ (15.8)
Less: Gain reclassified to net income	(4.9)	1.8	(3.1)
Loss on cash flow hedges	(30.1)	11.2	(18.9)
Amortization of unrecognized benefit costs and other	4.2	(1.6)	2.6
Unrecognized loss on available-for-sale securities [1]	(1.7)	0.0	(1.7)
Unrecognized benefits due to remeasurement	(17.7)	6.9	(10.8)
Total other comprehensive loss	$ (45.3)	$ 16.5	$ (28.8)

Accumulated Other Comprehensive Loss *(millions)*	*Dec. 31, 2010*	*Dec. 31, 2009*
Unrecognized pension losses and prior service costs[2]	$ (26.6)	$ (27.8)
Unrecognized other benefit losses, prior service costs and transition obligations[3]	13.6	10.1
Net unrealized losses from cash flow hedges [4]	(4.2)	(7.3)
Total accumulated other comprehensive loss	$ (17.2)	$ (25.0)

(1) Amount relates to an off-shore investment not subject to U.S. Federal income tax.

(2) Net of tax benefit of $16.2 million and $17.1 million as of Dec. 31, 2010 and Dec. 31, 2009, respectively.

(3) Net of tax expense of $5.8 million and $6.0 million as of Dec. 31, 2010 and Dec. 31, 2009, respectively.

(4) Net of tax benefit of $2.7 million and $4.5 million as of Dec. 31, 2010 and Dec. 31, 2009, respectively.

11. Earnings Per Share

In accordance with accounting standards for the calculation of earnings per share (EPS), TECO Energy adopted the two-class method for computing EPS in the first quarter of 2009. These standards define share-based payment awards that participate in dividends prior to vesting as participating securities that should be included in the earnings allocation in computing EPS under the two-class method. The standards require retrospective application for all prior periods presented.

The two-class method of calculating EPS requires TECO Energy to calculate EPS for its common stock and its participating securities (time-vested restricted stock and performance-based restricted stock) based on dividends declared and the pro-rata share each has to undistributed earnings. The application of the two-class method did not have a material effect on TECO Energy's EPS calculations.

Earnings Per Share

(millions, except per share amounts)	*2010*	*2009*	*2008*
Basic earnings per share			
Net income from continuing operations	$239.6	$213.9	$162.4
Less: Income attributable to noncontrolling interest	(0.6)	0.0	0.0
Less: Amount allocated to nonvested participating shareholders	(1.7)	(1.8)	(1.1)
Net income attributable to TECO Energy available to common shareholders - basic	$237.3	$212.1	$161.3
Net income attributable to TECO Energy	$239.0	$213.9	$162.4
Amount allocated to nonvested participating shareholders	(1.7)	(1.8)	(1.1)
Net income attributable to TECO Energy available to common shareholders - basic	$237.3	$212.1	$161.3
Average shares outstanding common	212.6	211.8	210.6
Basic earnings per share attributable to TECO Energy available to common shareholders	$1.12	$1.00	$0.77
Diluted earnings per share			
Net income from continuing operations	$239.6	$213.9	$162.4
Less: Income attributable to noncontrolling interest	(0.6)	0.0	0.0
Less: Amount allocated to nonvested participating shareholders	(1.7)	(1.8)	(1.1)
Net income attributable to TECO Energy available to common shareholders - diluted	$237.3	$212.1	$161.3
Net income attributable to TECO Energy	$239.0	$213.9	$162.4
Amount allocated to nonvested participating shareholders	(1.7)	(1.8)	(1.1)
Net income attributable to TECO Energy available to common shareholders - diluted	$237.3	$212.1	$161.3
Average shares outstanding common	212.6	211.8	210.6
Assumed conversion of stock options, unvested restricted stock and contingent performance shares, net	2.2	1.3	0.8
Adjusted average shares outstanding common - diluted	214.8	213.1	211.4
Diluted earnings per share attributable to TECO Energy available to common shareholders	$1.11	$1.00	$0.77
Anti-dilutive shares	2.7	6.0	4.3

12. Commitments and Contingencies

Legal Contingencies

From time to time, TECO Energy and its subsidiaries are involved in various 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 accounting standards 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.

TECO Coal Corporation and Premier Elkhorn Coal Corporation v. Orlando Utilities Commission (OUC)

TECO Coal Corporation and Premier Elkhorn Coal Corporation (collectively, TECO Coal), wholly-owned subsidiaries of TECO Energy, Inc., filed a declaratory judgment suit on Dec. 21, 2007, in the U.S. District Court for the Eastern District of Kentucky. The dispute stems from a 1995 coal supply contract with OUC that contains a mechanism to adjust the contract price every six months based on changes in government-published indexes intended to track changes in unit costs in TECO Coal's cost of production for supplying the coal. TECO Coal maintains that it is commercially impractical to continue the contract because that mechanism has not worked as intended and has resulted in an unintended windfall for OUC. OUC has filed a counterclaim unrelated to the commercial impracticability claim that seeks damages for TECO Coal's failure to deliver coal in 2008 when TECO Coal notified OUC of its inability to deliver coal as a result of force majeure.

On Sep. 17, 2010, the Court granted OUC's motion for summary judgment against TECO Coal's claim and denied OUC's motion for summary judgment on its breach of contract counterclaim against TECO Coal. On Jan. 6, 2011, the Court on joint motion from both parties dismissed the case without either party making payment to the other. TECO Coal will deliver the remaining tons provided on the contract that expires at the end of 2011.

Merco Group at Adventura Landings v. Peoples Gas System

In October 2004, Merco Group at Adventura Landings I, II and III (together, "Merco"), filed suit against Peoples Gas System in Dade County Circuit Court, and in its second amended complaint under that action, Merco alleges that coal tar from a certain former Peoples Gas manufactured gas plant site had been deposited in the early 1960s onto property now owned by Merco. Merco alleges that it incurred approximately $2.5 million in costs associated with the removal of such coal tar, and recently provided expert testimony claiming $110 million plus interest in damages from lost profits due to the delay in its condominium development project allegedly caused by the presence of the coal tar. Peoples Gas maintains that the coal tar did not originate from its manufactured gas plant site and has filed a third-party complaint against Continental Holdings, Inc., which Merco also added as a defendant in its suit, as the owner at the relevant time of the site that Peoples Gas believes was the source of the coal tar on Merco's property. Additionally, Peoples Gas has filed a counterclaim against Merco for contribution for its portion of the damages, in the event Peoples Gas is found liable any damages associated with the coal tar, alleging Merco is a responsible party based in part on its purchasing the property with knowledge of the presence of the coal tar. In February 2011, the trial judge granted partial summary judgment to Merco and shifted the burden of proof to Peoples Gas and Continental Holdings to prove the coal tar did not come from their respective manufactured gas plant sites. Trial is scheduled for April 2011. As of the filing of this report, the ultimate resolution of this proceeding is uncertain and no potential loss has been accrued.

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, 2010, Tampa Electric Company has estimated its ultimate financial liability to be $21.3 million, primarily at PGS. This amount has been accrued and is primarily reflected in "Regulatory liabilities" on the company's consolidated balance sheet. This amount is higher than prior estimates to reflect a 2009 study for the costs of remediation primarily related to one site. 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 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.

Potentially Responsible Party Notification

In October 2010, the U.S. Environmental Protection Agency (EPA) notified Tampa Electric Company that it is a potentially responsible party under the federal Superfund law for the proposed conduct of a contaminated soil removal action and further clean

up, if necessary, at a property owned by Tampa Electric Company in Tampa, Florida. The property owned by Tampa Electric Company is undeveloped except for location of transmission lines and poles, and is adjacent to an industrial site, not owned by Tampa Electric Company, which the EPA has studied since 1992 or earlier. The EPA has asserted this potential liability due to Tampa Electric Company's ownership of the property described above but, to the knowledge of Tampa Electric Company, is not based upon any release of hazardous substances by Tampa Electric Company. Tampa Electric Company is in the process of responding to such matter, and the scope and extent of its potential liability, if any, and the costs of any required investigation and remediation have not been determined.

EPA Administrative Order

In December 2010, Clintwood Elkhorn Mining Company, a subsidiary of TECO Coal Corporation, received an Administrative Order from the EPA relating to the discharge of wastewater associated with inactive mining operations in Pike County, Kentucky. TECO Coal Corporation is in the process of responding to such matter, and the scope and extent of its potential liability, if any, and the costs of any required investigation and remediation related to its inactive mining operations in the area have not been determined.

Long-Term Commitments

TECO Energy has commitments under long-term leases, primarily for building space, capacity payments, office equipment and heavy equipment.

Total rental expense for these leases, included in "Operation other expense - Other" on the Consolidated Statements of Income for the years ended Dec. 31, 2010, 2009 and 2008, was $11.5 million, $10.7 million and $9.9 million, respectively. The following is a schedule of future minimum lease payments at Dec. 31, 2010 for all leases with non-cancelable lease terms in excess of one year:

Future Minimum Lease Payments

(millions)	*Capacity Payments*[1]	*Operating Leases*	*Total*
Year ended Dec. 31:			
2011	$ 8.8	$ 8.5	$ 17.3
2012	9.0	5.3	14.3
2013	9.1	2.9	12.0
2014	9.3	2.4	11.7
2015	9.5	2.3	11.8
Thereafter	29.7	20.7	50.4
Total future minimum lease payments	$ 75.4	$ 42.1	$ 117.5

(1) This schedule includes the fixed capacity payments required under a capacity and tolling agreement of Tampa Electric which commenced Jan. 1, 2009. In accordance with accounting standards on arrangements that contain a lease, the company evaluated the agreement and concluded based on the criteria that the agreement met the lease definition. Prudently incurred capacity payments are recoverable under an FPSC-approved cost recovery clause (See **Note 3**).

Guarantees and Letters of Credit

TECO Energy accounts for guarantees in accordance with the applicable accounting standards. 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) are likely to be subject to the recognition and measurement, as well as the disclosure provisions. 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, 2010 are as follows:

Letters of Credit and Guarantees-TECO Energy

(millions) *Letters of Credit and Guarantees for the Benefit of:*	*2011*	*2012-2015*	*After [1] 2015*	*Total*	*Liabilities Recognized at Dec. 31, 2010*
Tampa Electric					
Guarantees:					
Fuel purchase/energy management [2]	$0.0	$0.0	$20.0	$20.0	$3.0
	0.0	0.0	20.0	20.0	3.0
TECO Coal					
Letters of credit	0.0	0.0	6.7	6.7	0.0
Guarantees: Fuel purchase related [2]	0.0	0.0	5.4	5.4	1.9
	0.0	0.0	12.1	12.1	1.9
Other subsidiaries					
Guarantees:					
Fuel purchase/energy management [2]	0.0	0.0	109.7	109.7	0.0
Total	$0.0	$0.0	$141.8	$141.8	$4.9

Letters of Credit-Tampa Electric Company

(millions) *Letters of Credit for the Benefit of:*	*2011*	*2012-2015*	*After [1] 2015*	*Total*	*Liabilities Recognized at Dec. 31, 2010*
Tampa Electric					
Letters of credit	$0.0	$0.0	$0.7	$0.7	$0.0
Total	$0.0	$0.0	$0.7	$0.7	$0.0

(1) These letters of credit and guarantees renew annually and are shown on the basis that they will continue to renew beyond 2015.

(2) The amounts shown are the maximum theoretical amounts guaranteed under current agreements. Liabilities recognized represent the associated obligation of TECO Energy under these agreements at Dec. 31, 2010. 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 its subsidiaries must meet certain financial tests as defined in the applicable agreements. In addition, TECO Energy, TECO Finance, Tampa Electric Company and other operating companies have certain restrictive covenants in specific agreements and debt instruments. At Dec. 31, 2010, TECO Energy, TECO Finance, Tampa Electric Company and the other operating companies were in compliance with all applicable financial covenants.

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, $1.6 million and $1.9 million for the years ended Dec. 31, 2010, 2009 and 2008, 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, 2010, 2009 and 2008. No material balances were payable as of Dec. 31, 2010 or 2009.

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 the accounting guidance for 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.

Segment Information

(millions)	Tampa Electric	PGS	TECO Coal	TECO [2] Guatemala	Other & Eliminations	TECO Energy
2010						
Revenues - outsiders	$ 2,161.9	$ 510.7	$ 690.0	$ 124.4	$ 0.9	$ 3,487.9
Revenues - affiliates	1.3	19.2	0.0	0.0	(20.5)	0.0
Total revenues	2,163.2	529.9	690.0	124.4	(19.6)	3,487.9
Earnings from unconsol. affiliates	0.0	0.0	0.0	13.1	(2.7)	10.4
Depreciation and amortization	215.9	46.0	43.5	7.3	0.2	312.9
Restructuring charges	0.0	0.0	0.0	0.0	1.5	1.5
Total interest charges [1]	122.7	18.3	6.8	15.7	67.8	231.3
Internally allocated interest [1]	0.0	0.0	6.6	11.2	(17.8)	0.0
Provision (benefit) for taxes	122.4	21.3	11.8	46.2	(31.7)	170.0
Net income attributable to TECO Energy	208.8	34.1	53.0	41.6	(98.5)	239.0
Goodwill, net	0.0	0.0	0.0	55.4	0.0	55.4
Total assets	5,833.3	918.4	332.2 [3]	292.7	(182.0)	7,194.6
Capital expenditures	331.2	62.4	47.4	0.8	47.9	489.7
2009						
Revenues - outsiders	$ 2,193.5	$ 455.6	$ 653.0	$ 8.3	$ 0.1	$ 3,310.5
Revenues - affiliates	1.3	15.2	0.0	0.0	(16.5)	0.0
Total revenues	2,194.8	470.8	653.0	8.3	(16.4)	3,310.5
Earnings from unconsol. affiliates	0.0	0.0	0.0	47.3	(0.6)	46.7
Depreciation and amortization	200.4	44.2	42.2	0.8	0.3	287.9
Restructuring charges	18.4	4.7	0.0	0.0	2.6	25.7
Total interest charges [1]	116.2	18.7	7.3	12.9	71.9	227.0
Internally allocated interest [1]	0.0	0.0	6.4	12.6	(19.0)	0.0
Provision (benefit) for taxes	98.4	13.3	7.8	10.8	(31.7)	98.6
Net income attributable to TECO Energy	160.2	31.9	37.2	38.6	(54.0)	213.9
Goodwill, net	0.0	0.0	0.0	59.4	0.0	59.4
Investment in unconsolidated affiliates	0.0	0.0	0.0	279.2	0.1	279.3
Total assets	5,697.9	870.1	326.6 [3]	380.7	(55.8)	7,219.5
Capital expenditures	533.0	50.5	47.4	0.2	8.7	639.8
2008						
Revenues - outsiders	$ 2,089.8	$ 688.4	$ 588.4	$ 8.4	$ 0.3	$ 3,375.3
Revenues - affiliates	1.4	0.0	0.0	0.0	(1.4)	0.0
Total revenues	2,091.2	688.4	588.4	8.4	(1.1)	3,375.3
Earnings from unconsol. affiliates	0.0	0.0	0.0	72.5	0.4	72.9
Depreciation and amortization	185.6	41.9	37.6	0.8	0.2	266.1
Total interest charges [1]	114.7	18.2	8.1	15.4	72.5	228.9
Internally allocated interest [1]	0.0	0.0	6.7	15.1	(21.8)	0.0
Provision (benefit) for taxes	81.9	17.3	2.3	14.8	(21.9)	94.4
Net income attributable to TECO Energy	135.6	27.1	18.0	36.9	(55.2)	162.4
Goodwill, net	0.0	0.0	0.0	59.4	0.0	59.4
Investment in unconsolidated affiliates	0.0	0.0	0.0	284.0	0.0	284.0
Other non-current investments	0.0	0.0	0.0	0.0	21.3	21.3
Total assets	5,538.8	878.0	309.1 [3]	383.1	38.4	7,147.4
Capital expenditures	479.7	69.0	40.3	0.5	0.0	589.5

(1) Segment net income is reported on a basis that includes internally allocated financing costs. Total interest charges include internally allocated interest costs that for July through December 2010 were at a pretax rate of 6.50%, for September 2008

through June 2010 were at a pretax rate of 7.15% and for January 2008 through August 2008 were at a pretax rate of 7.25%. Rates were 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.

(2) Revenues for 2009 and 2008 are exclusive of entities deconsolidated as a result of the accounting guidance for variable interest entities. Total revenues for the San José and Alborada power stations, attributable to TECO Guatemala based on ownership percentages, were $97.3 million and $117.1 million for the twelve months ended Dec. 31, 2009 and 2008, respectively. These entities were consolidated as of Jan. 1, 2010 as a result of accounting guidance effective that date. See **Note 19** for more information.

(3) The carrying value of mineral rights as of Dec. 31, 2010, 2009 and 2008 was $15.8 million, $16.6 million and $18.1 million, respectively.

Tampa Electric provides retail electric utility services to more than 672,000 customers in West Central Florida. PGS is engaged in the purchase and distribution of natural gas for more than 336,000 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 Guatemala includes the San José and Alborada power plants and the TECO Guatemala parent company.

