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ORIGINAL

October 11, 2002

HAND DELIVERED

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

RECEIVED - FPSC
OCT 11 AM 11:52
COMMISSION
CLERK

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance
Incentive Factor; FPSC Docket No. 020001-EI

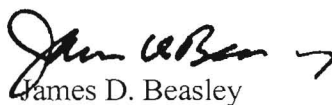
Dear Ms. Bayo:

Enclosed for filing in the above docket is the original and ten (10) copies of Tampa
Electric Company's Request for Confidential Classification.

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

JDB/pp
Enclosure

- AUS _____
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- GCL _____
- OPC _____
- MMS _____
- SEC _____
- OTH _____

cc: All Parties of Record (w/enc.)

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FPSC-BUREAU OF RECORDS

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost Recovery)
Clause with Generating Performance Incentive) DOCKET NO. 020001-EI
Factor.) FILED: October 11, 2002
_____)

REQUEST FOR CONFIDENTIAL CLASSIFICATION

Tampa Electric Company (“Tampa Electric” or “the company”), pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, hereby requests confidential classification of the highlighted information on pages 4, 7, 8 and 9 of the company’s Risk Management Plan (the “Plan”) filed on a confidential basis in the above docket on September 20, 2002, pursuant to a Notice of Intent to Seek Confidential Classification. Two public copies of the Plan with the confidential information redacted are also enclosed with this request. In support of its request, Tampa Electric states as follows:

1. Subsection 366.093(1) provides that any records “found by the Commission to be proprietary confidential business information shall be kept confidential and shall be exempt from s. 119.07(1) [requiring disclosure under the Public Records Act].” Proprietary confidential business information includes, but is not limited to “[i]nformation concerning . . . contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms.” Subsection 366.093(3)(d). Proprietary confidential business information also includes “[i]nformation relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information.” Section 366.093(3)(e). The designated portions of the Plan fall within these

statutory categories and, thus, constitute proprietary confidential business information entitled to protection under Section 366.093 and Rule 25-22.006.

2. Disclosure of the highlighted information on pages 4, 7, 8 and 9 of the Plan would disclose Tampa Electric's purchasing strategy (both with respect to fuel and purchased power) and the company's planned risk exposure. Those who have an interest in supplying Tampa Electric's fuel and purchased power needs could use this valuable information to help them force more favorable terms, to the detriment of Tampa Electric and its ratepayers, than would otherwise be the case. They could learn of the company's plans and needs and use that information in exacting better prices for meeting those needs.

3. Disclosing the company's risk exposure levels on a monthly basis would provide an indicator of vulnerability to market price. Would-be suppliers of both fuel and purchased power could simply withhold supply and price their fuel and purchase power offerings at a higher level than they would otherwise. Power suppliers could perform maintenance on their units during months when the company's exposure is low, so that they would have their power to sell through at high prices during months that Tampa Electric's exposure is high.

4. Disclosure of the highlighted information in the Plan would also provide highly sensitive information to recipients regarding the manner and timing of Tampa Electric's entry into the fuel and purchased power markets. Knowledge of this information would allow the opportunity for market manipulation through transactions made in anticipation of the company's entry into the market. Market manipulations based on knowledge of the highlighted information would increase the price of fuel and purchased power paid by Tampa Electric's customers as well as the price paid by the company to hedge the customers' price of fuel and purchased

power. These effects of disclosure would impair the efforts of Tampa Electric to contract for goods and services on favorable terms for the benefit of its customers.

5. The highlighted information contained in the company's Plan for which confidential classification is sought is intended to be and is treated by Tampa Electric as private and has not been publicly disclosed.

WHEREFORE, Tampa Electric respectfully requests that the highlighted information set forth on pages 4, 7, 8 and 9 of the company's Plan be accorded confidential classification for the reasons set forth above.

DATED this 11th day of October 2002.

