

TECO Energy reports third-quarter results

TECO Energy reaffirms its earnings-per-share guidance from continuing operations for 2012 in a range between \$1.10 and \$1.20, excluding charges or gains

TAMPA, November 1, 2012

TECO Energy, Inc. (NYSE:TE) today reported third quarter 2012 net income of \$44.0 million, which included losses on the Guatemalan assets sold or held for sale (see **Discontinued Operations** below), or \$0.20 per share, compared with \$90.2 million, or \$0.42 per share in the third quarter of 2011. Net income from continuing operations was \$90.2 million, or \$0.42 per share, in the 2012 third quarter, compared with net income from continuing operations of \$86.1 million, or \$0.40 per share, for the same period in 2011. The 2012 third-quarter loss of \$46.2 million reported in discontinued operations reflected the operating results from TECO Guatemala, and the book loss, transaction fees and the charge related to foreign tax credits as a result of the sales agreements reported in September 2012.

The 2012 year-to-date net income was \$167.6 million, or \$0.78 per share, compared with \$219.4 million, or \$1.02 per share, for the same period in 2011. The 2012 year-to-date net income from continuing operations was \$200.4 million, or \$0.93 per share, compared with \$203.5 million, or \$0.95 per share, for the same period in 2011. The 2012 year-to-date loss reported in discontinued operations was \$32.8 million.

TECO Energy President and Chief Executive Officer John Ramil said, "Our operating results this quarter reflect an improving Florida economy and outstanding cost control efforts by our team members at our utilities to offset the ongoing unfavorable weather patterns, and TECO Coal's team members continue to deliver strong financial results in a weak coal market.

"Our agreement to sell the Guatemalan companies reflects our commitment to our utility operations and to obtain good value for our non-utility businesses. Faced with uncertainty in 2015, we took advantage of an attractive opportunity and entered into agreements to sell the operations this year."

Non-GAAP Results

There were no non-GAAP adjustments to net income in the third quarter or year-to-date periods of 2012 or 2011, or the 12 months ended Sept. 30, 2012.

The table below compares the TECO Energy GAAP net income with the non-GAAP measures used in this release for the 12-months-ended 2011 period. Non-GAAP results exclude charges and gains contained in the **Results Reconciliation** table later in this release. See the **Non-GAAP Presentation** section and **Results Reconciliation** table later in this release for a reconciliation to GAAP results and a discussion regarding this presentation of non-GAAP results and management's use of this information.

All amounts included in the non-GAAP discussion below are after tax, unless otherwise noted.

Results Comparisons

	<u>3 months ended</u>		<u>9 months</u>		<u>12 months</u>	
	<u>Sept. 30</u>		<u>ended Sept. 30</u>		<u>ended Sept. 30</u>	
<u>(millions)</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net income attributable to TECO Energy	\$44.0	\$90.2	\$167.6	\$219.4	\$220.8	\$276.1
Discontinued operations attributable to TECO Energy	(46.2)	4.1	(32.8)	15.9	(26.9)	41.2

Net income from continuing operations	\$ 90.2	\$ 86.1	\$200.4	\$203.5	\$247.7	\$234.9
Non-GAAP Results from continuing operations	<u>\$ 90.2</u>	<u>\$ 86.1</u>	<u>\$200.4</u>	<u>\$203.5</u>	<u>\$247.7</u>	<u>\$248.1</u>

Segment Reporting

The table below includes TECO Energy segment information on a GAAP basis, which includes all charges and gains for the periods shown.

<u>Segment Information</u>	3 months		9 months		12 months	
(millions)	<u>ended Sept. 30</u>		<u>ended Sept. 30</u>		<u>ended Sept. 30</u>	
Net Income Summary	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Tampa Electric	\$73.5	\$75.0	\$156.9	\$165.0	\$194.7	\$ 207.0
Peoples Gas System	7.0	4.8	27.0	25.4	34.2	32.8
TECO Coal	17.4	14.1	39.4	38.1	52.7	45.3
Parent & other	<u>(7.7)</u>	<u>(7.8)</u>	<u>(22.9)</u>	<u>(25.0)</u>	<u>(33.9)</u>	<u>(50.2)</u>
Net income from continuing operations	90.2	86.1	200.4	203.5	247.7	234.9
Discontinued operations attributable to TECO Energy	<u>(46.2)</u>	<u>4.1</u>	<u>(32.8)</u>	<u>15.9</u>	<u>(26.9)</u>	<u>41.2</u>
Total net income attributable to TECO Energy	<u>\$44.0</u>	<u>\$90.2</u>	<u>\$167.6</u>	<u>\$219.4</u>	<u>\$220.8</u>	<u>\$ 276.1</u>

All amounts included in the operating company discussions below are after tax, unless otherwise noted.