15. Asset Retirement Obligations

TECO Energy accounts for asset retirement obligations (ARO) under the applicable accounting standards. An 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 AROs 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.

For the years ended Dec. 31, 2010, 2009 and 2008, TECO Energy recognized $1.4 million, $1.4 million and $1.4 million of accretion expense, respectively, associated with AROs in "Depreciation and amortization" on the Consolidated Statements of Income. For the year ended Dec. 31, 2010, a $1.8 million estimated cash flow revision at Tampa Electric resulted primarily from the decreased cost of removal of treated wood poles of nearly 50%.

Reconciliation of beginning and ending carrying amount of asset retirement obligations:

	Dec. 31,	
(millions)	*2010*	*2009*
Beginning balance	$ 55.2	$ 52.9
Additional liabilities	0.8	0.4
Liabilities settled	(1.5)	(1.0)
Accretion expense	1.4	1.4
Revisions to estimated cash flows	(1.8)	0.0
Other[(1)]	1.6	1.5
Ending balance	$ 55.7	$ 55.2

(1) Accretion 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.

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. Dispositions

Sale of DECA II

On Oct. 21, 2010, a TECO Energy subsidiary, TPSU, sold its 30% interest in DECA II to EPM, a multi-utility company based in Medellín Colombia, under a stock purchase agreement (SPA), for a sale price of $181.5 million. TPSU is a subsidiary of TGH.

DECA II is a holding company in which, prior to the sale, TGH held a 30% interest, Iberdrola Energia, S.A. held a 49% interest and EDP – Energias de Portugal, S.A. held a 21% interest. Each of these parties sold its interest in DECA II pursuant to the SPA. DECA II holds an 80.9% ownership interest in EEGSA and affiliated companies. EEGSA is the largest Guatemalan distribution utility, which serves Guatemala City, the capital of Guatemala and the surrounding region.

TGH received $181.5 million of the $605.0 million total purchase price for its 30% interest. In addition, TGH repatriated approximately $25.0 million of cash previously held offshore in a tax deferral structure. During the third quarter, TECO Guatemala recorded a $24.9 million income tax charge related to the unwinding of the tax deferral structure as the earnings from DECA II were no longer considered indefinitely reinvested. The sale resulted in a fourth quarter gain of approximately $36.1 million at TECO Guatemala. Also during the fourth quarter, the company recorded $9.0 million of Guatemalan and U.S. tax expenses as a result of the transaction.

Sale of Navega

On Mar. 13, 2009, TECO Guatemala sold its 16.5% interest in the Central American fiber optic telecommunications provider Navega. The sale resulted in a gain of $18.3 million and total proceeds of $29.0 million.

17. Goodwill

Under the accounting guidance for goodwill, goodwill is not subject to amortization. Rather, goodwill with an indefinite life is subject to an annual assessment for impairment at the reporting unit level. 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.

TECO Energy reviews recorded goodwill at least annually during the fourth quarter for each reporting unit. 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, 2010, the company had $55.4 million of goodwill on its balance sheet, which is reflected in the TECO Guatemala segment. The goodwill arose from the purchase of multiple entities as a result of the company's investments in its San José and Alborada power plants ($52.4 million and $3.0 million gross amounts at inception, respectively). Since these reporting units are one level below the operating segment level, discrete cash flow information is available, and management regularly reviews their operating results separately, this is the reporting unit level at which potential impairment is tested.

While quoted prices in active markets provide the best evidence of fair value, these are not available since TECO Guatemala has not received any offers for the purchase of its power plants. Additionally, multiples of earnings or another performance measure to determine fair value is not available since there are no comparable entities in Guatemala that have recently been sold. While there may have been similar sales in Central America, these sales are not comparable to TECO Guatemala's investment due to the differing regulatory, economic and growth environments throughout Central America. Therefore, in conducting the impairment assessment for the reporting units, the company used discounted cash flows of the business model of 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. Cash flows through 2015 were based on detailed operating forecasts provided to management. Growth factors of 2.5% for San José and 1.0% for Alborada were applied to predict subsequent year cash flows through the expected plant closings. The growth factors were determined based on each plant's past trends, management's expectations for inflation and each plant's opportunities for growth. The cash flows were discounted to a present value using the risk free rate of return at Dec. 31, 2010, adjusted for an additional risk premium. The additional risk premium included a country risk premium, a relevered beta using each plant's debt/equity ratio, an equity risk premium, and a company specific risk premium. The resulting discount rate was 10.8% for San José and 10.3% for Alborada. Additionally, management performed sensitivity analyses on the model valuation using discount rates up to 15.0%. The resulting calculations did not alter the conclusion of the tests.

The company determined the fair value of its San José and Alborada reporting units support the book value and related goodwill carrying amounts at Dec. 31, 2010, resulting in no impairment charge.

18. Asset Impairments

The company accounts for long-lived asset impairments in accordance with the accounting guidance for long-lived assets, which requires that long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. An asset is considered not recoverable if its carrying value exceeds the sum of its undiscounted expected cash flows. If it is determined that the carrying value is not recoverable and its carrying value exceeds its fair value, an impairment charge is made and the value of the asset is reduced to its fair value. When the impaired asset is disposed of, if the consideration received is in excess of the reduced carrying value, a gain would then be recorded. In accordance with accounting guidance, 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. No such indicators of impairment existed as of Dec. 31, 2010, 2009 or 2008.

19. Variable Interest Entities

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 PPAs with EEGSA, a distribution utility in Guatemala. The terms of the two separate PPAs included 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. Under prior accounting standards for consolidation, management believed that EEGSA was 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 $25.0 million of debt and $15.1 million of net assets from TECO Energy's Consolidated Balance Sheet. The CGESJ 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 were classified as "Income from equity investments" on TECO Energy's Consolidated Statements of Income since the date of deconsolidation through Dec. 31, 2009.

Effective Jan. 1, 2010, the accounting standards for consolidation of VIEs were amended. The most significant amendment was the determination of a VIE's primary beneficiary. Under the amended standard, the primary beneficiary is the enterprise that has both 1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and 2) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. As a result of adopting this amendment, the company reconsolidated both TCAE and CGESJ.

The following table summarizes combined income statement information for the TCAE and CGESJ projects for the years ended Dec. 31, 2009 and 2008, which were not consolidated:

Summary Results for TCAE and CGESJ

For the years ended Dec. 31, (millions)	*2009*	*2008*
Revenues	$97.2	$117.1
Operating expenses	58.1	56.8
Project level income[(1)]	31.8	49.0

(1) Excludes taxes, allocated interest expense and administrative and general expenses. Includes project level interest.

The following table summarizes combined balance sheet information for the TCAE and CGESJ projects for the periods ended Dec. 31, 2010, which were consolidated, and Dec. 31, 2009, which were not consolidated:

Summary Results for TCAE and CGESJ

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Current assets	$71.9	$58.1
Long-term assets and other deferred debits	152.7	161.2
Total assets	$224.6	$219.3
Current liabilities	$22.5	$17.6
Long-term liabilities and other deferred credits	37.1	51.2
Equity	165.0	150.5
Total liabilities and equity	$224.6	$219.3

Tampa Electric Company has entered into multiple PPAs with wholesale energy providers in Florida to ensure the ability to meet customer energy demand and to provide lower cost options in the meeting of this demand. These agreements range in size from 121 MW to 370 MW of available capacity, are with similar entities and contain similar provisions. Because some of these provisions

provide for the transfer or sharing of a number of risks inherent in the generation of energy, these agreements meet the definition of being variable interest entities. These risks include: operating and maintenance; regulatory; credit; commodity/fuel; and energy market risk. Tampa Electric Company has reviewed these risks and has determined that the owners of these entities have retained the majority of these risks over the expected life of the underlying generating assets, have the power to direct the most significant activities, the obligation or right to absorb losses or benefits and hence remain the primary beneficiaries. As a result, Tampa Electric Company is not required to consolidate any of these entities. Tampa Electric Company purchased $108.8 million, $105.5 million and $167.2 million, under these PPAs for the three years ended Dec. 31, 2010, 2009 and 2008, respectively.

In one instance Tampa Electric Company's agreement with the entity for 370 MW of capacity was entered into prior to Dec. 31, 2003, the effective date of these standards. Under the standards, the company is required to make an exhaustive effort to obtain sufficient information to determine if this entity is a VIE and which holder of the variable interests is the primary beneficiary. The owners of this entity are not willing to provide the information necessary to make these determinations, have no obligation to do so and the information is not available publicly. As a result, the company is unable to determine if this entity is a VIE and if so, which variable interest holder, if any, is the primary beneficiary. The company has no obligation to this entity beyond the purchase of capacity; therefore, the maximum exposure for the company is the obligation to pay for such capacity under terms of the PPA at rates that could be unfavorable to the wholesale market. Tampa Electric Company purchased $52.8 million, $31.7 million and $71.6 million, under this PPA for the three years ended Dec. 31, 2010, 2009 and 2008, respectively.

The company does not provide any material financial or other support to any of the VIEs it is involved with, nor is the company under any obligation to absorb losses associated with these VIEs. Other than the Guatemalan projects previously mentioned, in the normal course of business, our involvement with the remaining VIEs does not affect our Consolidated Balance Sheets, Statements of Income or Cash Flows.

20. Restructuring Charges

On Jul. 30, 2009, TECO Energy, Inc. announced organizational changes and a new senior management structure as part of its response to industry changes, economic uncertainties and its commitment to maintain a lean and efficient organization. As a second step in response to these factors, on Aug. 31, 2009, the company decided on a total reduction in force of 229 jobs. The reduction in force was substantially completed by Dec. 31, 2009. In connection with this reduction in force, the company incurred total costs of $26.6 million related to severance and other benefits. For the three months ended Mar. 31, 2010, the remaining $1.5 million of these costs were recognized on the Consolidated Statements of Income under "Restructuring Charges". The company's wholly-owned subsidiary, Tampa Electric Company, incurred $23.1 million of such costs, all of which were recognized in the year ended Dec. 31, 2009. The total cash payments related to these actions were $28.4 million; including $4.9 million for the settlement of pension obligations. As of Mar. 31, 2010, all restructuring charges were paid or settled.

Restructuring Charges Incurred

(millions)	*Termination of Benefits*	*Other Costs*	*Total*
Total costs expected to be incurred	$26.6	$0.6	$27.2
Costs incurred in 2009	(25.1)	(0.6)	(25.7)
Costs incurred in 2010	(1.5)	$0.0	(1.5)
Total costs remaining	$0.0	$0.0	$0.0

Accrued Liability for Restructuring Charges

(millions)	*Termination of Benefits*	*Other Costs*	*Total*
Beginning balance, Jul. 1, 2009	$0.0	$0.0	$0.0
Costs incurred and charged to expense	26.6	0.6	27.2
Costs paid/settled	(22.9)	(0.6)	(23.5)
Non-cash expense	(3.7)	0.0	(3.7)
Ending balance, Dec. 31, 2010	$0.0	$0.0	$0.0

Restructuring Charges by Segment

(millions)	*Tampa Electric*	*PGS*	*Other*[1]	*Total*
Total costs expected to be incurred	$ 18.4	$ 4.7	$ 4.1	$ 27.2
Costs incurred in 2009	(18.4)	(4.7)	(2.6)	(25.7)
Costs incurred in 2010	0.0	0.0	(1.5)	(1.5)
Total costs remaining	$0.0	$0.0	$0.0	$0.0

(1) Restructuring costs incurred at the parent company.

21. Accounting for Derivative Instruments and Hedging Activities

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; and
- To limit the exposure to price fluctuations for physical purchases of fuel at TECO Coal.

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 accounting standards for 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 (See **Note 22**). 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 loss on the related hedging instrument must be reclassified from OCI to earnings based on its value at the time of the instrument's settlement. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the market change of the amount paid or received on the underlying physical transaction.

The company applies the accounting standards for regulated operations to financial instruments used to hedge the purchase of natural gas for its regulated companies. These standards, in accordance with the FPSC, permit the changes in fair value of natural gas derivatives to be recorded as regulatory assets or liabilities to reflect the impact of hedging activities on the fuel recovery clause. As a result, these changes are not recorded in OCI (see **Note 3**).

A company's physical contracts qualify for the normal purchase/normal sale (NPNS) exception to derivative accounting rules, provided they meet certain criteria. Generally, NPNS applies if the company deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if the company intends to receive physical delivery and if the transaction is reasonable in relation to the company's business needs. As of Dec. 31, 2010, all of the company's physical contracts qualify for the NPNS exception.

The following table presents the derivatives that are designated as cash flow hedges at Dec. 31, 2010 and Dec. 31, 2009:

Total Derivatives

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Current assets	$ 2.7	$ 0.8
Long-term assets	0.2	0.2
Total assets	$ 2.9	$ 1.0
Current liabilities	$ 27.2	$ 34.0
Long-term liabilities	2.6	3.6
Total liabilities	$ 29.8	$ 37.6

The following table presents the derivative cash flow hedges of heating oil contracts at Dec. 31, 2010 and Dec. 31, 2009 to limit the exposure to changes in the market price for diesel fuel:

Heating Oil Derivatives

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Current assets	$1.6	$0.0
Long-term assets	0.2	0.2
Total assets	$1.8	$0.2
Current liabilities	$0.0	$0.9
Long-term liabilities	0.0	0.0
Total liabilities	$0.0	$0.9

The following table presents the derivative cash flow hedges of natural gas contracts at Dec. 31, 2010 and Dec. 31, 2009 to limit the exposure to changes in market price for natural gas used to produce energy, natural gas purchased for resale to customers and natural gas used as a component price for explosives purchased:

Natural Gas Derivatives

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Current assets	$ 1.1	$ 0.8
Long-term assets	0.0	0.0
Total assets	$ 1.1	$ 0.8
Current liabilities	$ 27.2	$ 33.1
Long-term liabilities	2.6	3.6
Total liabilities	$ 29.8	$ 36.7

The ending balance in accumulated other comprehensive income (AOCI) related to the cash flow hedges and previously settled interest rate swaps at Dec. 31, 2010 is a net loss of $4.2 million after tax and accumulated amortization. This compares to a net loss of $7.3 million in AOCI after tax and accumulated amortization at Dec. 31, 2009.

The following table presents the fair values and locations of derivative instruments recorded on the balance sheet at Dec. 31, 2010 and 2009:

Derivatives Designated As Hedging Instruments

	Asset Derivatives		Liability Derivatives	
(millions)	*Balance Sheet*	*Fair*	*Balance Sheet*	*Fair*
at Dec. 31, 2010	*Location*	*Value*	*Location*	*Value*
Commodity Contracts:				
Heating oil derivatives:				
Current	Derivative assets	$1.6	Derivative liabilities	$0.0
Long-term	Derivative assets	0.2	Derivative liabilities	0.0
Natural gas derivatives:				
Current	Derivative assets	1.1	Derivative liabilities	27.2
Long-term	Derivative assets	0.0	Derivative liabilities	2.6
Total derivatives designated as hedging instruments		$2.9		$29.8

	Asset Derivatives		Liability Derivatives	
(millions)	*Balance Sheet*	*Fair*	*Balance Sheet*	*Fair*
at Dec. 31, 2009	*Location*	*Value*	*Location*	*Value*
Commodity Contracts:				
Heating oil derivatives:				
Current	Derivative assets	$0.0	Derivative liabilities	$0.9
Long-term	Derivative assets	0.2	Derivative liabilities	0.0
Natural gas derivatives:				
Current	Derivative assets	0.8	Derivative liabilities	33.1
Long-term	Derivative assets	0.0	Derivative liabilities	3.6
Total derivatives designated as hedging instruments		$1.0		$37.6

The following table presents the effect of energy related derivatives on the fuel recovery clause mechanism in the Consolidated Balance Sheet as of Dec. 31, 2010 and 2009:

(millions) *at Dec. 31, 2010*	*Balance Sheet Location* [1]	*Fair Value*	*Balance Sheet Location* [1]	*Fair Value*
Commodity Contracts:				
Natural gas derivatives:				
Current	Regulatory liabilities	$ 1.1	Regulatory assets	$ 27.2
Long-term	Regulatory liabilities	0.0	Regulatory assets	2.6
Total		$ 1.1		$ 29.8

(millions) *at Dec. 31, 2009*	*Balance Sheet Location* [1]	*Fair Value*	*Balance Sheet Location* [1]	*Fair Value*
Commodity Contracts:				
Natural gas derivatives:				
Current	Regulatory liabilities	$ 0.8	Regulatory assets	$ 33.1
Long-term	Regulatory liabilities	0.0	Regulatory assets	3.6
Total		$ 0.8		$ 36.7

(1) Natural gas derivatives are deferred, in accordance with accounting standards for regulated operations and all increases and decreases in the cost of natural gas supply are passed on to customers with the fuel recovery clause mechanism. As gains and losses are realized in future periods, they will be recorded as fuel costs in the Consolidated Statements of Income.

Based on the fair value of the instruments at Dec. 31, 2010, net pretax losses of $26.1 million are expected to be reclassified from regulatory assets or liabilities to the Consolidated Condensed Statements of Income within the next twelve months.