Respectfully submitted,



LEE L. WILLIS
JAMES D. BEASLEY
Ausley & McMullen
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Tallahassee, Florida 32302
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Request for Confidential Classification has been furnished by U. S. Mail or hand delivery (*) on this 11th day of October 2002 to the following:

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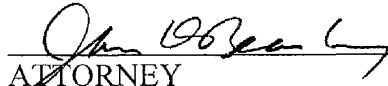
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ATTORNEY

**TAMPA ELECTRIC COMPANY
FUEL PROCUREMENT AND WHOLESALE POWER PURCHASES
RISK MANAGEMENT PLAN
2003**

I. Qualitative and Quantitative Risk Management Objectives

- A. Qualitative objectives:** Tampa Electric's goals in managing risks associated with fuel or power purchases are focused on minimizing supply risk to ensure reliability of electric service to its customers at a reasonable price. To the extent that price risk can be reduced without compromising supply reliability or imposing unnecessary costs on its customers, Tampa Electric is committed to executing strategies to accomplish this.
- B. Quantitative objectives:** Tampa Electric's quantitative objective is to prudently manage its fuel and wholesale energy procurement activities so as to minimize the variance from projected expenditures while taking advantage of cost-saving opportunities that do not result in increased supply risk. Tampa Electric has established a portfolio of fuel and purchased power products with credit-worthy counterparties for known volumes and prices.

II. Oversight & Reporting of Fuel Procurement Activities

The Company provides its fuel and wholesale energy procurement activities with independent and unavoidable oversight. In support of this, we offer the following observations:

- A.** The TECO Energy Board of Directors has established an Energy Risk Management Policy ("Risk Policy"). This policy governs all energy commodity transacting activity at each of TECO Energy's operating units. The scope of the policy includes:
- Roles and responsibilities of various persons and functions with respect to risk management
 - Authorized transacting activity
 - Risk limits
 - Valuation and data management
 - Credit risk management
 - Reporting
 - Compliance and enforcement
- B.** The Risk Policy establishes a TECO Energy Risk Authorizing Committee (RAC). The responsibilities of the RAC include the following:
- Reviewing the Risk Management Policy periodically and recommending changes and enhancements for Board of Directors approval

- Reviewing corporate risk limits for recommendation to the Board
 - Within Board approved corporate risk limits, establishing the quantitative limits for operating companies. The RAC may, at its discretion, delegate approval of sub-limits to operating company management
 - Approving parameters for counterparty credit limits and the allocation of limits among the operating companies
 - Establishing guidelines for risk management and measurement;
 - Overseeing and reviewing the risk management process and infrastructure
 - Reviewing and approving transacting strategies proposed by the operating companies
 - Understanding and approving methodologies used for valuation and risk measurement
 - Reviewing and approving corporate and operating company risk limits
 - Establishing credit underwriting standards, and monitoring credit risk-taking activities and related exposures
 - Reviewing risk reports, including portfolio risk summaries and profitability and performance summaries
 - Enacting, maintaining, and enforcing limit violation and trader misconduct policies
 - Taking appropriate courses of action when the risk position of a transacting group has exceeded, or is approaching the established limits
 - Reviewing and approving new risk management products
 - Presenting periodic reports to the Board or its committees
- C.** TECO Energy has established a corporate risk management function ("middle office") and has hired a Vice President of Energy Risk Management.
- D.** Tampa Electric has established additional oversight or control mechanisms to ensure compliance with policies and procedures. The following practices provide checks and balances on procurement activities.
- Fuel and wholesale energy procurement activities are conducted in accordance with Company guidelines, including review by the operating stations, Environmental Affairs Department and officers of the company
 - All agreements are formalized in a written contract that is reviewed by the company's Legal Department
 - The contracts are reviewed by the Corporate Credit Manager of TECO Energy's Treasury Department for potential credit risks