Tampa Electric

Tampa Electric's net income for the third quarter was \$73.5 million, compared with \$75.0 million for the same period in 2011. Results for the quarter reflected a 1.4% higher average number of customers, lower base revenues due to milder weather, higher depreciation and operations and maintenance expenses and lower interest expense.

Total degree days in Tampa Electric's service area in the third quarter of 2012 were normal, but 7% below the same period in 2011. Pretax base revenue was approximately \$4.0 million lower than in 2011, primarily reflecting rainy summer weather patterns. Total net energy for load, which is a calendar measurement of retail energy sales rather than a billing-cycle measurement, decreased 1.6% in the third quarter of 2012 compared with the same period in 2011. The quarterly energy sales shown on the statistical summary that accompanies this earnings release reflect the energy sales based on the timing of billing cycles, which can vary period to period. The summer weather pattern in the 2012 period reduced sales to residential and smaller commercial customers. Energy sales to industrial-phosphate customers increased due to the transfer of certain load from self-generation to Tampa Electric's system. Sales to other industrial customers increased due to improvements in the Florida economy.

Operations and maintenance expense, excluding all Florida Public Service Commission (FPSC)-approved cost-recovery clauses, increased \$3.6 million in 2012, reflecting higher generating system maintenance expenses and higher pension and other employee benefit expenses partially offset by lower bad-debt expense. Depreciation and amortization expense increased \$2.5 million in 2012 due to additions to facilities to serve customers.

Year-to-date net income was \$156.9 million, compared with \$165.0 million in the 2011 period, driven primarily by lower energy sales due to milder weather, partially offset by 1.2% higher average number of customers, and higher depreciation and operations and maintenance expenses.

Year-to-date total degree days in Tampa Electric's service area were 3% above normal, primarily in the lower-load spring period, but 4% below the prior year-to-date period, reflecting mild winter weather and the rainy summer weather pattern. Pretax base revenue was almost \$11.0 million lower than in 2011, primarily reflecting lower sales to residential customers from the milder weather and voluntary conservation that typically occurs during periods without extreme weather.

In the 2012 year-to-date period, total net energy for load was 0.6% lower than the same period in 2011. Milder weather reduced sales to higher-margin residential and smaller commercial customers, while industrial-other sales were higher, reflecting improvements in the Florida economy. Sales to interruptible industrial-phosphate customers increased due to the factors described above.

Year-to-date 2012 operations and maintenance expenses, excluding all FPSC-approved cost-recovery clauses, increased \$5.1 million reflecting higher pension and other employee benefit expenses partially offset by lower bad-debt expense. Compared to the 2011 year-to-date period, depreciation and amortization expense increased \$6.7 million, reflecting additions to facilities to serve customers.

Peoples Gas

Peoples Gas System reported net income of \$7.0 million for the quarter, compared with \$4.8 million recorded in the same period in 2011. Quarterly results reflected customer growth of 1.3% and higher therm sales to residential customers. Therms sold to commercial and interruptible industrial customers increased due to improved economic conditions. Volumes for the low-margin transportation service for electric power generators increased due to low natural gas prices, which made it more economical to use natural gas for power generation. Non-fuel operations and maintenance expense decreased \$1.5 million compared to the 2011 period, due in part to an insurance recovery of legal expenses associated with environmental contamination claims, lower pipeline integrity cost, and lower bad-debt expense.

Year-to-date net income was \$27.0 million, compared with \$25.4 million for the same period in 2011. The 2012 results reflect customer growth of 1.1%, lower sales to residential customers due to mild winter weather more than offset by higher sales to commercial and industrial customers and power generation customers as discussed above. Non-fuel operations and maintenance expense decreased \$3.1 million compared to the 2011 period, when operations and maintenance expenses included \$2.1 million related to legal expenses associated with environmental contamination claims.

TECO Coal

TECO Coal reported third quarter net income of \$17.4 million on sales of 1.9 million tons, compared with \$14.1 million on sales of 2.1 million tons in the same period in 2011.

In 2012, third quarter results reflect an average net per-ton selling price, excluding transportation allowances, of more than \$96 per ton, more than 7% higher than in 2011. In the third quarter of 2012, the all-in total per-ton cost of production was 3% higher than 2011 at approximately \$84 per ton, which is below the middle of the cost guidance range previously provided. The 2012 per-ton cost of production increase was driven by spreading fixed costs over fewer tons. TECO Coal's effective income tax rate in the third quarter of 2012 was 26%, compared with 22% in the 2011 period.