The following table presents the effect of hedging instruments on OCI and income for the years ended Dec. 31:

(millions)	Amount of Gain/(Loss) on Derivatives Recognized in OCI	Location of Gain/(Loss) Reclassified From AOCI Into Income	Amount of Gain/(Loss) Reclassified From AOCI Into Income
Derivatives in Cash Flow Hedging Relationships	Effective Portion[1]	Effective Portion[1]	
2010			
Interest rate contracts:	$0.0	Interest expense	($1.7)
Commodity contracts:			
Heating oil derivatives	0.6	Mining related costs	(0.8)
Total	$0.6		($2.5)
2009			
Interest rate contracts:	($0.3)	Interest expense	($2.0)
Commodity contracts:			
Heating oil derivatives	2.8	Mining related costs	(13.3)
Total	$2.5		($15.3)
2008			
Interest rate contracts:	($3.4)	Interest expense	($1.0)
Commodity contracts:			
Heating oil derivatives	(12.4)	Mining related costs	4.1
Total	($15.8)		$3.1

(1) Changes in OCI and AOCI are reported in after-tax dollars.

For derivative instruments that meet cash flow hedge criteria, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or period during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For the years ended Dec. 31, 2010, 2009 and 2008, all hedges were effective.

The following table presents the derivative activity for instruments classified as qualifying cash flow hedges for the years ended Dec. 31:

(millions)	Fair Value Asset/(Liability)	Amount of Gain/(Loss) Recognized in OCI[1]	Amount of Gain/(Loss) Reclassified From AOCI Into Income
2010			
Interest rate swaps	$0.0	$0.0	($1.7)
Heating oil derivatives	1.8	0.6	(0.8)
Total	$1.8	$0.6	($2.5)
2009			
Interest rate swaps	$0.0	($0.3)	($2.0)
Heating oil derivatives	(0.7)	2.8	(13.3)
Total	($0.7)	$2.5	($15.3)
2008			
Interest rate swaps	$0.0	($3.4)	($1.0)
Heating oil derivatives	(26.3)	(12.4)	4.1
Total	($26.3)	($15.8)	$3.1

(1) Changes in OCI and AOCI are reported in after-tax dollars.

The maximum length of time over which the company is hedging its exposure to the variability in future cash flows extends to Dec. 31, 2012 for both financial natural gas and financial heating oil fuel contracts. The following table presents by commodity type the company's derivative volumes that, as of Dec. 31, 2010, are expected to settle during the 2011 and 2012 fiscal years:

(millions)	Heating Oil Contracts (Gallons)		Natural Gas Contracts (MMBTUs)	
Year	Physical	Financial	Physical	Financial
2011	0.0	7.0	0.0	31.9
2012	0.0	0.5	0.0	9.6
Total	0.0	7.5	0.0	41.5

The company is exposed to credit risk primarily through entering into derivative instruments with counterparties to limit its exposure to the commodity price fluctuations associated with diesel fuel and natural gas. Credit risk is the potential loss resulting from a counterparty's nonperformance under an agreement. The company manages credit risk with policies and procedures for, among other things, counterparty analysis, exposure measurement, and exposure monitoring and mitigation.

It is possible that volatility in commodity prices could cause the company to have material credit risk exposures with one or more counterparties. If such counterparties fail to perform their obligations under one or more agreements, the company could suffer a material financial loss. However, as of Dec. 31, 2010, substantially all of the counterparties with transaction amounts outstanding in the company's energy portfolio were rated investment grade by the major rating agencies. The company assesses credit risk internally for counterparties that are not rated.

The company has entered into commodity master arrangements with its counterparties to mitigate credit exposure to those counterparties. The company generally enters into the following master arrangements: (1) Edison Electric Institute agreements (EEI) - standardized power sales contracts in the electric industry; (2) International Swaps and Derivatives Association agreements (ISDA) - standardized financial gas and electric contracts; and (3) North American Energy Standards Board agreements (NAESB) - standardized physical gas contracts. The company believes that entering into such agreements reduces the risk from default by creating contractual rights relating to creditworthiness, collateral and termination.

The company has implemented procedures to monitor the creditworthiness of our counterparties and to consider nonperformance in valuing counterparty positions. The company monitors counterparties' credit standing, including those that are experiencing financial problems, have significant swings in credit default swap rates, have credit rating changes by external rating agencies, or have changes in ownership. Net liability positions are generally not adjusted as the company uses derivative transactions as hedges and has the ability and intent to perform under each of these contracts. In the instance of net asset positions, the company considers general market conditions and the observable financial health and outlook of specific counterparties, forward looking data such as credit default swaps, when available, and historical default probabilities from credit rating agencies in evaluating the potential impact of nonperformance risk to derivative positions. As of Dec. 31, 2010, substantially all positions with counterparties were net liabilities.

Certain TECO Energy derivative instruments contain provisions that require the company's debt, or in the case of derivative instruments where Tampa Electric Company is the counterparty, Tampa Electric Company's debt, to maintain an investment grade credit rating from any or all of the major credit rating agencies. If debt ratings, including Tampa Electric Company's, were to fall below investment grade, it could trigger these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The company has no other contingent risk features associated with any derivative instruments.

The table below presents the fair value of the overall contractual contingent liability positions for the company's derivative activity at Dec. 31, 2010:

Contingent Features

(millions) At Dec. 31, 2010	Fair Value Asset/ (Liability)	Derivative Exposure Asset/ (Liability)	Posted Collateral
Credit Rating	($29.8)	($29.8)	$0.0

22. Fair Value Measurements

Determination of Fair Value

The company measures fair value using the procedures set forth below for all assets and liabilities measured at fair value that were previously carried at fair value pursuant to other accounting guidelines.

When available, the company uses quoted market prices on assets and liabilities traded on an exchange to determine fair value and classifies such items as Level 1. In some cases where a market exchange price is available, but the assets and liabilities are traded in a secondary market, the company makes use of acceptable practical expedients to calculate fair value, and classifies such items as Level 2.

If observable transactions and other market data are not available, fair value is based upon internally developed models that use, when available, current market-based or independently-sourced market parameters such as interest rates, currency rates or option volatilities. Items valued using internally generated models are classified according to the lowest level input or value driver that is most significant to the valuation. Thus, an item may be classified as Level 3 even though there may be significant inputs that are readily observable.

Items Measured at Fair Value on a Recurring Basis

The following table sets forth by level within the fair value hierarchy the company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of Dec. 31, 2010. As required by accounting standards for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For natural gas and heating oil swaps, the market approach was used in determining fair value. For other investments, the income approach was used.

Recurring Fair Value Measures

(millions)	*At fair value as of Dec. 31, 2010*			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Natural gas swaps	$0.0	$ 1.1	$0.0	$ 1.1
Heating oil swaps	0.0	1.8	0.0	1.8
Total	$0.0	$ 2.9	$0.0	$ 2.9
Liabilities				
Natural gas swaps	$0.0	$ 29.8	$0.0	$ 29.8
Heating oil swaps	0.0	0.0	0.0	0.0
Total	$0.0	$ 29.8	$0.0	$ 29.8

(millions)	*At fair value as of Dec. 31, 2009*			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Natural gas swaps	$0.0	$ 0.8	$0.0	$ 0.8
Heating oil swaps	0.0	0.2	0.0	0.2
Total	$0.0	$ 1.0	$0.0	$ 1.0
Liabilities				
Natural gas swaps	$0.0	$ 36.7	$0.0	$ 36.7
Heating oil swaps	0.0	0.9	0.0	0.9
Total	$0.0	$ 37.6	$0.0	$ 37.6

Natural gas and heating oil swaps are over-the-counter swap instruments. The primary pricing inputs in determining the fair value of these swaps are the New York Mercantile Exchange (NYMEX) quoted closing prices of exchange-traded instruments. These prices are applied to the notional amounts of active positions to determine the reported fair value (See **Note 21**).

The table below details the change in value and eventual sale of auction rate securities backed by pools of student loans. These securities were recorded in the "Other investments" line of the Consolidated Balance Sheets. As a result of auction failures and the lack of an alternative active market, the valuation technique for this security was an income approach using a discounted cash flow model and was considered Level 3 within the three tier fair value hierarchy. The model assumed a continuation of failed auctions and interest payments at the default rate. Cash flows were discounted at a rate approximating current market spreads for similar securities.

Based on the protracted disruption of the market for these securities and the uncertain potential for its recovery, the company no longer expected to hold the securities indefinitely to recover the original value. Accordingly, the impairment was deemed other-than-temporary and recognized in "Other income" on the Consolidated Statement of Income for the year ended Dec. 31, 2009. During the second quarter of 2009, one of the two securities was sold for the remaining fair value of $7.3 million. During the third quarter of 2009, the second security was sold for its remaining fair value of $2.5 million.

There were no Level 3 assets or liabilities during the 2010 fiscal year.

Assets Measured at Fair Value on a Recurring Basis Using Unobservable Inputs (Level 3)

(millions)	*Auction Rate Securities*
Balance at Dec. 31, 2008	$ 13.3
Transfers to Level 3	0.0
Change in fair market value included in earnings	(4.1)
Balance at Mar. 31, 2009	$ 9.2
Transfers to Level 3	0.0
Change in fair market value included in earnings	0.0
Settled	(7.3)
Balance at Jun. 30, 2009	$ 1.9
Transfers to Level 3	0.0
Change in fair market value	0.6
Settled	(2.5)
Included in earnings	0.0
Balance at Sep. 30, 2009	0.0
Transfers to Level 3	0.0
Change in fair market value	0.0
Settled	0.0
Included in earnings	0.0
Balance at Dec. 31, 2009	0.0

23. TECO Finance, Inc.

TECO Finance, Inc. (TECO Finance) is a 100% owned subsidiary of TECO Energy, Inc. TECO Finance's sole purpose is to raise capital for TECO Energy's diversified businesses. TECO Energy is a full and unconditional guarantor of TECO Finance's securities (see **Note 7**). See also **Restrictions on Dividend Payments and Transfer of Assets** in **Note 1**.

24. 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*
2010				
Revenues	$ 775.0	$ 901.8	$ 898.8	$ 912.3
Income from operations	$ 128.3	$ 159.7	$ 169.9	$ 168.9
Net income	$ 56.7	$ 51.0	$ 75.5	$ 55.8
Earnings per share (EPS) — basic	$ 0.27	$ 0.24	$ 0.35	$ 0.26
Earnings per share (EPS) — diluted	$ 0.26	$ 0.24	$ 0.35	$ 0.26
Dividends paid per common share	$ 0.205	$ 0.205	$ 0.205	$ 0.20
Stock price per common share [(1)]				
High	$ 18.11	$ 17.65	$ 17.35	$ 16.54
Low	$ 16.58	$ 14.78	$ 14.46	$ 14.46
Close	$ 17.80	$ 17.32	$ 15.07	$ 15.89

Quarter ended	*Dec. 31*	*Sep. 30*	*Jun. 30*	*Mar. 31*
2009				
Revenues	$ 765.0	$ 896.3	$ 825.2	$ 824.0
Income from operations	$ 119.4	$ 135.0	$ 123.1	$ 82.7
Net income	$ 53.5	$ 64.8	$ 60.9	$ 34.7
Earnings per share (EPS) — basic	$ 0.25	$ 0.30	$ 0.29	$ 0.16
Earnings per share (EPS) — diluted	$ 0.25	$ 0.30	$ 0.29	$ 0.16
Dividends paid per common share	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Stock price per common share [(1)]				
High	$ 16.71	$ 14.64	$ 12.41	$ 12.97
Low	$ 13.45	$ 11.16	$ 10.28	$ 8.41
Close	$ 16.22	$ 14.08	$ 11.93	$ 11.15

(1) Trading prices for common shares

25. Subsequent Events

Tampa Electric Company Accounts Receivable Facility

On Feb. 18, 2011, Tampa Electric Company and TRC, a wholly-owned subsidiary of Tampa Electric Company, amended their $150 million accounts receivable collateralized borrowing facility, entering into Omnibus Amendment No. 9 to the Loan and Servicing Agreement with certain lenders named therein and Citicorp North America, Inc. as Program Agent. The amendment (i) extends the maturity date to Feb. 17, 2012, (ii) provides that TRC will pay program and liquidity fees, which will total 70 basis points, (iii) provides that the interest rates on the borrowings will be 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, at Tampa Electric Company's option, either Citibank's prime rate (or the federal funds rate plus 50 basis points, if higher) or a rate based on the London interbank offer rate (if available) plus a margin and (iv) makes other technical changes.

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 (the Company) at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 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 the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the 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.

/s/ PricewaterhouseCoopers, LLP

Tampa, Florida

February 25, 2011

TAMPA ELECTRIC COMPANY
Consolidated Balance Sheets

Assets *(millions)*	*Dec. 31, 2010*	*Dec. 31, 2009*
Property, plant and equipment		
Utility plant in service		
Electric	$ 6,343.4	$ 6,065.9
Gas	1,060.6	1,017.2
Construction work in progress	206.8	303.0
Property, plant and equipment, at original costs	7,610.8	7,386.1
Accumulated depreciation	(2,093.9)	(1,988.1)
	5,516.9	5,398.0
Other property	4.7	4.4
Total property, plant and equipment (net)	5,521.6	5,402.4
Current assets		
Cash and cash equivalents	3.7	5.5
Receivables, less allowance for uncollectibles of $3.2 and $1.6 at Dec. 31, 2010 and 2009, respectively	264.6	228.6
Inventories, at average cost		
Fuel	119.0	85.8
Materials and supplies	59.1	55.8
Current regulatory assets	62.7	109.2
Current derivative assets	1.1	0.8
Taxes receivable	24.6	16.8
Deferred tax asset	1.5	0.0
Prepayments and other current assets	10.0	12.0
Total current assets	546.3	514.5
Deferred debits		
Unamortized debt expense	17.8	20.1
Long-term regulatory assets	341.9	335.6
Other	10.9	1.2
Total deferred debits	370.6	356.9
Total assets	$ 6,438.5	$ 6,273.8

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, 2010*	*Dec. 31, 2009*
Capital		
Common stock	$ 1,852.4	$ 1,802.4
Accumulated other comprehensive loss	(5.3)	(6.1)
Retained earnings	311.1	307.5
Total capital	2,158.2	2,103.8
Long-term debt, less amount due within one year	2,066.1	1,994.4
Total capitalization	4,224.3	4,098.2
Current liabilities		
Long-term debt due within one year	3.4	3.7
Notes payable	12.0	55.0
Accounts payable	219.0	206.1
Customer deposits	156.5	151.2
Current regulatory liabilities	110.0	85.4
Current derivative liabilities	27.2	33.1
Current deferred income taxes	0.0	15.9
Interest accrued	24.6	27.7
Taxes accrued	14.0	12.1
Other	12.2	16.5
Total current liabilities	578.9	606.7
Deferred credits		
Non-current deferred income taxes	631.5	543.8
Investment tax credits	10.4	10.8
Long-term derivative liabilities	2.6	3.6
Long-term regulatory liabilities	630.8	602.6
Other	360.0	408.1
Total deferred credits	1,635.3	1,568.9
Total liabilities and capital	$ 6,438.5	$ 6,273.8

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

TAMPA ELECTRIC COMPANY
Consolidated Statements of Income and Comprehensive Income

(millions) *For the years ended Dec. 31,*	*2010*	*2009*	*2008*
Revenues			
Electric (includes franchise fees and gross receipts taxes of $89.8 in 2010, $92.2 in 2009 and $85.0 in 2008)	$ 2,162.8	$ 2,194.3	$ 2,091.2
Gas (includes franchise fees and gross receipts taxes of $26.3 in 2010, $23.5 in 2009 and $24.2 in 2008)	510.8	455.6	687.9
Total revenues	2,673.6	2,649.9	2,779.1
Expenses			
Operations			
Fuel	748.9	909.9	819.4
Purchased power	179.6	177.6	305.4
Cost of natural gas sold	284.5	242.7	476.6
Other	369.6	318.3	277.3
Maintenance	122.8	128.9	121.4
Depreciation and amortization	261.9	244.6	227.5
Restructuring	0.0	23.1	0.0
Taxes, federal and state	143.1	110.9	97.8
Taxes, other than income	183.9	179.7	171.2
Total expenses	2,294.3	2,335.7	2,496.6
Income from operations	379.3	314.2	282.5
Other income			
Allowance for other funds used during construction	1.9	9.3	6.3
Taxes, non-utility federal and state	(0.6)	(0.8)	(1.4)
Other income, net	3.3	4.3	8.0
Total other income	4.6	12.8	12.9
Interest charges			
Interest on long-term debt	130.9	128.2	124.5
Other interest	11.2	11.2	10.6
Allowance for borrowed funds used during construction	(1.1)	(4.5)	(2.4)
Total interest charges	141.0	134.9	132.7
Net income	242.9	192.1	162.7
Other comprehensive loss, net of tax			
Net unrealized gains (losses) on cash flow hedges	0.8	0.7	(1.8)
Other comprehensive income (loss), net of tax	0.8	0.7	(1.8)
Comprehensive income	$ 243.7	$ 192.8	$ 160.9