- The Company maintains approval authority restrictions based on term and value of the transaction
 - Payments of invoices under each contract are approved by the Manager(s) and/or Director of the Wholesale Marketing and Fuels Department and reviewed by the Regulatory Accounting Department
 - Each transaction is eligible for review by outside, internal and regulatory auditors
- E.** In accordance with the Risk Policy, Tampa Electric has established commodity transaction limits for related commodity transactions.
- F.** Tampa Electric's Wholesale Marketing and Fuels Department is updating and formalizing its policies and procedures. These activities will be completed by December 31, 2002.
- G.** There are reports generated that summarize the fuel procurement activities of the company. These include monthly financial reports produced by Regulatory Accounting, FERC Electric Quarterly Reports, FERC Form 1, FERC Form 580, FERC Form 423, FPSC A schedules and FPSC E schedules. In addition, position and mark-to-market reports are produced and reviewed by the Vice President of Energy Risk Management. The appropriate entries and related disclosures are made in the Company's books and records as required by accounting standards.

III. Risk Assessment

In its Risk Policy, TECO Energy has identified the following types of risks for its commodity portfolio:

Market Risk

Market risk is the potential change in value of a commodity contract caused by adverse changes in market factors (price and volatility). The following are types of market risk.

Price Risk: Price risk refers to the uncertainty associated with changes in the price of an underlying asset. For instance, if a company has a short position in the market (e.g., needs to meet load requirements by purchasing electricity or gas), it will be susceptible to price increases. Conversely, if a company is in a long position (e.g., excess generation or gas supply), it is exposed to decreases in market prices. Tampa Electric manages its price risk using physical and financial hedges.

In 2003 Tampa Electric is subject to minimal price risk related to variation in coal prices since it has already contracted for its expected coal needs.

The company's expected expenditures for natural gas in 2003 are bounded at [REDACTED] based on the forward price and volatility curves for natural gas and the company's expected usage. This exposure estimate does not take into account any hedges the company may implement to limit its exposure. Tampa Electric's hedging strategy with respect to natural gas is outlined in the next section.

Tampa Electric's decision to purchase a portion of its expected purchased power needs on the spot market result in an expected [REDACTED] for 2003. Tampa Electric's hedging strategy with respect to purchased power is outlined in the next section.

Tampa Electric requires small quantities of fuel oil and maintains a requirements contract that eliminates its supply risk. Due to the small quantities in question, price risk is minimal and is therefore not quantified.

Time Spread Risk: This is the risk that the relationship between two points (*i.e.*, one month versus six months) on the forward curve changes. Because the shape of the fuel or electricity forward curve changes to reflect the market's expectations of spot and future fuel or electricity prices, the relationship between any two points on the curve is not always constant. Because of the nature of its business Tampa Electric has little reason or opportunity to offset energy commodity requirements in one month with resources delivered in another month. Therefore, time spread risk is not a significant issue for Tampa Electric.

Liquidity Risk: Liquidity risk is associated with the lack of marketability of a commodity. It includes the risk of an adverse cost or return variation stemming from the lack of marketability of a financial instrument. Liquidity risk may arise because a given position is very large relative to typical trading volumes of like commodity and contract tenor, or because market conditions are unsettled. Liquidity risk is usually reflected in a wide bid-ask spread and large price movements in response to any attempt to buy or sell. A firm facing the need to quickly unwind a portfolio of illiquid instruments may find it necessary to sell at prices far below fair value. Tampa Electric is not exposed to liquidity risk since the company does not purchase instruments for resale.

Basis Risk: Basis risk is the risk exposure due to a difference in commodity value between different delivery points. Electricity markets are regional. Prices can be different at different locations because of differences in both supply costs and the cost of transmission between the two locations. These price differences are dynamic, primarily due to changes in transmission availability between the two locations. Due to the

stability of the coal market, Tampa Electric's negligible use of oil, and the indexing of its natural gas contract pricing, basis risk is not a significant issue for the company.

Option Risk (Convexity): Option risk is associated with purchasing or writing an option, and represents the risk that the value of an option at expiration or upon exercise is different from the premium paid when the option was purchased or sold. Option risk is an issue for Tampa Electric only to the extent that it chooses to use option contracts in the future to manage its more fundamental price risks.