TECO Coal recorded year-to-date net income of \$39.4 million on sales of 4.9 million tons in 2012, compared with \$38.1 million on sales of 6.2 million tons in the 2011 period. Lower sales volumes in the 2012 year-to-date period reflect the current coal market conditions. The 2012 year-to-date average net per-ton selling price was more than \$95 per ton, compared with almost \$87 per ton in 2011, and the all-in total per-ton cost of production was more than \$85 per ton compared with \$79 per ton in 2011. The 2012 year-to-date cost of production reflects higher surface mining costs due to increased diesel fuel usage as a result of

trucking coal and overburden further due to the lack of new surface-mine permits, spreading fixed costs over fewer tons, and costs incurred in the first quarter associated with idling a section of a mine. These factors were partially offset by reduced overtime and lower contract miner costs in 2012. TECO Coal's effective income tax rate was 25%, compared with 22% in the 2011 year-to-date period.

Parent & other

The cost for Parent & other in continuing operations in the third quarter of 2012 was \$7.7 million, compared with a cost of \$7.8 million in the same period in 2011. The year-to-date Parent & other cost in continuing operations was \$22.9 million in 2012, compared with \$25.0 million in the 2011 period. Results for the 2012 quarter and year-to-date periods reflect tax items and lower interest expense as a result of mid-year 2011 debt retirement.

The total cost for Parent & other for the third quarter of 2012 was \$11.3 million, compared with \$8.1 million for the 2011 period. The total cost for Parent & other for the 2012 year-to-date period was \$27.1 million, compared with \$25.5 million in the same period in 2011. Total cost for the 2012 quarter and year-to-date periods reflect transaction costs and tax items related to the TECO Guatemala transactions.

Discontinued Operations

On Sept. 27, 2012, TECO Energy announced that its international power subsidiary, TECO Guatemala, entered into agreements to sell all of the equity interests in the Alborada and San José power stations, and related solid fuel handling and port facilities in Guatemala, for a total purchase price of \$227.5 million in cash. The sale of the Alborada Power Station closed on the same date for a price of \$12.5 million. As previously reported, under a separate agreement, C.F. Financeco, Ltd. ("C.F. Financeco") held certain preferential rights to purchase ownership interests in the San José Power Station and related port facilities. On Oct. 17, 2012, C.F. Financeco exercised its preferential rights, and, as a result, on such date Guatemala Holdings II entered into an equity purchase agreement with C.F. Financeco pursuant to which it agreed to sell all of its ownership interests in the San José Power Station and related facilities for \$213.5 million, on the same terms as contained in the original agreement.

The third quarter and year-to-date 2012 losses in discontinued operations of \$46.2 million and \$32.8 million, respectively, reflect the results from operations for the generating plants in Guatemala, a \$31.2 million loss on assets sold and held for sale including transaction costs, and a \$22.6 million charge associated with foreign tax credits.

2013 Business Factors

The factors that are expected to drive results in 2013 include continued customer growth at the Florida utilities consistent with the trends experienced through the first nine months of 2012, driven by continued improvements in the state and Tampa-area economies. Tampa Electric has experienced steady growth in the number of new customers since the fourth quarter of 2009, and customer growth in 2012 has increased from 1.0% in the first quarter to 1.4% in the third quarter.

At Tampa Electric, total retail energy sales growth is expected to average about 0.5% lower than customer growth. Sales to the lower margin industrial-phosphate customers are expected to be lower in 2013 due to increased self-generation following outages of customers' generating equipment that increased sales to these customers in 2012. Peoples Gas expects to benefit from continued interest from customers utilizing petroleum and other fuel sources to convert to natural gas due to the attractive economics.

Tampa Electric has filed for the determination of need with the FPSC for the conversion of the four simple-cycle combustion turbines at the Polk Power Station to combined-cycle service (Docket number 120234-EI). Hearings are scheduled for December 2012 with a final decision scheduled for January 2013.

TECO Coal has 2.5 million tons of thermal coal contracted for 2013 at prices between \$75 and \$82 per ton. Total expected volume, selling price and cost of production for 2013 will be determined at the conclusion of

the metallurgical coal contracting cycle, which is currently under way but proceeding more slowly than in recent years. The general expectation in the current coal market environment is that average prices for metallurgical and PCI coal will be lower in 2013 than in 2012. TECO Coal will mine to profitably meet demand for its products, which may result in fewer total tons being mined in 2013 than in 2012.

Non-GAAP Presentation

Management believes it is helpful to present a non-GAAP measure of performance that reflects the ongoing operations of TECO Energy's businesses and that 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 non-GAAP measures as a yardstick for measuring the company's performance, for making decisions that are dependent upon the profitability of the company's various operating units, and for determining levels of incentive compensation.

The non-GAAP measures of financial performance used by the company are not measures 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 the company's financial performance or liquidity. TECO Energy's non-GAAP presentation of net income may not be comparable to similarly titled measures used by other companies.

The **Results Reconciliation** table below presents non-GAAP financial results after elimination of the effects of certain identified charges and gains. This provides investors additional information to assess the company's results and future earnings potential.