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,*	*2010*	*2009*	*2008*
Cash flows from operating activities			
Net income	$ 242.9	$ 192.1	$ 162.7
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	261.9	244.6	227.5
Deferred income taxes	70.4	73.2	75.8
Investment tax credits, net	(0.4)	(0.4)	(0.9)
Allowance for funds used during construction	(1.9)	(9.3)	(6.3)
Gain on sale of business/assets, pretax	(0.3)	(0.6)	(0.4)
Deferred recovery clause	55.0	136.6	(115.8)
Receivables, less allowance for uncollectibles	(36.0)	7.5	2.7
Inventories	(36.5)	(3.0)	(14.4)
Prepayments	2.0	2.1	(2.5)
Taxes accrued	(5.8)	(24.6)	6.0
Interest accrued	(3.1)	0.6	3.6
Accounts payable	36.6	(41.8)	7.0
Other	(31.9)	54.0	11.4
Cash flows from operating activities	552.9	631.0	356.4
Cash flows from investing activities			
Capital expenditures	(393.6)	(583.5)	(548.7)
Allowance for funds used during construction	1.9	9.3	6.3
Net proceeds from sale of assets	0.0	2.2	6.3
Cash flows used in investing activities	(391.7)	(572.0)	(536.1)
Cash flows from financing activities			
Common stock	50.0	0.0	292.0
Proceeds from long-term debt	73.0	102.0	327.8
Repayment of long-term debt/Purchase in-lieu-of redemption	(3.7)	(5.5)	(292.5)
Net increase (decrease) in short-term debt	(43.0)	26.0	4.0
Dividends	(239.3)	(179.6)	(159.9)
Cash flows from (used in) financing activities	(163.0)	(57.1)	171.4
Net increase (decrease) in cash and cash equivalents	(1.8)	1.9	(8.3)
Cash and cash equivalents at beginning of period	5.5	3.6	11.9
Cash and cash equivalents at end of period	$ 3.7	$ 5.5	$ 3.6
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest	$ 135.6	$ 127.7	$ 120.9
Income taxes	$ 81.6	$ 62.3	$ 18.4

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,*	*2010*	*2009*	*2008*
Balance, beginning of year	$ 307.5	$ 295.0	$ 295.6
Add: Net income	242.9	192.1	162.7
	550.4	487.1	458.3
Deduct:			
Implementation of accounting standards for post-retirement benefits	0.0	0.0	3.4
Cash dividends on capital stock			
Common	239.3	179.6	159.9
Balance, end of year	$ 311.1	$ 307.5	$ 295.0

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

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					
2010	N/A	10	$ 1,852.4	[2]	$ 239.3
2009	N/A	10	$ 1,802.4	[2]	$ 179.6
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. 26, May 28, Aug. 27 and Nov. 26 during 2010.
Quarterly dividends paid on Feb. 27, May 28, Aug. 28 and Nov. 27 during 2009.
(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*	*2010*	*2009*
Tampa Electric	Installment contracts payable[1] :			
	5.10% Refunding bonds (effective rate of 5.6%)	2013	$60.7	$60.7
	5.65% Refunding bonds (effective rate of 5.9%)	2018	54.2	54.2
	Variable rate bonds repurchased in 2008 [2]	2020	0.0	0.0
	5.50% Refunding bonds (effective rate of 6.2%)	2023	86.4	86.4
	5.15% Refunding bonds (effective rate of 5.4%) [3]	2025	51.6	51.6
	Variable rate bonds (effective rate of 4.3%) [4]	2030	75.0	0.0
	5.00% Refunding bonds (effective rate of 5.9%) [5]	2034	86.0	86.0
	Notes[6]: 6.875% (effective rate of 7.0%)	2012	99.6	210.0
	6.375% (effective rate of 7.4%)	2012	208.7	330.0
	6.25% (effective rate of 6.3%) [7]	2014-2016	250.0	250.0
	6.10% (effective rate of 6.4%)	2018	200.0	200.0
	5.40% (effective rate of 5.8%)	2021	231.7	0.0
	6.55% (effective rate of 6.6%)	2036	250.0	250.0
	6.15% (effective rate of 6.2%)	2037	190.0	190.0
			1,843.9	1,768.9
Peoples Gas System	Senior Notes[6][7]: 9.93%	2010	0.0	1.0
	8.00%	2011-2012	6.8	9.5
	Notes[6] 6.875% (effective rate of 7.1%)	2012	19.0	40.0
	6.375% (effective rate of 7.4%)	2012	44.3	70.0
	6.10% (effective rate of 7.0%)	2018	50.0	50.0
	5.40% (effective rate of 5.4%)	2021	46.7	0.0
	6.15% (effective rate of 6.2%)	2037	60.0	60.0
			226.8	230.5
			2,070.7	1,999.4
Unamortized debt discount, net			(1.2)	(1.3)
			2,069.5	1,998.1
Less amount due within one year			3.4	3.7
Total long-term debt			$2,066.1	$1,994.4

(1) Tax-exempt securites.

(2) In March 2008 these bonds, which were in auction rate mode, were purchased in lieu of redemption by Tampa Electric Company. These held variable rate bonds have a par amount of $20.0 million due in 2020.

(3) These bonds were converted in March 2008 from an auction rate mode to a fixed rate mode for the term ending Sep. 1, 2013.

(4) These bonds were converted in Dec. 2010 from an auction rate mode to a term rate mode ending Mar. 1, 2011.

(5) These bonds were converted in March 2008 from an auction rate mode to a fixed rate mode for the term ending Mar. 15, 2012.

(6) These securities are subject to redemption in whole or in part, at any time, at the option of the company.

(7) These long-term debt agreements contain various restrictive financial covenants.

TAMPA ELECTRIC COMPANY
Consolidated Statements of Capitalization -continued

At Dec. 31, 2010, total long-term debt had a carrying amount of $2,070.7 million and an estimated fair market value of $2,217.0 million. At Dec. 31, 2009, total long-term debt had a carrying amount of $1,999.4 million and an estimated fair market value of $2,115.4 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 (See **Note 14**).

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. 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. Maturities and annual sinking fund requirements of long-term debt for the years 2011 through 2015 and thereafter are as follows:

Long-Term Debt Maturities

Dec. 31, (millions)	*2011*	*2012*	*2013*	*2014*	*2015*	*Thereafter*	*Total Long-term debt*
Tampa Electric	$ 0.0	$ 308.3	$ 60.7	$ 83.3	$ 83.3	$ 1,308.3	$ 1,843.9
PGS	3.4	66.7	0.0	0.0	0.0	156.7	226.8
Total long-term debt maturities	$ 3.4	$ 375.0	$ 60.7	$ 83.3	$ 83.3	$ 1,465.0	$ 2,070.7

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:

Basis of Accounting

Tampa Electric Company maintains its accounts in accordance with recognized policies prescribed or permitted by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). These policies conform with generally accepted accounting principles (GAAP) in all material respects.

The impact of the accounting guidance for the effects of certain types of regulation has been minimal in the company's experience, but when cost recovery is ordered over a period longer than a fiscal year, costs are recognized in the period that the regulatory agency recognizes them in accordance with this guidance.

The company's retail and wholesale businesses are regulated by the FPSC and related FERC, respectively. Prices allowed by both agencies are generally based on recovery of prudent costs incurred plus a reasonable return on invested capital.

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 GAAP. Actual results could differ from these estimates.

For entities that are determined to meet the definition of a variable interest entity (VIE), Tampa Electric Company obtains information, where possible, to determine if it is the primary beneficiary of the VIE. If Tampa Electric 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 Tampa Electric 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 Tampa Electric Company consolidating entities in which it has less than a 50% equity investment and deconsolidating entities in which it has a majority equity interest (see **Note 15**).

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 FPSC and FERC regulations.

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.

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, 2010, 2009 and 2008 was $255.4 million, $239.5 million and $224.3 million, respectively. The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property was 3.6% for 2010, 2009 and 2008. Construction work-in progress is not depreciated until the asset is completed or placed in service.

Cash Flows Related to Derivatives and Hedging Activities

Tampa Electric classifies cash inflows and outflows related to derivative and hedging instruments in the appropriate cash flow sections associated with the item being hedged. For natural gas, the cash inflows and outflows are included in the operating section of the Consolidated Statements of Cash Flows.

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 8.16% for May 2009 through December 2010 and 7.79% for January 2008 through April 2009. Total AFUDC for 2010, 2009 and 2008 was $3.0 million, $13.8 million and $8.7 million, respectively.

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.

Inventory

Tampa Electric Company values materials, supplies and fossil fuel inventory (coal, oil and natural gas) using a weighted-average cost method. These materials, supplies, and fuel inventories are carried at the lower of weighted-average cost or market, unless evidence indicates that the weighted-average cost (even if in excess of market) will be recovered with a normal profit upon sale in the ordinary course of business.

Revenue Recognition

Tampa Electric Company recognizes revenues consistent with accounting standards for revenue recognition. 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 the FERC. See **Note 3** for a discussion of significant regulatory matters and the applicability of the accounting for the effects of certain types of regulation to the company.

Revenues and Cost Recovery

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- 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 regulatory liabilities, and under-recoveries of costs are recorded as regulatory assets.

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, 2010 and 2009, unbilled revenues of $65.5 million and $51.6 million, respectively, are included in the "Receivables" line item on Tampa Electric Company's Consolidated Balance Sheets.

Tampa Electric purchases power on a regular basis primarily to meet the needs of its retail customers. Tampa Electric purchased power from non-TECO Energy affiliates at a cost of $179.6 million, $177.6 million and $305.4 million, for the years ended Dec. 31, 2010, 2009 and 2008, 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

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 $116.1 million, $115.7 million and $109.2 million, for the years ended Dec. 31, 2010, 2009 and 2008, 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, 2010, 2009 and 2008, these totaled $115.7 million, $115.6 million and $109.0 million, respectively. Excise taxes paid by the regulated utilities are not material and are expensed as incurred.

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 Company. 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' 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.

2. New Accounting Pronouncements

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the Financial Accounting Standards Board (FASB) issued guidance requiring improved disclosures about the credit quality of a company's financing receivables and their associated credit reserves. The guidance is effective for interim and annual periods that end after Dec. 15, 2010. This guidance did not have any effect on the company's results of operations, statement of position or cash flows.

Subsequent Events

In February 2010, the FASB issued additional guidance related to subsequent event disclosure. The guidance was effective upon issuance and has no effect on the company's results of operations, statement of position or cash flows.

Fair Value Measures and Disclosures

In January 2010, the FASB issued guidance that requires entities to disclose more information regarding the movements between Levels 1 and 2 of the fair value hierarchy. The guidance was effective for fiscal years that begin after Dec. 15, 2010, and for interim periods within that year. This guidance will not have any effect on the company's results of operations, statement of position or cash flows.

3. Regulatory

Tampa Electric's and PGS' retail businesses are regulated by the FPSC. Tampa Electric also is subject to regulation by the FERC under the Public Utility Holding Company Act of 2005 (PUHCA 2005). However, pursuant to a waiver granted in accordance with the FERC's regulations, TECO Energy is not subject to certain accounting, record-keeping and reporting requirements prescribed by the FERC's regulations under PUHCA 2005. 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 utilities such as Tampa Electric and PGS to collect total revenues (revenue requirements) equal to their cost of providing service, plus a reasonable return on invested capital.

Stipulation with Intervenors – Tampa Electric

The FPSC, in connection with Tampa Electric's 2008 base rate request, approved a $25.7 million increase in base rates effective Jan. 1, 2010 (step increase), subject to refund, for certain capital additions placed in service in 2009.

In connection with the base rate request, the FPSC had rejected the intervenors' arguments that the approved 2010 increase violated the intervenors' due process rights, Florida Statutes or FPSC rules. The intervenors filed an appeal with the Florida Supreme Court in September 2009, which Tampa Electric opposed.

In July 2010, Tampa Electric entered into a stipulation with the intervenors to resolve all issues related to the 2008 base rate case including, the 2010 step increase, as well as the intervenors' appeal to the Florida Supreme Court. Under the terms of the stipulation, the $25.7 million step increase would remain in effect for 2010, and Tampa Electric would make a one-time reduction of $24.0 million to customers' bills in 2010.

In August 2010, the FPSC voted to approve the July stipulation, which was contained in their Docket No. 090368-EI "Review of the continuing need and cost associated with Tampa Electric Company's 5 Combustion Turbines and Big Bend Rail Facility". This stipulation now resolves all issues in the above docket and all issues in the intervenors' appeal of the FPSC's 2009 decision in Tampa Electric's base rate proceeding pending before the Florida Supreme Court. The docket related to the base rate proceeding is now closed. The one-time reduction of $24.0 million to customers' bills in 2010 was reflected in the third quarter operating results as a reduction in revenue.

Effective Jan. 1, 2011, and for subsequent years, rates of $24.4 million (a $1.3 million reduction from the $25.7 million in effect for 2010) related to the step increase will be in effect.

Wholesale and Transmission Rate Cases

In July 2010, Tampa Electric filed wholesale requirements and transmission rate cases with the FERC. Tampa Electric's last wholesale requirements rate case was in 1991 and the associated service agreements were approved by the FERC in the mid-1990s. The FERC approved Tampa Electric's proposed transmission rates as filed, which became effective Sep. 14, 2010, subject to refund. The FERC also approved Tampa Electric's proposed wholesale requirements rates as filed, to become effective Mar. 1, 2011, subject to refund. The proposed wholesale requirements and transmission rates are not expected to have a material impact on Tampa Electric's results.

Storm Damage Cost Recovery

Tampa Electric accrues $8.0 million annually effective May 2009 to a FERC-authorized and FPSC-approved self-insured storm damage reserve. This reserve was created after Florida's investor owned utilities (IOUs) were unable to obtain transmission and distribution insurance coverage due to destructive acts of nature. Tampa Electric's storm reserve was $37.4 million and $29.3 million as of Dec. 31, 2010 and Dec. 31, 2009, respectively.

Stipulation with the Office of Public Counsel - PGS

On Jun. 9, 2010, PGS filed a letter with the FPSC agreeing to cap its earned return on common equity (ROE) for the year ending Dec. 31, 2010 at 11.75%, the maximum of the ROE range established in its last base rate proceeding.

On Dec. 16, 2010, PGS and the Office of Public Counsel filed a joint motion for FPSC approval of a proposed stipulation resolving all issues relating to any 2010 overearnings of PGS.

On Jan. 25, 2011, the FPSC approved the stipulation for PGS to provide a one-time credit to customer bills totaling $3.0 million for 2010 earnings above 11.75%, excluding the portion of the company's share of net revenues derived from off-system sales, and credit the remaining balance to its accumulated depreciation reserves.

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.

Tampa Electric and PGS apply the accounting standards for regulated operations. 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 the deferral of costs as regulatory assets to the period that the regulatory agency recognizes them when cost recovery is ordered over a period longer than a fiscal year.

Details of the regulatory assets and liabilities as of Dec. 31, 2010 and Dec. 31, 2009 are presented in the following table:

Regulatory Assets and Liabilities

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Regulatory assets:		
Regulatory tax asset [1]	$ 66.6	$ 69.0
Other:		
Cost recovery clauses	41.9	89.4
Postretirement benefit asset	237.5	229.1
Deferred bond refinancing costs [2]	15.4	18.0
Environmental remediation	23.6	21.2
Competitive rate adjustment	3.3	3.1
Other	16.3	15.0
Total other regulatory assets	338.0	375.8
Total regulatory assets	404.6	444.8
Less: Current portion	62.7	109.2
Long-term regulatory assets	$ 341.9	$ 335.6
Regulatory liabilities:		
Regulatory tax liability [1]	$ 17.7	$ 19.6
Other:		
Cost recovery clauses	76.2	61.4
Environmental remediation	21.2	19.9
Transmission and delivery storm reserve	37.4	29.3
Deferred gain on property sales [3]	6.3	2.8
Provision for stipulation and other [4]	9.8	0.7
Accumulated reserve-cost of removal	572.2	554.3
Total other regulatory liabilities	723.1	668.4
Total regulatory liabilities	740.8	688.0
Less: Current portion	110.0	85.4
Long-term regulatory liabilities	$ 630.8	$ 602.6

(1) Primarily related to plant life and derivative positions.
(2) Amortized over the term of the related debt instruments.
(3) Amortized over a 4 or 5-year period with various ending dates.
(4) Includes a provision to reflect the FPSC approved PGS stipulation regarding PGS' 2010 earnings above 11.75%. A one-time credit to customer bills totaling $3.0 million will be applied in March 2011 and the

remaining balance of the 2010 earnings above 11.75% will be credited to its accumulated depreciation reserves.