Fundamentally, market risk is created by the existence of "open" positions. An open position is the difference between an existing requirement and the ability to meet that requirement with existing resources.

Volume Risk

Volume risk is the potential adverse economic impact of unanticipated changes in supply or demand. Tampa Electric faces supply risk, because there is uncertainty associated with the availability of generating units or fuel availability for those units. If a generating unit fails, Tampa Electric must replace the power with another unit's generation or with purchased power at market prices. Tampa Electric also faces demand risk since there is uncertainty associated with customer demand, and thus uncertainty in the determination of the fuel or energy purchase volumes necessary to supply such demand. Tampa Electric's volume risk for fuel and purchased power in 2003 is managed operationally and through contract terms enforcement, including appropriate legal remedies, should a party default.

Credit Risk

Credit risk is the risk of financial loss due to a counterparty's failure to fulfill the terms of a contract on a timely basis. It includes both settlement risk associated with payment for fuel or energy received, as well as potential risk, which reflects the risk that the counterparty defaults on an obligation to provide or receive fuel or energy. Credit risk depends on the probability of counterparty default, the concentration of credit exposure with a small number of counterparties, the total amount of exposure, and the volatility of markets. Tampa Electric's credit risk commodity price hedging will vary based on the number of its trading counterparties and the mark-to-market value of its hedge transactions. Tampa Electric's existing credit risk is minimal.

Administrative Risk

Administrative risk is risk of loss associated with deficiencies in a company's internal control structure and management reporting due to human error, fraud or a system's inability to adequately capture, store and report transactions.

Tampa Electric's internal control infrastructure for power marketing and fuel procurement is changing to reflect the company's increased use of natural gas. However, current transaction volumes of natural gas and power are small, and therefore related administrative risk is minimal. The company has consistently maintained appropriate administrative controls for entering and administration of coal and oil contracts.

IV. Risk Management Strategy and Current Hedging Activity

Tampa Electric's risk management strategy is designed to limit exposure to different types of risk that are applicable to the company's operation.

Market Risk

Tampa Electric's potential market risk is the result of open positions in four commodities:

- Coal
- Natural Gas
- Fuel Oil
- Purchased Power

On a GWH basis, expected generation during 2003 will be served in the proportions shown in the following table.

Commodity	Percent of Generation
Coal	73%
Natural Gas	15%
Fuel Oil	1%
Purchased Power	11%

Based on Tampa Electric's assessment of market risk factors, the company has implemented the market risk management strategies described below.

Coal. Tampa Electric has contracted for all of its expected coal needs for 2003 through bilateral agreements with coal producers. The Company submitted the projected amounts in both tons and dollars in its 2003 projection filing submitted September 20, 2002. Therefore, Tampa Electric's coal price risk in 2003 has been virtually eliminated. Tampa Electric's contracts with suppliers incorporate legal remedies in the event of default, which addresses its volume risk. In addition, the coal market is expected to remain stable in 2003 with available supply should any parties not deliver according to contracted requirements. Therefore, Tampa Electric's coal volume risk in 2003 is minimal. Lastly, since the financial difficulties many counterparties have encountered of late in the energy sector, Tampa Electric has strengthened its credit review process. Newly established agreements incorporate stricter credit provisions, and as older contracts expire, it is expected that the new coal supply agreements will include the stricter provisions.