<u>Results Reconciliation</u> (millions)	3 months ended		9 months ended		12 months ended	
	Sept. 30		Sept. 30		Sept 30	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
GAAP net income attributable to TECO Energy	<u>\$44.0</u>	<u>\$90.2</u>	<u>\$167.6</u>	<u>\$219.4</u>	<u>\$220.8</u>	<u>\$276.1</u>
Add parent debt extinguishment cost	--	--	--	--	--	<u>13.2</u>
Total charges and gains	--	--	--	--	--	13.2
Add loss, or subtract net income from discontinued operations	<u>46.2</u>	<u>(4.1)</u>	<u>32.8</u>	<u>(15.9)</u>	<u>26.9</u>	<u>(41.2)</u>
Non-GAAP results from continuing operations	<u>\$90.2</u>	<u>\$86.1</u>	<u>\$200.4</u>	<u>\$203.5</u>	<u>\$247.7</u>	<u>\$248.1</u>

(1) 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.

Webcast

As previously announced, TECO Energy will host a webcast with the investment community to discuss its third-quarter results and preliminary 2013 business factors at 9:00 am Eastern time, Thursday, Nov. 1, 2012. The webcast will be accessible through the link on TECO Energy's website: www.tecoenergy.com. The webcast and accompanying slides will be available for replay for 30 days through the website, beginning approximately two hours after the conclusion of the live event.

TECO Energy, Inc. (NYSE: TE) is an energy-related holding company. Its principal subsidiary, Tampa Electric Company, is a regulated utility in Florida with both electric and gas divisions (Tampa Electric and Peoples

Gas System). Its other major subsidiary, TECO Coal, owns and operates coal production facilities in Kentucky and Virginia.

Note: This press release 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. The forecasted results are based on the company's current expectations and assumptions, and the company does not undertake to update that information or any other information contained in this press release, except as may be required by law. Factors that could impact actual results include: regulatory actions by federal, state or local authorities; unexpected capital needs or unanticipated reductions in cash flow that affect liquidity; the ability to access the capital and credit markets when required; the availability of adequate rail transportation capacity for the shipment of TECO Coal's production; general economic conditions affecting energy sales at the utility companies; economic conditions, both national and international, affecting the Florida economy and demand for TECO Coal 's production; costs for alternative fuels used for power generation affecting demand for TECO Coal's thermal coal production; weather variations and changes in customer energy usage patterns affecting sales and operating costs at Tampa Electric and Peoples Gas and the effect of extreme weather conditions or hurricanes; operating conditions; commodity prices; operating cost and environmental or safety regulations affecting the production levels and margins at TECO Coal; fuel cost recoveries and related cash at Tampa Electric and natural gas demand at Peoples Gas; material adverse changes impacting the ability to successfully close on the remaining TECO Guatemala sales transaction; the ability to complete the scheduled 2012 outage at the San José Power Station on time and on budget; and the ability of TECO Energy's subsidiaries to operate equipment without undue accidents, breakdowns or failures. Additional information is contained under "Risk Factors" in TECO Energy, Inc.'s Annual Report on Form 10-K for the period ended Dec. 31, 2011.

Summary Information (as of Sept. 30, 2012)

	Three Months		Nine Months		Twelve Months	
	Ended		Ended		Ended	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
(millions except per share amounts)						
Revenues	\$858.6	\$877.8	\$2,308.2	\$2,489.8	\$3,028.2	\$3,236.2
Net income from continuing operations	\$90.2	\$86.1	\$200.4	\$203.5	\$247.7	\$234.9
Net income from discontinued operations attributable to TECO Energy	<u>(46.2)</u>	<u>4.1</u>	<u>(32.8)</u>	<u>15.9</u>	<u>26.9</u>	<u>41.2</u>
Net income attributable to TECO Energy	<u>\$ 44.0</u>	<u>\$90.2</u>	<u>\$167.6</u>	<u>\$219.4</u>	<u>\$220.8</u>	<u>\$276.1</u>
Earnings per share from continuing operations- basic	\$ 0.42	\$0.40	\$ 0.93	\$0.95	\$1.15	\$1.10
Earnings per share from discontinued operations attributable to TECO Energy – basic	(0.22)	0.02	(0.15)	0.07	(0.12)	0.19
Total earnings per share attributable to TECO Energy – basic	<u>\$ 0.20</u>	<u>\$0.42</u>	<u>\$ 0.78</u>	<u>\$1.02</u>	<u>\$1.03</u>	<u>\$1.29</u>

Total earnings per share – diluted	\$0.20	\$0.42	\$0.78	\$1.02	\$1.03	\$1.28
Average common shares outstanding – basic	214.5	213.8	214.2	213.5	214.1	213.3
Average common shares outstanding – diluted						