All regulatory assets are being recovered through the regulatory process. The following table further details the regulatory assets and the related recovery periods:

Regulatory assets

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Clause recoverable [1]	$ 45.2	$ 92.5
Components of rate base [2]	248.1	238.1
Regulatory tax assets [3]	66.6	69.0
Capital structure and other [3]	44.7	45.2
Total	$ 404.6	$ 444.8

(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 a 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. For the three years presented, Tampa Electric Company's effective tax rate differs from the statutory rate principally due to state income taxes, domestic production deduction, and AFUDC equity benefit. The increase in the 2010 effective tax rate compared to 2009 is principally due to increased state income taxes and decreased AFUDC equity benefit, offset by increased domestic production deduction.

Income tax expense consists of the following components:

Income Tax Expense (Benefit)

(millions) *For the year ending Dec. 31,*	*2010*	*2009*	*2008*
Current income taxes			
Federal	$ 60.1	$ 24.4	$ 18.8
State	13.6	14.5	5.5
Deferred income taxes			
Federal	63.0	71.7	67.0
State	7.4	1.5	8.8
Amortization of investment tax credits	(0.4)	(0.4)	(0.9)
Total income tax expense	143.7	111.7	99.2
Included in other income, net	(0.6)	(0.8)	(1.4)
Included in operating expenses	$ 143.1	$ 110.9	$ 97.8

Deferred taxes result from temporary differences in the recognition of certain liabilities or assets for tax and financial reporting purposes. The principal components of Tampa Electric Company's deferred tax assets and liabilities recognized in the balance sheet are as follows:

Deferred Income Tax Assets and Liabilities

(millions)		
As of Dec. 31,	*2010*	*2009*
Deferred income tax assets [1]		
Medical benefits	$ 48.1	$ 45.8
Insurance reserves	25.7	22.9
Investment tax credits	5.9	6.1
Hedging activities	3.4	3.9
Pension and post-retirement benefits	93.2	88.3
Unbilled revenue	17.2	18.0
Capitalized energy conservation assistance costs	22.9	23.8
Total deferred income tax assets	216.4	208.8
Deferred income tax liabilities [1]		
Property related	711.8	620.4
Deferred fuel	5.5	21.5
Pension and post-retirement benefits	93.2	88.3
Pension	27.2	25.1
Other	8.7	13.2
Total deferred income tax liabilities	846.4	768.5
Net deferred tax liabilities	$ 630.0	$ 559.7

(1) Certain property related assets and liabilities have been netted.

Deferred income tax assets and liabilities above are included in the balance sheet as follows:

(millions) As of Dec. 31,	*2010*	*2009*
Current deferred tax assets	$ 1.5	$ 0.0
Current deferred tax liabilities	0.0	(15.9)
Non-current deferred tax liabilities	(631.5)	(543.8)
Total	$ (630.0)	$ (559.7)

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)			
For the years ended Dec. 31,	*2010*	*2009*	*2008*
Income tax expense at the federal statutory rate of 35%	$ 135.3	$ 106.3	$ 91.7
Increase (decrease) due to			
State income tax, net of federal income tax	13.6	10.3	9.3
Equity portion of AFUDC	(0.7)	(3.2)	(2.2)
Domestic production deduction	(3.2)	0.0	0.0
Other	(1.3)	(1.7)	0.4
Total income tax expense on consolidated statements of income	$ 143.7	$ 111.7	$ 99.2
Income tax expense as a percent of income from continuing operations, before income taxes	37.2%	36.8%	37.9%

The company accounts for uncertain tax positions as required by FASB accounting guidance. This guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the

financial statements. Under the guidance, Tampa Electric Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The guidance also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(millions)	2010	2009
Balance at Jan. 1,	$ 0.7	$ 0.0
Increases due to tax positions related to prior years	0.0	0.7
Decreases due to tax positions related to prior years	(0.2)	0.0
Decreases due to settlements with taxing authorities	(0.5)	0.0
Balance at Dec. 31,	$ 0.0	$ 0.7

The company recognizes interest and penalties associated with uncertain tax positions in "Operation other expense – Other" in the Consolidated Statements of Income. The company had no amounts accrued for the payment of interest or penalties at Dec. 31, 2010.

The Internal Revenue Service (IRS) concluded its examination of federal income tax returns for the year 2009 during 2010. During the fourth quarter, the company finalized a settlement with the IRS related to the only outstanding issue for the 2008 tax return with no material impact on earnings and operating cash flows. The U.S. federal statute of limitations remains open for the year 2007 and onward. Year 2010 is currently under examination by the IRS under the Compliance Assurance Program, a program in which TECO Energy is a participant. Florida's statute of limitations is 3 years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by Florida's tax authorities include 2007 and onward. The company does not expect the settlement of audit examinations to significantly change the total amount of unrecognized tax benefits within the next 12 months.

5. Employee Postretirement Benefits

Tampa Electric Company recognizes in its statement of financial position the over-funded or under-funded status of its postretirement benefit plans. This status is measured as the difference between the fair value of plan assets and the projected benefit obligation (PBO) in the case of its defined benefit plan, or the accumulated postretirement benefit obligation (APBO) in the case of its other postretirement benefit plan. As a result of the application of the accounting guidance for certain types of regulation, changes in the funded status are reflected, net of estimated tax benefits, in the benefit liabilities and regulatory assets. The results of operations are not impacted.

Pension Benefits

Tampa Electric Company is a participant in the comprehensive retirement plans of TECO Energy, including 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. 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.

The Pension Protection Act of 2006, became effective Jan. 1, 2008 and requires companies to, among other things, maintain certain defined minimum funding thresholds (or face plan benefit restrictions), pay higher premiums to the Pension Benefit Guaranty Corporation if they sponsor defined benefit plans, amend plan documents and provide additional plan disclosures in regulatory filings and to plan participants.

The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) was signed into law on Dec. 23, 2008. WRERA grants plan sponsors relief from certain funding requirements and benefits restrictions, and also provides some technical corrections to the PPA. There are two primary provisions that impact funding results for TECO Energy. First, for plans funded less than 100%, required shortfall contributions will be based on a percentage of the funding target until 2011, rather than the funding target of 100%. These percentages are 94% and 96% in 2009 and 2010, respectively. Second, one of the technical corrections, referred to as asset smoothing, allows the use of asset averaging subject to certain limitations in the determination of funding requirements. The Jan. 1, 2010 estimate reflected the adoption of the asset smoothing methodology under WRERA.

The qualified pension plan's actuarial value of assets, including credit balance, was 90.0% of the Pension Protection Act funded target as of Jan. 1, 2010 and is estimated at 80% of the Pension Protection Act funded target as of Jan. 1, 2011.

Amounts disclosed for pension benefits also include the unfunded obligations for the supplemental executive retirement plan (SERP). This is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management.

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. 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 postretirement health care and life insurance plans. 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.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) 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.

The FASB issued accounting guidance and disclosure requirements related to the MMA. The guidance 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.

In March 2010, the Patient Protection and Affordability Care Act and a companion bill, The Health Care and Education Reconciliation Act were signed into law. Among other things, both acts reduce the tax benefits available to an employer that receives the Medicare Part D subsidy, resulting in a write-off of any associated deferred tax asset. As a result, Tampa Electric Company reduced its deferred tax asset by $5.3 million and recorded a regulatory tax asset of $5.3 million.

Additionally, the Health Care Reform Acts contain other provisions that may impact TECO Energy's obligation for retiree medical benefits. In particular, the Health Care Reform Acts include a provision that imposes an excise tax on certain high-cost plans beginning in 2018, whereby premiums paid over a prescribed threshold will be taxed at a 40% rate. TECO Energy does not currently believe the excise tax or other provisions of the Health Care Reform Acts will materially increase its postretirement benefit obligation. TECO Energy will continue to monitor and assess the impact of the Health Care Reform Acts, including any clarifying regulations issued to address how the provisions are to be implemented, on its future results of operations, cash flows or financial position.

TECO Energy, Inc. received subsidy payments under Part D for the 2008 and 2009 plan years, along with payments for the first three quarters of the 2010 plan year. TECO Energy, Inc. expects to receive the fourth quarter 2010 plan year payment later this year.

TECO Energy Consolidated Obligations and Funded Status *(millions)*	Pension Benefits *2010*	 *2009*	Other Benefits *2010*	 *2009*
Change in benefit obligation				
Net benefit obligation at prior measurement date [1]	$587.7	$555.4	$207.6	$188.9
Service cost	16.1	15.7	3.1	2.9
Interest cost	33.2	33.7	10.9	11.2
Plan participants' contributions	0.0	0.0	3.6	3.5
Actuarial loss	12.4	29.6	11.8	16.6
Plan amendments	0.0	0.4	0.0	0.0
Curtailment	0.0	(0.8)	0.0	0.0
Gross benefits paid	(34.2)	(46.3)	(16.7)	(16.4)
Settlements	(4.9)	0.0	0.0	0.0
Federal subsidy on benefits paid	n/a	n/a	1.7	0.9
Net benefit obligation at measurement date [1]	$610.3	$587.7	$222.0	$207.6
Change in plan assets				
Fair value of plan assets at prior measurement date [1]	$388.9	$360.7	$0.0	$0.0
Actual return on plan assets [2]	42.3	66.3	0.0	0.0
Employer contributions	87.6	8.2	11.5	12.9
Plan participants' contributions	0.0	0.0	3.6	3.5
Settlements	(4.9)	0.0	0.0	0.0
Gross benefits paid	(34.2)	(46.3)	(15.1)	(16.4)
Fair value of plan assets at measurement date [1]	$479.7	$388.9	$0.0	$0.0
Funded status				
Fair value of plan assets [3]	$479.7	$388.9	$0.0	$0.0
Benefit obligation (PBO/APBO)	610.3	587.7	222.0	207.6
Funded status at measurement date [1]	(130.6)	(198.8)	(222.0)	(207.6)
Unrecognized net actuarial loss	220.8	228.7	31.9	18.3
Unrecognized prior (benefit) service cost	(1.7)	(2.1)	5.7	6.5
Unrecognized net transition obligation	0.0	0.0	4.2	6.5
Accrued liability at end of year	$88.5	$27.8	($180.2)	($176.3)
Amounts Recognized in Balance Sheet				
Regulatory assets	$176.3	$181.7	$61.2	$47.4
Accrued benefit costs and other current liabilities	(4.4)	(7.2)	(13.8)	(13.4)
Deferred credits and other liabilities	(126.2)	(191.6)	(208.2)	(194.2)
Accumulated other comprehensive loss (income) (pretax)	42.8	44.9	(19.4)	(16.1)
Net amount recognized at end of year	$88.5	$27.8	($180.2)	($176.3)

(1) The measurement dates were Dec. 31, 2010 and Dec. 31, 2009.
(2) The actual return on plan assets differed from expectations due to general market conditions.
(3) The Market Related Value (MRV) of plan assets is used as the basis for calculating the expected return on plan assets (EROA) component of periodic pension expense. MRV reflects the fair value of plan assets adjusted for experience gains and losses (i.e. the differences between actual investment returns and expected returns) spread over five years.

Tampa Electric Company Amounts recognized in balance sheet *(millions)*	Pension Benefits *2010*	 *2009*	Other Benefits *2010*	 *2009*
Regulatory assets	$ 176.3	$ 181.7	$ 61.2	$ 47.4
Accrued benefit costs and other current liabilities	(0.1)	(6.0)	(11.2)	(10.5)
Deferred credits and other liabilities	(97.4)	(150.8)	(167.8)	(151.2)
	$ 78.8	$ 24.9	$ (117.8)	$ (114.3)

The accumulated benefit obligation for TECO Energy Consolidated defined benefit pension plans was $558.4 million at Dec. 31, 2010 and $530.1 million at Dec. 31, 2009.

Assumptions used to determine benefit obligations at Dec. 31, 2010 and 2009:

	Pension Benefits *2010*	 *2009*	Other Benefits *2010*	 *2009*
Discount rate	5.30%	5.75%	5.25%	5.60%
Rate of compensation increase-weighted average	3.88%	4.25%	3.87%	4.25%
Healthcare cost trend rate				
Initial rate	n/a	n/a	8.00%	8.00%
Ultimate rate	n/a	n/a	4.50%	5.00%
Year rate reaches ultimate	n/a	n/a	2023	2016

A one-percentage-point change in assumed health care cost trend rates would have the following effect on Tampa Electric Company's benefit obligation:

(millions)	Increase	Decrease
Effect on postretirement benefit obligation	$ 6.7	$ (5.6)

Componencts of TECO Energy Consolidated net periodic benefit cost

(millions)	Pension Benefits *2010* (1)	 *2009* (1)	 *2008* (1)	Other Benefits *2010* (1)	 *2009* (1)	 *2008* (1)
Service cost	$ 16.2	$ 15.7	$ 15.4	$ 3.2	$ 2.9	$ 4.1
Interest cost	33.2	33.6	31.9	10.9	11.3	12.0
Expected return on plan assets	(36.3)	(37.8)	(39.0)	0.0	0.0	0.0
Amortization of:						
Actuarial loss	12.4	8.7	4.0	0.0	0.0	0.0
Prior service (benefit) cost	(0.4)	(0.4)	(0.4)	0.8	0.8	1.8
Transition obligation	0.0	0.0	0.0	2.3	2.3	2.3
Curtailment loss (benefit)	0.0	0.2	0.0	0.0	0.0	0.0
Settlement loss	1.6	0.0	0.9	0.0	0.0	0.0
Net periodic benefit cost	$ 26.7	$ 20.0	$ 12.8	$ 17.2	$ 17.3	$ 20.2

(1) Benefit Cost was measured for the twelve months ended Dec. 31, 2010, 2009 and 2008. TECO Energy elected a 15-month transition approach allowed by accounting standards for employer's defined benefit pension and other post-retirement plans to move from an early measurement date of Sep. 30, 2007 to a year-end measurement date of Dec. 31, 2008. In connection with this election, the company recorded after-tax charges to Retained Earnings of $2.2 million for Pensions and $3.1 million for Other Postretirement Benefits in the fourth quarter of 2008.

Tampa Electric Company's portion of the net periodic benefit costs for pension benefits was $18.6 million, $15.4 million and $8.4 million for 2010, 2009 and 2008, respectively. Tampa Electric Company's portion of the net periodic benefit costs for other benefits was $13.8 million, $13.6 million and $13.9 million for 2010, 2009 and 2008, respectively.

The estimated net loss and prior service benefit 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 are $9.3 million and $0.5 million. The estimated net loss, 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 total $0.4 million, $1.0 million and $1.8 million, respectively.

***Assumptions used to* determine net periodic benefit cost for years ended Dec. 31,**

	Pension Benefits			Other Benefits		
	2010	*2009*	*2008*	*2010*	*2009*	*2008*
Discount rate	5.75%	6.05%	6.20%	5.60%	6.05%	6.20%
Expected long-term return on plan assets	8.25%	8.25%	8.25%	n/a	n/a	n/a
Rate of compensation increase	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Healthcare cost trend rate						
Initial rate	n/a	n/a	n/a	8.00%	8.50%	9.25%
Ultimate rate	n/a	n/a	n/a	5.00%	5.00%	5.25%
Year rate reaches ultimate	n/a	n/a	n/a	2017	2016	2016

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 benefit plans to develop a present value that is converted to a discount rate.

The expected return on assets assumption was based on historical returns, fixed income spreads and equity premiums consistent with our portfolio and asset allocation. A change in asset allocations could have a significant impact on the expected return on assets. Additionally, expectations of long-term inflation, real growth in the economy and a provision for active management and expenses paid were incorporated in the assumption. For the year ended Dec. 31, 2010, TECO Energy's pension plan experienced actual asset returns of approximately 11%.

The compensation 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.

A one-percentage-point change in assumed health care cost trend rates would have the following effect on Tampa Electric Company's expense:

(millions)	1% Increase	1% Decrease
Effect on periodic cost	$ 0.4	$ (0.3)

Pension Plan Assets

Pension plan assets (plan assets) are invested in a mix of equity and fixed income securities. TECO Energy's investment objective is to obtain above-average returns while minimizing volatility of expected returns and funding requirements over the long term. TECO Energy'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.

	Target Allocation	Actual Allocation, End of Year	
Asset Category		*2010*	*2009*
Equity securities	55%	56%	66%
Fixed income securities	45%	44%	34%
Total	100%	100%	100%

TECO Energy reviews the plan's asset allocation periodically and re-balances the investment mix to maximize asset returns, optimize the matching of investment yields with the plan's expected benefit obligations, and minimize pension cost and funding. TECO Energy, Inc. expects to take additional steps to more closely match plan assets with plan liabilities.

The plan's investments are held by a trust fund administered by JP Morgan Chase Bank, N.A. (JP Morgan). JP Morgan measures fair value using the procedures set forth below for all investments. When available, JP Morgan uses quoted market prices on investments traded on an exchange to determine fair value and classifies such items as Level 1. In some cases where a market exchange price is available, but the investments are traded in a secondary market, JP Morgan makes use of acceptable practical expedients to calculate fair value, and the company classifies these items as Level 2.

If observable transactions and other market data are not available, fair value is based upon third party developed models that use, when available, current market-based or independently-sourced market parameters such as interest rates, currency rates or option volatilities. Items valued using third party generated models are classified according to the lowest level input or value driver that is most significant to the valuation. Thus, an item may be classified in Level 3 even though there may be significant inputs that are readily observable.