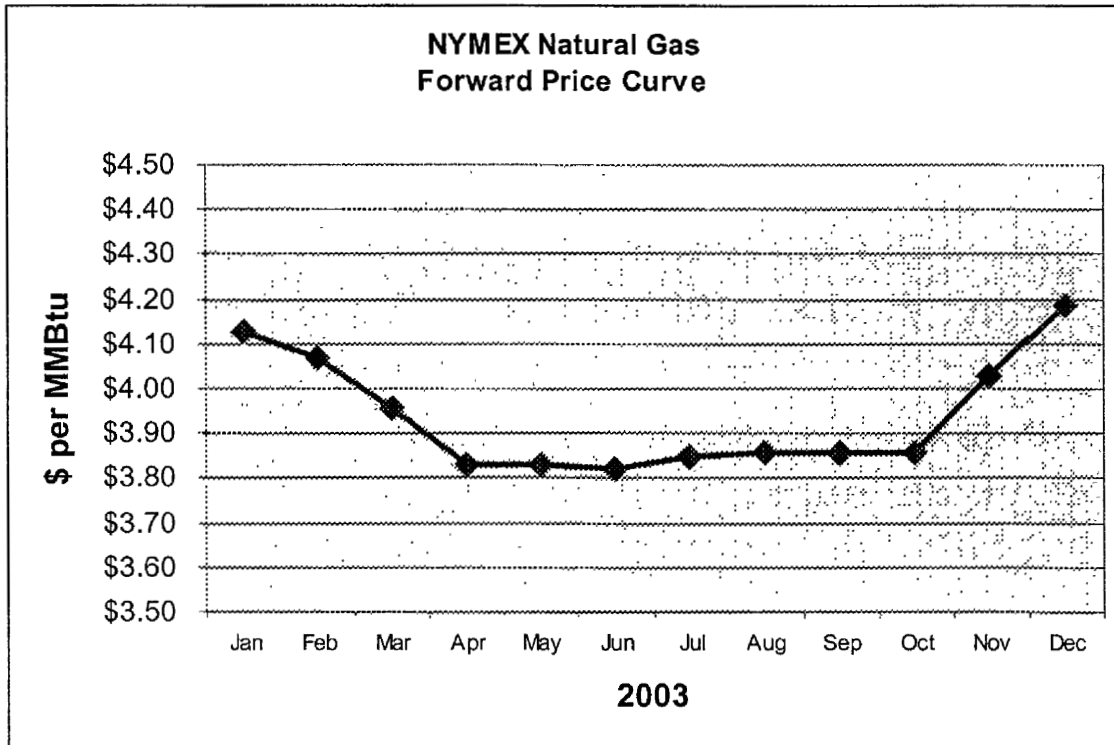
Fuel Oil. In 2003 Tampa Electric will continue to purchase its fuel oil needs at spot market prices. Oil represents only one percent of the company's needs on a GWH basis, and therefore, associated price risk is minimal. Tampa Electric maintains a requirements contract with a local supplier to deliver all of its needs, and that contract mitigates supply risk.

Natural Gas. Tampa Electric implemented a financial hedging strategy for natural gas requirements in Summer 2002. The hedging strategy was executed using swap agreements, or the exchange of a payment tied to the value of a natural gas index for a fixed payment. The volume covered by the hedges was [REDACTED] of the total natural gas burned during July, August and September of 2002. [REDACTED]

[REDACTED] Tampa Electric expects to hedge [REDACTED] of its projected natural gas usage in 2003, using swaps, collars—the exchange of a price floor for a price cap, and futures contracts.

Shown below is the New York Mercantile Exchange ("NYMEX") natural gas forward price curve for 2003. Tampa Electric is using this forward pricing information as it continues to develop its 2003 natural gas price hedging strategy.

Forward Price Curve-NYMEX Natural Gas



Purchased Power.

[REDACTED] Total forecasted purchased power is 2,130,401 MWH. Of this total, cogeneration energy purchases account for 460,854 MWH, which are purchased at the company's as-available energy rate. Another 637,430 MWH will be purchased from Hardee Power Partners, at cost-based rates. Additionally, [REDACTED] will be purchased under firm agreements [REDACTED]

Finally, [REDACTED] will be purchased on the short-term, non-firm market for economy purposes. [REDACTED]

The table on the following page shows the expected purchase power amounts by month.