The following table sets forth by level within the fair value hierarchy the plan's investments as of Dec. 31, 2010 and Dec. 31, 2009. As required by the fair value accounting standards, the investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The plan's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For cash equivalents, the cost approach was used in determining fair value.

For bonds and U.S. government agencies, the income approach was used. For other investments, the market approach was used.

(millions)	At Fair Value as of Dec. 31, 2010			
	Level 1	Level 2	Level 3	Total
Accounts receivable	$31.4	$0.0	$0.0	$31.4
Accounts payable	(45.2)	0.0	0.0	(45.2)
Cash equivalents				
Short term investment fund (STIF)	7.9	0.0	0.0	7.9
Repurchase agreements	0.0	14.0	0.0	14.0
Money markets	0.0	0.3	0.0	0.3
Total cash equivalents	7.9	14.3	0.0	22.2
Equity securities				
Common stocks	112.6	0.0	0.0	112.6
Preferred stocks	0.0	1.0	0.0	1.0
American depository receipt (ADR)	4.8	1.3	0.0	6.1
Real estate investment trust (REIT)	2.0	0.0	0.0	2.0
Commingled fund	0.0	24.8	0.0	24.8
Mutual fund	121.5	0.0	0.0	121.5
Total equity securities	240.9	27.1	0.0	268.0
Fixed income securities				
Municipal bonds	0.0	7.9	0.0	7.9
Government bonds	0.0	26.3	0.0	26.3
Corporate bonds	0.0	26.0	0.0	26.0
Asset backed securities (ABS)	0.0	0.6	0.0	0.6
Mortgage back securities (MBS)	0.0	53.6	0.0	53.6
Collateralized mortgage obligation/Real estate mortgage investment conduit (CMO/REMIC)	0.0	3.0	0.0	3.0
Mutual funds	0.0	86.1	0.0	86.1
Total fixed income securities	0.0	203.5	0.0	203.5
Derivatives				
Swaps	0.0	0.1	0.0	0.1
Written options	0.0	(0.3)	0.0	(0.3)
Total Derivatives	0.0	(0.2)	0.0	(0.2)
Total	$235.0	$244.7	$0.0	$479.7

(millions)	At Fair Value as of Dec. 31, 2009			
	Level 1	Level 2	Level 3	Total
Accounts receivable	$72.8	$0.0	$0.0	$72.8
Accounts payable	(35.6)	0.0	0.0	(35.6)
Cash equivalents				
Treasury bill	0.0	0.3	0.0	0.3
Certificate of deposit	0.0	3.6	0.0	3.6
STIF	6.7	0.0	0.0	6.7
Total cash equivalents	6.7	3.9	0.0	10.6
Equity securities				
Common stocks	94.1	0.0	0.0	94.1
Preferred stocks	0.0	1.0	0.0	1.0
ADR	7.1	1.1	0.0	8.2
REIT	1.1	0.0	0.0	1.1
Commingled fund	0.0	22.8	0.0	22.8
Mutual fund	127.2	0.0	0.0	127.2
Total equity securities	229.5	24.9	0.0	254.4
Fixed income securities				
Municipal bonds	0.7	3.2	0.0	3.9
Government bonds	0.0	27.5	0.0	27.5
Corporate bonds	0.0	24.3	0.0	24.3
MBS	0.0	25.7	0.0	25.7
ABS	0.0	0.7	0.0	0.7
CMO/REMIC	0.0	3.9	0.0	3.9
Mutual fund	0.0	0.9	0.0	0.9
Total fixed income securities	0.7	86.2	0.0	86.9
Options	0.0	(0.3)	0.0	(0.3)
Miscellaneous	0.0	0.1	0.0	0.1
Total	$274.1	$114.8	$0.0	$388.9

- Cash equivalents, excluding the STIF, are valued using cost due to their short term nature. Additionally, cash equivalents are backed by 102% collateral.
- The STIF is a money market mutual fund and is valued using the net asset value (NAV), as determined by the fund's trustee in accordance with U.S. GAAP, at year end. Shares may be sold any day the fund is accepting purchase orders, at the next NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV, making this a Level 1 asset.
- The primary pricing inputs in determining the fair value of the Level 1 assets, excluding the mutual fund, are quoted prices in active markets.
- The primary pricing inputs in determining the fair value of Level 2 preferred stock and ADR are prices of similar securities and benchmark quotes.
- The commingled fund invests primarily in international equity securities, normally excluding securities issued in the U.S., with large- and mid-market capitalizations. The fund may invest in "value" or "growth" securities and is not limited to a particular investment style. The fund is valued using the NAV, as determined by the fund's trustee in accordance with U.S. GAAP, at year end. For redemption, written notice of the amount to be withdrawn must be given no later than 4:00 p.m. eastern standard time.
- The primary pricing input in determining the Level 1 mutual fund is the mutual fund's NAV. The Level 1 mutual fund is an open-ended mutual fund and the NAV is validated with purchases and sales at NAV, making this a Level 1 asset.
- The primary pricing inputs in determining the fair value Level 2 municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of government bonds are the U.S. treasury curve, CPI, and broker quotes, if available. The primary pricing inputs in determining the fair value of corporate bonds are the U.S. treasury curve, base spreads, YTM, and benchmark quotes. ABS and CMO are priced using TBA prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information.
- The primary pricing input in determining the fair value of the Level 2 mutual fund is its NAV at year end. Shares may be purchased at the NAV without sales charges or other fees. Since this mutual fund is a private

fund, it is a Level 2 asset. The fund invests primarily in emerging market fixed income securities. For redemption, written notice of the amount to be withdrawn must be given no later than 4:00 p.m. eastern standard time. Redemption proceeds will normally be received within three business days.

- The Level 2 options are valued using the bid-ask spread and the last price. Swaps are valued using benchmark yields, swap curves, and cash flow analyses.

Other Postretirement Benefit Plan Assets

There are no assets associated with TECO Energy's other postretirement benefits plan.

Contributions

TECO Energy's policy is to fund the qualified pension 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 $81.3 million to this plan in 2010 and $6.7 million in 2009, which met the minimum funding requirements for both 2010 and 2009. Tampa Electric Company's portion of the contribution in 2010 and 2009 was $65.7 million and $6.1 million, respectively. These amounts are reflected in the "Other" line item on the Consolidated Statements of Cash Flows. TECO Energy does not plan on making a contribution in 2011 since the contributions made in 2010 satisfy the funding requirements for 2011. TECO Energy estimates annual contributions to range from $35 - $50 million per year in 2012 to 2015 based on current assumptions. Tampa Electric Company's portion of the contributions range from $30 -$40 million per year in 2012 to 2015.

The SERP is funded annually to meet the benefit obligations. TECO Energy made contributions of $6.3 million and $1.5 million to this plan in 2010 and 2009, respectively. Tampa Electric Company's portion of the contributions in 2010 and 2009 were $5.9 million and $1.1 million, respectively. In 2011, TECO Energy expects to make a contribution of about $4.4 million to this plan. Tampa Electric Company's portion of the expected contribution is $0.9 million.

The other postretirement benefits are funded annually to meet benefit obligations. TECO Energy'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. TECO Energy 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 2011, TECO Energy expects to make a contribution of about $13.8 million. Tampa Electric Company's portion of the expected contribution is $11.2 million.

Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Expected Benefit Payments - TECO Energy Consolidated (including projected service and net of employee contributions)	**Pension Benefits**	**Other Postretirement Benefits**	
Expected benefit payments *(millions)*:		Gross	Expected Federal Subsidy
2011	$ 41.7	$ 15.1	$ 1.3
2012	$ 44.7	$ 15.9	$ 1.4
2013	$ 45.0	$ 16.7	$ 1.6
2014	$ 46.7	$ 17.5	$ 1.8
2015	$ 47.5	$ 18.0	$ 1.9
2016-2020	$ 273.5	$ 96.4	$ 11.7

Defined Contribution Plan

TECO Energy 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. TECO Energy and its subsidiaries match up to 6% of the participant's payroll savings deductions. Effective April 2010, employer matching contributions were 60% of eligible participant contributions with additional incentive match of up to 40% of eligible participant contributions based on the achievement of certain operating company financial goals. Prior to this, the employer matching contributions were 50% of eligible participant contributions, with an additional incentive match of up to 50%. For the years ended Dec. 31, 2010, 2009 and 2008, TECO Energy and its subsidiaries recognized expense totaling $12.6 million, $8.1 million and $7.1 million, respectively, related to the matching contributions made to this plan. Tampa Electric Company's portion of expense totaled $8.8 million, $6.5 million, and $5.1 million for 2010, 2009, and 2008, respectively.

6. Short-Term Debt

At Dec. 31, 2010 and 2009, the following credit facilities and related borrowings existed:

Credit Facilities	Dec. 31, 2010			Dec. 31, 2009		
(millions)	*Credit Facilities*	*Borrowings Outstanding (1)*	*Letters of Credit Outstanding*	*Credit Facilities*	*Borrowings Outstanding (1)*	*Letters of Credit Outstanding*
Recourse:						
Tampa Electric Company:						
5-year facility(2)	$ 325.0	$ 5.0	$ 0.7	$ 325.0	$ 55.0	$ 0.7
1-year accounts receivable facility	150.0	7.0	0.0	150.0	0.0	0.0
Total	$ 475.0	$ 12.0	$ 0.7	$ 475.0	$ 55.0	$ 0.7

(1)Borrowings outstanding are reported as notes payable.
(2)This 5-year facility matures May 9, 2012.

At Dec. 31, 2010, these credit facilities require commitment fees ranging from 7.0 – 60.0 basis points. The weighted average interest rate on outstanding notes payable at both Dec. 31, 2010 and 2009 was 0.64%.

Tampa Electric Company Accounts Receivable Facility

On Feb. 18, 2011, Tampa Electric Company and TEC Receivables Corp. (TRC), a wholly-owned subsidiary of Tampa Electric Company, amended their $150 million accounts receivable collateralized borrowing facility, entering into Omnibus Amendment No. 9 to the Loan and Servicing Agreement with certain lenders named therein and Citicorp North America, Inc. as Program Agent. The amendment extends the maturity date to Feb. 17, 2012. Please refer to **Note 18** for additional information.

7. Long-Term Debt

Tampa Electric Company Exchange Offer and Issuance of 5.40% Notes due 2021

On Dec. 14, 2010, Tampa Electric Company completed an exchange offer (the Exchange Offer) which resulted in the exchange of approximately $278.5 million principal amount of Tampa Electric Company notes for approximately $278.5 million principal amount of Tampa Electric Company 5.40% Notes due 2021.

The Exchange Offer resulted in the exchange and retirement of approximately:

- $131.5 million principal amount of Tampa Electric Company 6.875% Notes due 2012
- $147.0 million principal amount of Tampa Electric Company 6.375% Notes due 2012

for approximately $278.5 million principal amount of newly issued Tampa Electric Company 5.40% Notes due 2021.

The 5.40% Notes bear interest at a rate of 5.40% per year, payable on May 15 and November 15 each year, beginning May 15, 2011 and mature May 15, 2021. Tampa Electric Company may redeem some or all of the 5.40% Notes at a price equal to the greater of (i) 100% of the principal amount of the applicable Tampa Electric Company Notes to be redeemed, plus accrued and unpaid interest, or (ii) the net present value of the remaining payments of principal and interest on the Tampa Electric 5.40% Notes, discounted at the applicable treasury rate (as defined in the applicable supplemental indenture), plus 25 basis points. Such redemption price would include accrued and unpaid interest to the redemption date.

After the Exchange Offer, approximately $118.6 million principal amount of Tampa Electric Company 6.875% Notes due 2012 and $253.0 million principal amount of Tampa Electric Company 6.375% Notes due 2012 remain outstanding. In accordance with allowed regulatory treatment, the unamortized costs are being amortized over the life of the original notes.

Issuance of Polk County Industrial Development Authority Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010

On Nov. 23, 2010, the Polk County Industrial Development Authority (PCIDA) issued $75.0 million Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2010, in a term-rate mode pursuant to the terms of the Loan and Trust Agreement governing those bonds. Proceeds of the bonds were used to redeem $75.0 million PCIDA Solid Waste Disposal Facility Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 bonds, which previously had been in auction rate mode and were held by Tampa Electric Company since Mar. 26, 2008. The Series 2010 bonds bear interest at the initial term rate of 1.50% per annum and are subject to mandatory tender for purchase on Mar. 1, 2011, at which time the interest rate on the Series 2010 bonds may be converted to another interest rate mode or another term interest rate of the same or different duration. Tampa Electric Company is responsible for payment of the interest and principal

associated with the bonds. Tampa Electric Company entered into a Loan and Trust Agreement with the PCIDA, as issuer, and The Bank of New York Trust Company, N.A., as trustee, in connection with the issuance of the Series 2010 bonds.

On Mar. 26, 2008, Tampa Electric Company purchased in lieu of redemption $75.0 million PCIDA Solid Waste Disposal Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007 and $20 million Hillsborough County Industrial Development Authority (HCIDA) Pollution Control Revenue Refunding Bonds (Tampa Electric Company Project), Series 2007C (collectively, the "2007 Bonds"). After the Nov. 15, 2010 issuance of the Series 2010 PCIDA Bonds, $20 million in bonds purchased in lieu of redemption were held by the trustee at the direction of Tampa Electric Company as of Dec. 31, 2010 (the "Held Bonds") to provide an opportunity to evaluate refinancing alternatives. The Held Bonds effectively offset the outstanding debt balances and are presented net on the balance sheet.

8. Common Stock

Tampa Electric Company is a wholly-owned subsidiary of TECO Energy, Inc.

	Common Stock		*Issue*	
(millions, except shares)	*Shares*	*Amount*	*Expense*	*Total*
Balance Dec. 31, 2010 [1]	10	$ 1,852.4	$ 0.0	$ 1,852.4
Balance Dec. 31, 2009	10	$ 1,802.4	$ 0.0	$ 1,802.4

(1) TECO Energy, Inc. made equity contributions to Tampa Electric Company of $50.0 million in 2010.

9. Commitments and Contingencies

Legal Contingencies

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 guidance for 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.

Merco Group at Adventura Landings v. Peoples Gas System

In October 2004, Merco Group at Adventura Landings I, II and III (together, "Merco"), filed suit against Peoples Gas System in Dade County Circuit Court, and in its second amended complaint under that action, Merco alleges that coal tar from a certain former Peoples Gas manufactured gas plant site had been deposited in the early 1960s onto property now owned by Merco. Merco alleges that it incurred approximately $2.5 million in costs associated with the removal of such coal tar, and recently provided expert testimony claiming $110 million plus interest in damages from lost profits due to the delay in its condominium development project allegedly caused by the presence of the coal tar. Peoples Gas maintains that the coal tar did not originate from its manufactured gas plant site and has filed a third-party complaint against Continental Holdings, Inc., which Merco also added as a defendant in its suit, as the owner at the relevant time of the site that Peoples Gas believes was the source of the coal tar on Merco's property. Additionally, Peoples Gas has filed a counterclaim against Merco for contribution for its portion of the damages, in the event Peoples Gas is found liable any damages associated with the coal tar, alleging Merco is a responsible party based in part on its purchasing the property with knowledge of the presence of the coal tar. In February 2011, the trial judge granted partial summary judgment to Merco and shifted the burden of proof to Peoples Gas and Continental Holdings to prove the coal tar did not come from their respective manufactured gas plant sites. Trial is scheduled for April 2011. As of the filing of this report, the ultimate resolution of this proceeding is uncertain and no potential loss has been accrued.

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, 2010, Tampa Electric Company has estimated its ultimate financial liability to be $21.3 million, primarily at PGS. This amount has been accrued and is primarily reflected in "Regulatory liabilities" on Tampa Electric Company's consolidated balance sheet. This amount is higher than prior estimates to reflect a 2009 study for the costs of remediation primarily related to one site. 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.

Potentially Responsible Party Notification

In October 2010, the U.S. Environmental Protection Agency (EPA) notified Tampa Electric Company that it is a potentially responsible party under the federal Superfund law for the proposed conduct of a contaminated soil removal action and further clean up, if necessary, at a property owned by Tampa Electric Company in Tampa, Florida. The property owned by Tampa Electric Company is undeveloped except for location of transmission lines and poles, and is adjacent to an industrial site, not owned by Tampa Electric Company, which the EPA has studied since 1992 or earlier. The EPA has asserted this potential liability due to Tampa Electric Company's ownership of the property described above but, to the knowledge of Tampa Electric Company, is not based upon any release of hazardous substances by Tampa Electric Company. Tampa Electric Company is in the process of responding to such matter, and the scope and extent of its potential liability, if any, and the costs of any required investigation and remediation have not been determined.

Long-Term Commitments

Tampa Electric Company has commitments under long-term leases, primarily for building space, capacity payments, office equipment and heavy equipment. Total rental expense included in the Consolidated Statements of Income for the years ended Dec. 31, 2010, 2009 and 2008 was $2.3 million, $2.3 million and $2.0 million, respectively.

The following table is a schedule of future minimum lease payments at Dec. 31, 2010 for all leases with non-cancelable lease terms in excess of one year:

Future Minimum Lease Payments

(millions)	*Capacity Payments* [1]	*Operating Leases*	*Total*
Year ended Dec. 31:			
2011	$ 8.8	$ 2.4	$ 11.2
2012	9.0	2.2	11.2
2013	9.1	2.2	11.3
2014	9.3	2.1	11.4
2015	9.5	2.1	11.6
Thereafter	29.7	19.3	49.0
Total future minimum lease payments	$ 75.4	$ 30.3	$ 105.7

(1) This schedule includes the fixed capacity payments required under a capacity and tolling agreement of Tampa Electric which commenced Jan. 1, 2009. In accordance with accounting standards for arrangements that may contain a lease, the company evaluated the agreement and concluded based on the criteria that the agreement met the lease definition. Prudently incurred capacity payments are recoverable under an FPSC-approved cost recovery clause (See **Note 3**).

Guarantees and Letters of Credit

Tampa Electric Company accounts for guarantees in accordance with the applicable accounting standards. 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) are likely to be subject to the recognition and measurement, as well as the disclosure provisions. 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, 2010, TECO Energy had provided a $20.0 million fuel purchase guarantee on behalf of Tampa Electric Company.

At Dec. 31, 2010, Tampa Electric Company was not obligated under guarantees, but had $0.7 million of letters of credit outstanding.

Letters of Credit -Tampa Electric Company

(millions)					
Letters of Credit for the Benefit of:	*2011*	*2012-2015*	*After 2015*	*Total*	*Liabilities Recognized at Dec. 31, 2010*
Tampa Electric					
Letters of credit	$ 0.0	$ 0.0	$ 0.7	$ 0.7	$ 0.0
Total	$ 0.0	$ 0.0	$ 0.7	$ 0.7	$ 0.0

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, 2010, Tampa Electric Company was in compliance with applicable financial covenants.

10. Related Party Transactions

A summary of activities between Tampa Electric Company and its affiliates follows:

Net transactions with affiliates:

(millions)	*2010*	*2009*	*2008*
Administrative and general, net	$ 19.9	$ 19.8	$ 21.0

Amounts due from or to affiliates of the company at Dec. 31,

(millions)	*2010*	*2009*
Accounts receivable [1]	$ 0.9	$ 2.7
Accounts payable [1]	$ 7.2	$ 6.5
Taxes receivable	$ 24.6	$ 16.8
Taxes payable	$ 0.9	$ 0.4

(1) Accounts receivable and accounts payable were incurred in the ordinary course of business and do not bear interest.

Tampa Electric Company had certain transactions, in the ordinary course of business, with entities in which directors of Tampa Electric Company had interests. Tampa Electric Company paid legal fees of $1.2 million, $1.6 million and $1.9 million for the years ended Dec. 31, 2010, 2009 and 2008, respectively, to Ausley McMullen, P.A. of which Mr. Ausley (a director of Tampa Electric Company) is an employee.

11. 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 672,000 customers in West Central Florida. Its Peoples Gas System division is engaged in the purchase, distribution and marketing of natural gas for more than 336,000 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*
2010				
Revenues – outsiders	$ 2,162.8	$ 510.8	$ 0.0	$2,673.6
Revenues – affiliates	0.4	19.1	(19.5)	0.0
Total revenues	2,163.2	529.9	(19.5)	2,673.6
Depreciation and amortization	215.9	46.0	0.0	261.9
Total interest charges	122.7	18.3	0.0	141.0
Provision for taxes	122.4	21.3	0.0	143.7
Net income	$ 208.8	$ 34.1	$ 0.0	$ 242.9
Total assets	5,580.6	872.7	(14.8)	6,438.5
Capital expenditures	$ 331.2	$ 62.4	$ 0.0	$ 393.6
2009				
Revenues – outsiders	$2,194.3	$ 455.6	$ 0.0	$2,649.9
Revenues – affiliates	0.5	15.2	(15.7)	0.0
Total revenues	2,194.8	470.8	(15.7)	2,649.9
Depreciation and amortization	200.4	44.2	0.0	244.6
Restructuring charges	18.4	4.7	0.0	23.1
Total interest charges	116.2	18.7	0.0	134.9
Provision for taxes	98.4	13.3	0.0	111.7
Net income	$ 160.2	$ 31.9	$ 0.0	$ 192.1
Total assets	5,457.5	826.0	(9.7)	6,273.8
Capital expenditures	$ 533.0	$ 50.5	$ 0.0	$ 583.5
2008				
Revenues – outsiders	$2,090.7	$ 688.4	$ 0.0	$2,779.1
Revenues – affiliates	0.5	0.0	(0.5)	0.0
Total revenues	2,091.2	688.4	(0.5)	2,779.1
Depreciation and amortization	185.6	41.9	0.0	227.5
Total interest charges	114.7	18.2	(0.2)	132.7
Provision for taxes	81.9	17.3	0.0	99.2
Net income	$ 135.6	$ 27.1	$ 0.0	$ 162.7
Total assets	5,294.7	823.4	(9.5)	6,108.6
Capital expenditures	$ 479.7	$ 69.0	$ 0.0	$ 548.7

12. Asset Retirement Obligations

Tampa Electric Company accounts for asset retirement obligations under applicable accounting standards. 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 the year ended Dec. 31, 2010, a $1.8 million estimated cash flow revision at Tampa Electric resulted primarily from the decreased cost of removal of treated wood poles of nearly 50%.

Reconciliation of beginning and ending carrying amount of asset retirement obligations:

	Dec. 31,	
(millions)	*2010*	*2009*
Beginning Balance	$ 31.5	$ 30.0
Additional liabilities	(0.5)	0.0
Revisions to estimated cash flows	1.8	0.0
Other[1]	(1.6)	1.5
Ending Balance	$ 31.2	$ 31.5

(1) Accretion 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. Tampa Electric 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.

13. Accounting for Derivative Instruments and Hedging Activities

From time to time, Tampa Electric Company enters 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; and
- To limit the exposure to interest rate fluctuations on debt securities.

Tampa Electric Company uses derivatives only to reduce normal operating and market risks, not for speculative purposes. Tampa Electric 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 Tampa Electric 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.

Tampa Electric Company applies the accounting standards for derivatives and hedging. 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 (See **Note 14**). 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 loss on the related hedging instrument must be reclassified from OCI to earnings based on its value at the time of the instrument's settlement. For effective hedge transactions, the amount reclassified from OCI to earnings is offset in net income by the market change of the amount paid or received on the underlying physical transaction.

Tampa Electric Company also applies accounting standards for regulated operations to financial instruments used to hedge the purchase of natural gas for the regulated companies. These standards, in accordance with the FPSC, permit the changes in fair value of natural gas derivatives to be recorded as regulatory assets or liabilities to reflect the impact of hedging activities on the fuel recovery clause. As a result, these changes are not recorded in OCI. (See **Note 3**).

A company's physical contracts qualify for the normal purchase/normal sale (NPNS) exception to derivative accounting rules, provided they meet certain criteria. Generally, NPNS applies if the company deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if the company intends to receive physical delivery and if the transaction is reasonable in relation to the company's business needs. As of Dec. 31, 2010, all of Tampa Electric Company's physical contracts qualify for the NPNS exception.

The following table presents the derivative hedges of natural gas contracts at Dec. 31, 2010 and Dec. 31, 2009 to limit the exposure to changes in the market price for natural gas used to produce energy and natural gas purchased for resale to customers:

Natural Gas Derivatives [1]

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Current assets	$1.1	$0.8
Long-term assets	0.0	0.0
Total assets	$1.1	$0.8
Current liabilities[1]	$27.2	$33.1
Long-term liabilities	2.6	3.6
Total liabilities	$29.8	$36.7

(1) Amounts presented above are on a gross basis, with asset and liability positions netted by counterparty in accordance with accounting standards for derivatives and hedging.

The ending balance in accumulated other comprehensive income (AOCI) related to previously settled interest rate swaps at Dec. 31, 2010 is a net loss of $5.3 million after tax and accumulated amortization. This compares to a net loss of $6.1million in AOCI after tax and accumulated amortization at Dec. 31, 2009.

The following table presents the effect of energy related derivatives on the fuel recovery clause mechanism in the Consolidated Balance Sheet as of Dec. 31, 2010 and 2009:

Energy Related Derivatives

	Asset Derivatives		Liability Derivatives	
(millions)	Balance Sheet	Fair	Balance Sheet	Fair
at Dec. 31, 2010	Location[1]	Value	Location[1]	Value
Commodity Contracts:				
Natural gas derivatives:				
Current	Regulatory liabilities	$1.1	Regulatory assets	$27.2
Long-term	Regulatory liabilities	0.0	Regulatory assets	2.6
Total		$1.1		$29.8

(millions)	Balance Sheet	Fair	Balance Sheet	Fair
at Dec. 31, 2009	Location[1]	Value	Location[1]	Value
Commodity Contracts:				
Natural gas derivatives:				
Current	Regulatory liabilities	$0.8	Regulatory assets	$33.1
Long-term	Regulatory liabilities	0.0	Regulatory assets	3.6
Total		$0.8		$36.7

(1) Natural gas derivatives are deferred in accordance with accounting standards for regulated operations and all increases and decreases in the cost of natural gas supply are passed on to customers with the fuel recovery clause mechanism. As gains and losses are realized in future periods, they will be recorded as fuel costs in the Consolidated Statements of Income.

Based on the fair value of the instruments at Dec. 31, 2010, net pretax losses of $26.1 million are expected to be reclassified from regulatory assets to the Consolidated Statements of Income within the next twelve months.

The following table presents the effect of hedging instruments on OCI and income for the years ended Dec. 31, 2010 and 2009:

(millions)	Location of Gain/(Loss) Reclassified From AOCI Into Income	Amount of Gain/(Loss) Reclassified From AOCI Into Income	
Derivatives in Cash Flow Hedging Relationships	Effective Portion[1]	*Dec. 31, 2010*	*Dec. 31, 2009*
Interest rate contracts:	Interest expense	($0.8)	($0.7)
Total		($0.8)	($0.7)

(1) Changes in OCI and AOCI are reported in after-tax dollars.

For derivative instruments that meet cash flow hedge criteria, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or period during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For the years ended Dec. 31, 2010 and 2009, all hedges were effective.

The maximum length of time over which the company is hedging its exposure to the variability in future cash flows extends to Dec. 31, 2012 for the financial natural gas contracts. The following table presents by commodity type the company's derivative volumes that, as of Dec. 31, 2010, are expected to settle during the 2011 and 2012 fiscal years:

(millions)	Natural Gas Contracts (MMBTUs)	
Year	Physical	Financial
2011	0.0	31.9
2012	0.0	9.6
Total	0.0	41.5

Tampa Electric Company is exposed to credit risk primarily through entering into derivative instruments with counterparties to limit its exposure to the commodity price fluctuations associated with natural gas. Credit risk is the potential loss resulting from a counterparty's nonperformance under an agreement. Tampa Electric Company manages credit risk with policies and procedures for, among other things, counterparty analysis, exposure measurement, and exposure monitoring and mitigation.

It is possible that volatility in commodity prices could cause Tampa Electric Company to have material credit risk exposures with one or more counterparties. If such counterparties fail to perform their obligations under one or more agreements, Tampa Electric Company could suffer a material financial loss. However, as of Dec. 31, 2010, substantially all of the counterparties with transaction amounts outstanding in Tampa Electric Company's energy portfolio were rated investment grade by the major rating agencies. Tampa Electric Company assesses credit risk internally for counterparties that are not rated.

Tampa Electric Company has entered into commodity master arrangements with its counterparties to mitigate credit exposure to those counterparties. The company generally enters into the following master arrangements: (1) Edison Electric Institute agreements (EEI) - standardized power sales contracts in the electric industry; (2) International Swaps and Derivatives Association agreements (ISDA) - standardized financial gas and electric contracts; and (3) North American Energy Standards Board agreements (NAESB) - standardized physical gas contracts. Tampa Electric Company believes that entering into such agreements reduces the risk from default by creating contractual rights relating to creditworthiness, collateral and termination.

Tampa Electric Company has implemented procedures to monitor the creditworthiness of our counterparties and to consider nonperformance in valuing counterparty positions. Tampa Electric Company monitors counterparties' credit standing, including those that are experiencing financial problems, have significant swings in credit default swap rates, have credit rating changes by external rating agencies, or have changes in ownership. Net liability positions are generally not adjusted as Tampa Electric Company uses derivative transactions as hedges and has the ability and intent to perform under each of these contracts. In the instance of net asset positions, Tampa Electric Company considers general market conditions and the observable financial health and outlook of specific counterparties, forward looking data such as credit default swaps, when available, and historical default probabilities from credit rating agencies in evaluating the potential impact of nonperformance risk to derivative positions. As of Dec. 31, 2010, substantially all positions with counterparties were net liabilities.

Certain Tampa Electric Company derivative instruments contain provisions that require Tampa Electric Company's debt to maintain an investment grade credit rating from any or all of the major credit rating agencies. If debt ratings were to fall below investment grade, it could trigger these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. Tampa Electric Company has no other contingent risk features associated with any derivative instruments.

The table below presents the fair value of the overall contractual contingent liability positions for Tampa Electric Company's derivative activity at Dec. 31, 2010:

(millions) At Dec. 31, 2010	Fair Value Asset/ (Liability)	Derivative Exposure Asset/ (Liability)	Posted Collateral
Credit Rating	($29.8)	($29.8)	$0.0

14. Fair Value

Determination of Fair Value

Tampa Electric Company measures fair value using the procedures set forth below for all assets and liabilities measured at fair value that were previously carried at fair value pursuant to other accounting guidelines.

When available, Tampa Electric Company uses quoted market prices on assets and liabilities traded on an exchange to determine fair value and classifies such items as Level 1. In some cases where a market exchange price is available, but the assets and liabilities are traded in a secondary market, Tampa Electric Company makes use of acceptable practical expedients to calculate fair value, and classifies such items as Level 2.

If observable transactions and other market data are not available, fair value is based upon internally developed models that use, when available, current market-based or independently-sourced market parameters such as interest rates, currency rates or option volatilities. Items valued using internally generated models are classified according to the lowest level input or value driver that is most significant to the valuation. Thus, an item may be classified in Level 3 even though there may be significant inputs that are readily observable.

Items Measured at Fair Value on a Recurring Basis

The following table sets forth by level within the fair value hierarchy Tampa Electric Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of Dec. 31, 2010. As required by accounting standards for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Tampa Electric Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For all assets and liabilities presented below the market approach was used in determining fair value.

Recurring Derivative Fair Value Measures

	At fair value as of Dec. 31, 2010			
(millions)	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets				
Natural gas swaps	$ 0.0	$ 1.1	$ 0.0	$ 1.1
Total	$ 0.0	$ 1.1	$ 0.0	$ 1.1
Liabilities				
Natural gas swaps	$ 0.0	$ 29.8	$ 0.0	$ 29.8
Total	$ 0.0	$ 29.8	$ 0.0	$ 29.8

	At fair value as of Dec. 31, 2009			
(millions)	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets				
Natural gas swaps	$ 0.0	$ 0.8	$ 0.0	$ 0.8
Total	$ 0.0	$ 0.8	$ 0.0	$ 0.8
Liabilities				
Natural gas swaps	$ 0.0	$ 36.7	$ 0.0	$ 36.7
Total	$ 0.0	$ 36.7	$ 0.0	$ 36.7

Natural gas swaps are over-the-counter swap instruments. The primary pricing inputs in determining the fair value of natural gas swaps are the New York Mercantile Exchange (NYMEX) quoted closing prices of exchange-traded instruments. These prices are applied to the notional amounts of active positions to determine the reported fair value (See **Note 13**).

Tampa Electric Company considered the impact of nonperformance risk in determining the fair value of derivatives. Tampa Electric Company considered the net position with each counterparty, past performance of both parties and the intent of the parties, indications of credit deterioration, and whether the markets in which we transact have experienced dislocation. At

Dec. 31, 2010, the fair value of derivatives was not materially affected by nonperformance risk. Tampa Electric Company's net positions with substantially all counterparties were liability positions.

15. Variable Interest Entities

Tampa Electric Company accounts for VIEs under accounting standards for consolidations. In accordance with these standards, the company evaluates for consolidation all long-term agreements with VIEs in which contractual, ownership or other pecuniary interests in that entity change with changes in the fair value of the entity's net assets. A party to an agreement that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, is considered to be the primary beneficiary and is required to consolidate that entity. In addition to these quantitative factors, the company evaluates qualitative factors that would indicate that a transfer of risk from the entity to the company has occurred. The transfer of substantial risk from the entity to the company could result in a determination that the company is the primary beneficiary of the entity. While Tampa Electric Company reviews each contract individually, for purposes of analyzing PPAs, the determining factors are generally the length of the agreement and which entity absorbs the fuel risk.