The company's purchased power contracts include a fuel component, therefore, Tampa Electric has exposure to fuel price risk for its wholesale energy purchases, particularly for natural-gas-based purchased power. The fuel component of the price risk could be hedged with financial derivatives, but Tampa Electric does not currently hedge wholesale energy transactions with financial instruments due to the lack of a liquid, published wholesale energy

market and appropriate available instruments. The company will continue to evaluate the merits of including this activity in its natural gas hedging strategy.

2003 PURCHASE INFORMATION

	Total Purchases (MWH)	
JAN	114,829	
FEB	200,488	
MAR	268,463	
APR	166,900	
MAY	173,835	
JUN	171,918	
JUL	214,541	
AUG	207,822	
SEP	210,743	
OCT	200,475	
NOV	111,680	
DEC	88,707	
TOTAL	2,130,401	

In summary, Tampa Electric's planned operations in 2003 result in nominal market risk associated with coal and fuel oil. Non-price risks associated with natural gas and purchased power are also small. Therefore, the company currently focuses its hedging activities on mitigating the price risk associated with natural gas and purchased power.

Volume Risk

Hedging of volumetric risk is problematic due to a limited number of viable hedge instruments. Tampa Electric has identified the following instruments:

- “Swing” contracts enable the buyer to take variable volumes up to a predefined limit
- Full requirement contracts enable the buyer to take any volume up to total usage
- Weather derivatives enable the buyer to take variable volumes depending on weather temperatures and have significant price premiums

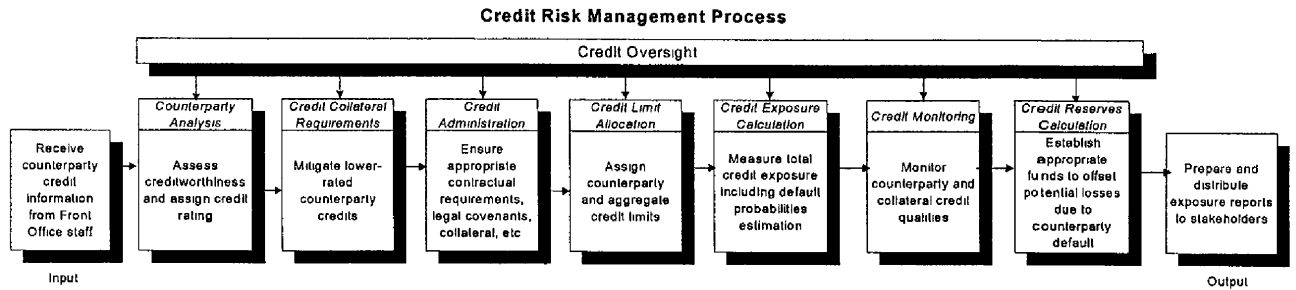
Tampa Electric uses swing contracts and full requirements contracts where needed commodity volumes are small and in situations where commodity volumes are unpredictable in volume and/or timing. The company evaluated weather derivatives as a volume risk hedge and determined that they are not appropriate for Tampa Electric’s situation.

Credit Risk

TECO Energy’s credit risk management process is composed of the following primary steps. (Also see the figure below.)

- Receive counterparty information for initial processing
- Assess counterparty creditworthiness and assign credit rating (i.e., third-party and internal)
- Determine credit collateral requirements, as needed
- Request, review and monitor contractual requirements, legal covenants, collateral documents and credit provisions
- Establish corporate maximum exposure and allocate appropriate counterparty credit limits to operating companies
- Quantify counterparty exposure and measure against approved limits
- Monitor counterparty and collateral credit qualities
- Calculate appropriate credit reserves to offset losses associated with potential default
- Prepare credit exposure reports that result in updated credit limits for new business transactions entered into by the operating companies

TECO'S Credit Risk Management Process



Administrative Risk

Tampa Electric is evaluating the purchase and implementation of a software program to more efficiently track, monitor and evaluate hedging activities that would provide greater reporting capability and control functionality. Such a system may be implemented in 2003.