Tampa Electric Company has entered into multiple PPAs with wholesale energy providers in Florida to ensure the ability to meet customer energy demand and to provide lower cost options in the meeting of this demand. These agreements range in size from 121 MW to 370 MW of available capacity, are with similar entities and contain similar provisions. Because some of these provisions provide for the transfer or sharing of a number of risks inherent in the generation of energy, these agreements meet the definition of being variable interest entities. These risks include: operating and maintenance; regulatory; credit; commodity/fuel; and energy market risk. Tampa Electric Company has reviewed these risks and has determined that the owners of these entities have retained the majority of these risks over the expected life of the underlying generating assets, have the power to direct the most significant activities, the obligation or right to absorb losses or benefits and hence remain the primary beneficiaries. As a result, Tampa Electric Company is not required to consolidate any of these entities. Tampa Electric Company purchased $108.8 million, $105.5 million and $167.2 million, under these PPAs for the three years ended Dec. 31, 2010, 2009 and 2008, respectively.

In one instance Tampa Electric Company's agreement with the entity for 370 MW of capacity was entered into prior to Dec. 31, 2003, the effective date of these standards. Under the standards, Tampa Electric Company is required to make an exhaustive effort to obtain sufficient information to determine if this entity is a VIE and which holder of the variable interests is the primary beneficiary. The owners of this entity are not willing to provide the information necessary to make these determinations, have no obligation to do so and the information is not available publicly. As a result, Tampa Electric Company is unable to determine if this entity is a VIE and if so, which variable interest holder, if any, is the primary beneficiary. Tampa Electric Company has no obligation to this entity beyond the purchase of capacity; therefore, the maximum exposure for the company is the obligation to pay for such capacity under terms of the PPA at rates that could be unfavorable to the wholesale market. Tampa Electric Company purchased $52.8 million, $31.7 million and $71.6 million, under this PPA for the three years ended Dec. 31, 2010, 2009 and 2008, respectively.

Tampa Electric Company does not provide any material financial or other support to any of the VIEs it is involved with, nor is Tampa Electric Company under any obligation to absorb losses associated with these VIEs. Tampa Electric Company's involvement with the remaining VIEs does not affect its Consolidated Balance Sheets, Statements of Income or Cash Flows.

16. Other Comprehensive Income

Tampa Electric Company reported the following other comprehensive income (loss) for the years ended Dec. 31, 2010, 2009 and 2008, related to changes in the fair value of cash flow hedges and amortization of unrecognized benefit costs associated with the company's pension plans:

Other comprehensive income (loss) *(millions)*	*Gross*	*Tax*	*Net*
2010			
Unrealized loss on cash flow hedges	$ 0.0	$ 0.0	$ 0.0
Plus: Gain reclassified to net income	1.2	(0.4)	0.8
Gain on cash flow hedges	1.2	(0.4)	0.8
Total other comprehensive income	$ 1.2	$ (0.4)	$ 0.8
2009			
Unrealized loss on cash flow hedges	$ 0.0	$ 0.0	$ 0.0
Plus: Gain reclassified to net income	1.2	(0.5)	0.7
Gain on cash flow hedges	1.2	(0.5)	0.7
Total other comprehensive income	$ 1.2	$ (0.5)	$ 0.7
2008			
Unrealized loss on cash flow hedges	$ (3.6)	$ 1.4	$ (2.2)
Less: Loss reclassified to net income	0.7	(0.3)	0.4
Loss on cash flow hedges	(2.9)	1.1	(1.8)
Total other comprehensive loss	$ (2.9)	$ 1.1	$ (1.8)

Accumulated other comprehensive loss *(millions) Dec. 31,*	*2010*	*2009*
Net unrealized loss from cash flow hedges [1]	$ (5.3)	$ (6.1)
Total accumulated other comprehensive loss	$ (5.3)	$ (6.1)

(1) Net of tax benefit of $3.4 million and $3.8 million as of Dec. 31, 2010 and 2009, respectively.

17. Restructuring Charges

On Jul. 30, 2009, TECO Energy, Inc. announced organizational changes and a new senior executive team structure as part of its response to industry changes, economic uncertainties and its commitment to maintain a lean and efficient organization. As a second step in response to these factors, on Aug. 31, 2009, the company decided on a total reduction in force which included approximately 216 jobs at Tampa Electric Company. The reduction in force was substantially completed by Dec. 31, 2009. In connection with this reduction in force, Tampa Electric Company incurred $23.1 million related to severance and benefits recognized on the Consolidated Statements of Income under "Restructuring charges" for the year ended Dec. 31, 2009. The total cash payments related to these actions were $26.2 million, including $4.9 million for the settlement of pension obligations (see **Note 5**), paid during 2009 and early 2010.

Restructuring Charges to be Incurred

(millions)	*Termination of Benefits*	*Other Costs*	*Total*
Total costs expected to be incurred	$ 23.1	$ -	$ 23.1
Costs incurred in 2009	(23.1)	-	(23.1)
Adjustments	-	-	-
Total costs remaining	$ -	$ -	$ -

Accrued Liability for Restructuring Charges

(millions)	*Termination of Benefits*	*Other Costs*	*Total*
Beginning balance, Jul. 1, 2009	$ -	$ -	$ -
Costs incurred and charged to expense	23.1	-	23.1
Costs paid/settled	(20.4)	-	(20.4)
Non-cash expense	(1.8)	-	(1.8)
Adjustments	-	-	-
Ending balance, Dec. 31, 2009	$ 0.9	$ -	$ 0.9
Costs paid/settled	(0.9)	-	(0.9)
Ending balance, Dec. 31, 2010	$ 0.0	$ -	$ 0.0

Restructuring Charges by Segment

(millions)	*Tampa Electric*	*PGS*	*Total*
Total costs expected to be incurred	$ 18.4	$ 4.7	$ 23.1
Costs incurred in 2009	(18.4)	(4.7)	(23.1)
Adjustments	-	-	-
Total costs remaining	$ -	$ -	$ -

18. Subsequent Events

Tampa Electric Company Accounts Receivable Facility

On Feb. 18, 2011, Tampa Electric Company and TEC Receivables Corp. (TRC), a wholly-owned subsidiary of Tampa Electric Company, amended their $150 million accounts receivable collateralized borrowing facility, entering into Omnibus Amendment No. 9 to the Loan and Servicing Agreement with certain lenders named therein and Citicorp North America, Inc. as Program Agent. The amendment (i) extends the maturity date to Feb. 17, 2012, (ii) provides that TRC will pay program and liquidity fees, which will total 70 basis points, (iii) provides that the interest rates on the borrowings will be 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, at Tampa Electric Company's option, either Citibank's prime rate (or the federal funds rate plus 50 basis points, if higher) or a rate based on the London interbank offer rate (if available) plus a margin and (iv) makes other technical changes.

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, Dec. 31, 2010 (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.

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 TECO Energy, Inc.'s internal control over financial reporting as of Dec. 31, 2010 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 TECO Energy, Inc.'s internal control over financial reporting was effective as of Dec. 31, 2010.

TECO Energy's internal control over financial reporting as of Dec. 31, 2010 has been audited by PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, as stated in their report which is on page 84 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, Dec. 31, 2010 (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 4, 2011 (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 23 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 *Code of Ethics and Business Conduct* is available in the Corporate Governance section of the Investors page of the company's website at www.tecoenergy.com. Any amendments to or waivers of the *Code of Ethics and Business Conduct* 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 "Executive Chairman Employment Agreement" just above the caption "Ratification of Appointment of Independent 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			
2010 Equity Incentive Plan[3]	4,902	$ 22.04	3,374
Equity compensation plans/arrangements not approved by the stockholders			
None	-	-	-
Total	4,902	$ 22.04	3,374

(1) The reported amount for the 2010 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 2010 Equity Incentive Plan includes shares which may be issued as restricted stock, performance shares, performance-accelerated restricted stock, bonus stock, phantom stock, performanc units, dividend equivalents and other forms of award available for grant under the plan.

(3) The 2010 Equity Incentive Plan amends, restates and supersedes the 2004 Equity Incentive Plan and the 1997 Director Equity 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 Independent Auditor" in the Proxy Statement and is incorporated herein by reference.

Tampa Electric Company incurred $0.7 million, $0.7 million and $0.8 million in audit-related fees rendered by PricewaterhouseCoopers for 2010, 2009 and 2008, respectively, including $0.3 million related to Sarbanes-Oxley in each of the three years. No other fees for services rendered by PricewaterhouseCoopers were incurred by Tampa Electric Company in those years.

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 79
   - Tampa Electric Company Financial Statements – See index on page 127
2. Financial Statement Schedules
   - Condensed Parent Company Financial Statements Schedule I – pages 166 - 169
   - TECO Energy, Inc. Schedule II – page 170
   - Tampa Electric Company Schedule II – page 171
3. Exhibits – See index beginning on page 175

(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

(millions)	*Dec. 31, 2010*	*Dec. 31, 2009*
Assets		
Current assets		
Cash and cash equivalents	$ 39.7	$ 21.9
Advances to affiliates	96.2	213.4
Accounts receivable from affiliates	8.1	7.2
Interest receivable from affiliates	1.0	1.6
Other current assets	0.6	0.9
Total current assets	145.6	245.0
Property, plant and equipment		
Property, plant and equipment	0.7	0.6
Accumulated depreciation	(0.3)	(0.2)
Total property, plant and equipment, net	0.4	0.4
Other assets		
Investment in subsidiaries	2,661.8	2,641.3
Deferred income taxes	563.4	657.6
Other assets	9.4	8.4
Total other assets	3,234.6	3,307.3
Total assets	$ 3,380.6	$ 3,552.7
Liabilities and capital		
Current liabilities		
Long-term debt due within one year	$ 48.8	$ 102.8
Accounts payable to affiliates	0.4	0.4
Accounts payable	5.3	3.6
Interest payable	0.7	3.9
Taxes accrued	6.0	0.2
Advances from affiliates	1,111.2	1,030.8
Other current liabilities	0.5	0.6
Total current liabilities	1,172.9	1,142.3
Other liabilities		
Long-term debt, less amount due within one year	8.8	301.0
Other liabilities	29.2	24.0
Total other liabilities	38.0	325.0
Capital		
Common equity	214.9	213.9
Additional paid in capital	1,542.0	1,530.8
Retained earnings	430.0	365.7
Accumulated other comprehensive loss	(17.2)	(25.0)
Total capital	2,169.7	2,085.4
Total liabilities and capital	$ 3,380.6	$ 3,552.7

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)	*2010*	*2009*	*2008*
Revenues	$ 0.0	$ 0.0	$ 0.0
Expenses			
Administrative and general expenses	5.2	4.5	4.2
Other taxes	0.9	0.7	0.8
Transaction (gain) costs related to sale of business	0.0	0.0	(0.2)
Sale of previously impaired assets	(2.9)	0.0	0.0
Restructuring charges	1.5	2.6	0.0
Depreciation and amortization	0.2	0.2	0.2
Total expenses	4.9	8.0	5.0
Loss from operations	(4.9)	(8.0)	(5.0)
Other income (expense)			
Loss on debt extinguishment	(19.8)	0.0	0.0
Interest income	0.2	0.2	0.0
Other income	1.0	(5.2)	2.0
Earnings from investments in subsidiaries	281.4	243.0	192.1
Total other income	262.8	238.0	194.1
Interest income (expense)			
Interest expense			
Others	(13.5)	(25.2)	(28.1)
Total interest expense	(13.5)	(25.2)	(28.1)
Income before income taxes	244.4	204.8	161.0
Income tax expense (benefit)	5.4	(9.1)	(1.4)
Net income	$ 239.0	$ 213.9	$ 162.4

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 Cash Flows

For the years ended Dec. 31, (millions)	*2010*	*2009*	*2008*
Cash flows from operating activities	$ 383.2	$ 311.7	$ 428.0
Cash flows from investing activities			
Restricted cash	0.0	0.4	(0.1)
Capital expenditures	(0.1)	0.0	0.0
Investment in subsidiaries	(50.0)	0.0	(271.0)
Net change in affiliate advances	197.6	(134.5)	(67.4)
Other non-current investments	0.0	9.8	(42.3)
Cash flows from (used in) investing activities	147.5	(124.3)	(380.8)
Cash flows from financing activities			
Dividends to shareholders	(174.7)	(170.8)	(168.6)
Common stock	7.8	5.1	21.8
Repayment of long-term debt	(346.0)	0.0	0.0
Cash flows used in financing activities	(512.9)	(165.7)	(146.8)
Net increase (decrease) in cash and cash equivalents	17.8	21.7	(99.6)
Cash and cash equivalents at beginning of period	21.9	0.2	99.8
Cash and cash equivalents at end of period	$ 39.7	$ 21.9	$ 0.2
Supplemental Data			
Dividends from subsidiaries included in cash flows from operating activities	$ 318.4	$ 254.2	$ 408.4

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. These parent company condensed financial statements are required under Regulation S-X due to their net assets exceeding 25% of the consolidated net assets of TECO Energy, Inc.

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. Certain prior year amounts were reclassified to conform to the current year presentation.

2. 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.

3. Restructuring Charges

On Jul. 30, 2009, TECO Energy, Inc. announced organizational changes and a new senior executive team structure as part of its response to industry changes, economic uncertainties and its commitment to maintain a lean and efficient organization. As a second step in response to these factors, on Aug. 31, 2009, the company decided on a total reduction in force which included approximately 13 jobs at the parent company. The reduction in force was substantially completed by Dec. 31, 2009. In connection with this reduction in force, for the years ended Dec. 31, 2010 and 2009, the parent company incurred $1.5 million and $2.6 million, respectively, related to severance and benefits recognized on the Condensed Statements of Income under "Restructuring charges". The total cash payments related to these actions were $2.1 million and paid during 2009 and early 2010.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

TECO ENERGY, INC.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
For the Years Ended Dec. 31, 2010, 2009 and 2008
(millions)

	Balance at Beginning of Period	Additions: Charged to Income	Additions: Other Charges	Payments & Deductions [1]	Balance at End of Period
Allowance for Uncollectible Accounts:					
2010	$ 3.0	$ 10.7	$ —	$ 9.2	$ 4.5
2009	$ 3.5	$ 9.1	$ —	$ 9.6	$ 3.0
2008	$ 3.3	$ 8.1	$ —	$ 7.9	$ 3.5

(1) Write-off of individual bad debt accounts

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

TAMPA ELECTRIC COMPANY
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
For the Years Ended Dec. 31, 2010, 2009 and 2008
(millions)

	Balance at Beginning of Period	Additions: Charged to Income	Additions: Other Charges	Payments & Deductions [1]	Balance at End of Period
Allowance for Uncollectible Accounts:					
2010	$ 1.6	$ 10.7	$ —	$ 9.1	$ 3.2
2009	$ 1.6	$ 9.0	$ —	$ 9.0	$ 1.6
2008	$ 1.4	$ 8.1	$ —	$ 7.9	$ 1.6

(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, 2011

By: /s/ JOHN B. RAMIL
JOHN B. RAMIL
President, Chief Executive Officer and Director
(Principal 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, 2011:

Signature	Title
/s/ SHERRILL W. HUDSON SHERRILL W. HUDSON	Executive Chairman of the Board and Director
/s/ JOHN B. RAMIL JOHN B. RAMIL	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ SANDRA W. CALLAHAN SANDRA W. CALLAHAN	Senior Vice President-Finance and Accounting and Chief Financial Officer (Chief Accounting Officer) (Principal Financial and Principal Accounting Officer)

Signature	Title	Signature	Title
/s/ C. DUBOSE AUSLEY C. DUBOSE AUSLEY	Director	/s/ TOM L. RANKIN TOM L. RANKIN	Director
/s/ JAMES L. FERMAN, JR. JAMES L. FERMAN, JR.	Director	/s/ WILLIAM D. ROCKFORD WILLIAM D. ROCKFORD	Director
/s/ JOSEPH P. LACHER JOSEPH P. LACHER	Director	/s/ PAUL L. WHITING PAUL L. WHITING	Director
/s/ LORETTA A. PENN LORETTA A. PENN	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, 2011

By: /s/ JOHN B. RAMIL
JOHN B. RAMIL
President, Chief Executive Officer and Director
(Principal 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, 2011:

Signature	Title
/s/ SHERRILL W. HUDSON SHERRILL W. HUDSON	Executive Chairman of the Board and Director
/s/ JOHN B. RAMIL JOHN B. RAMIL	Chief Executive Officer and Director (Principal Executive Officer)
/s/ SANDRA W. CALLAHAN SANDRA W. CALLAHAN	Vice President-Finance and Accounting and Chief Financial Officer (Chief Accounting Officer) (Principal Financial and Principal Accounting Officer)

Signature	Title	Signature	Title
/s/ C. DUBOSE AUSLEY C. DUBOSE AUSLEY	Director	/s/ TOM L. RANKIN TOM L. RANKIN	Director
/s/ JAMES L. FERMAN, JR. JAMES L. FERMAN, JR.	Director	/s/ WILLIAM D. ROCKFORD WILLIAM D. ROCKFORD	Director
/s/ JOSEPH P. LACHER JOSEPH P. LACHER	Director	/s/ PAUL L. WHITING PAUL L. WHITING	Director
/s/ LORETTA A. PENN LORETTA A. PENN	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.