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April 3, 2009

HAND DELIVERED

Ms. Ann Cole, Director
Division of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor; FPSC Docket No. 090001-EI

Dear Ms. Cole:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Annual Report of 2008 Risk Management Activities.

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

cc: All parties of record (w/enc.)

COM ____
ECR ____
GCL 2
OPC ____
RCP ____
SSC ____
SGA ____
ADM ____
CLK ____

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor	))))	DOCKET NO. 090001-EI FILED: APRIL 3, 2009

REDACTED

REDACTED

TAMPA ELECTRIC COMPANY'S

FUEL PROCUREMENT AND WHOLESALE POWER PURCHASES

RISK MANAGEMENT REPORT

2008

Annual Report
2008 Risk Management Activities

Tampa Electric's Risk Management Plan identified the following objectives:

- Qualitative Objectives
  Tampa Electric's primary goal in managing risk associated with fuel or power purchases focuses 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 mitigated without compromising supply reliability or imposing unreasonable costs on its customers, Tampa Electric is committed to executing strategies to accomplish its risk management goal.

- 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 creditworthy counterparties for known volumes and prices.

2008 Risk Management Activities
The company's activities in 2008 that supported the objectives listed above are described in the following section.

- Coal Purchases
  Tampa Electric maintains a portfolio of short-term (also called spot market), medium-term and long-term coal contracts with the goal of minimizing fuel costs and price risk while maintaining reliability of supply. The company procured all of its 2008 coal needs from suppliers with known, established pricing. Thus, the cost for the commodity was known. Tampa Electric continued to monitor deliveries and volume commitments in contracts as the pricing in the coal market changed. Tampa Electric takes advantage of favorable spot market pricing when the coal supply is needed. Coal was used to produce approximately 57 percent of the electricity the company generated in 2008.

- Coal Risk Management Activities
  Tampa Electric's long-established policy of using physical hedges within its portfolio of different term coal supply contracts continued to help protect ratepayers from coal price volatility.

➢ Natural Gas Purchases

In 2008, approximately 42 percent of the electricity Tampa Electric generated was produced using natural gas. Tampa Electric's risk management strategy continues to focus on supply reliability and price volatility reduction. The components critical to the success of the natural gas purchasing strategy are as follows:

- Execution of the natural gas hedge plan approved by the Risk Authorizing Committee
- Maintaining liquidity by contracting with numerous qualified counterparties
- Time horizon for natural gas hedging activity that allows the company to hedge natural gas prices into the future
- Maintaining a minimum hedge volume percentage by month into the future
- Purchasing additional physical natural gas storage capacity near Mobile Bay, Alabama
- Diversifying interstate pipeline receipt points
- Expanding access to additional interstate pipelines
- Maintaining databases and reports to monitor activity
- Close interaction and communication with personnel at the pipeline and with the groups responsible for natural gas-fired station dispatching to improve the operational interaction between gas supply and gas demand
- Maintaining separation of duties and installation of controls consistent with current industry practices

➢ Natural Gas Hedging Activities

Natural gas prices historically have been more volatile than coal prices. Natural gas prices are more volatile due to the surge in natural gas consumption created by natural gas fired power plants that increase and decrease generation to follow changes in demand. Additionally, hurricane activity and other weather-related production reductions or demand increases have a significant impact on the natural gas market. Therefore, Tampa Electric continued to use financial instruments to hedge the price of a portion of the natural gas burned in 2008 to reduce customers' exposure to the volatility of natural gas prices. Tampa Electric used floating price to fixed price swaps to hedge natural gas prices. The costs associated with these instruments are embedded in the price of the instruments and are included in the fuel commodity costs reported by the company. The hedges are described in the following table.

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Tampa Electric
Natural Gas Risk Management Activities

	Type of Hedge	Mark-to-Market Saving/(Loss)	Hedged Volume (MMBTU)	Consumption (MMBTU)	Percent Hedged	Projected Price	Hedge Price	Settle Price
Jan 2008	Swaps	$ (4,622,710)		4,952,279				$ 7.17
Feb 2008	Swaps	$ (2,695,930)		3,531,736				$ 8.00
Mar 2008	Swaps	$ 553,250		2,774,327				$ 8.93
Apr 2008	Swaps	$ 3,773,800		4,573,838				$ 9.58
May 2008	Swaps	$ 13,515,750		6,103,368				$11.28
Jun 2008	Swaps	$ 14,327,740		5,873,024				$11.92
Jul 2008	Swaps	$ 22,652,300		4,583,176				$13.11
Aug 2008	Swaps	$ 143,640		5,651,800				$ 9.22
Sep 2008	Swaps	$ (3,935,050)		5,864,216				$ 8.39
Oct 2008	Swaps	$ (7,883,100)		3,594,179				$ 7.47
Nov 2008	Swaps	$ (9,200,050)		3,791,151				$ 6.47
Dec 2008	Swaps	$ (8,482,265)		4,704,138				$ 6.89
Total		$ 18,147,375		55,997,232				

Consistent with Tampa Electric's non-speculative risk management plan objective, Tampa Electric's natural gas hedging plan provided price stability and certainty during 2008. The net gain is a combination of large gains during the summer offset by losses during the mild winter at the beginning of 2008 and losses due to low prices during the economic downturn at the end of 2008. The gains during the summer were the result of a dramatic rise in the price of all energy commodities, including natural gas. The losses at the beginning of 2008 were driven primarily by the mild winter of 2007/2008 that allowed natural gas prices to decrease. The losses at the end of 2008 were due to the severe and abrupt economic downturn that reduced demand for natural gas; as a result, the price of natural gas dropped dramatically during the third and fourth quarters of 2008.

To enhance its physical reliability of gas supply, Tampa Electric has increased its natural gas storage capabilities since summer 2005, and in 2008, the company maintained this storage capacity at 225,000 MMBtu. The storage provides Tampa Electric with improved access to "intraday" natural gas when an operational need arises, provides improved hurricane coverage, and can be used to cost-effectively manage swings in gas supply needs during extreme weather conditions, weekends and holidays.

Tampa Electric also continues to improve its physical access to natural gas supply by diversifying its receipt points along the Gulf Coast and other areas when opportunities arise.

In summary, physical and financial hedging activities for coal and natural gas resulted in a net gain of $18.1 million in 2008; and, Tampa Electric was successful in reducing price uncertainty and maintaining fuel supply reliability for customers.

2008 Market Pricing

Tampa Electric provides a comparison of 2008 fuel prices to the market price for the respective commodity in the following section.

- Coal

  Coal is a commodity with a great range of potential quality characteristics. Market indexes provide a guide to current market pricing but are not specific enough to accurately demonstrate the market price of a particular coal. Market prices for coal are most accurately determined by competitive bid solicitations that specify the required coal quality or characteristics. With the exception of emergency purchases for reliability reasons and spot market purchases to take advantage of favorable pricing, Tampa Electric purchases coal at prices determined by competitive bid solicitations; therefore, the company's purchases are at market. A comparison of coal contract prices for 2008 to the average acceptable bid price or index price is provided in the following table. Unless otherwise stated, the prices represent the market at the time each contract was entered into and are not representative of today's market. Any comparison to current market prices overlooks the market conditions that existed at the time the coal was procured.

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Tampa Electric
Coal Contract to Market Indicator Price Comparisons

Supplier (Mine)	Contract ($ / MMBtu)	Market Indicator ($ / MMBtu)	Difference	Market Indicator Source	Note
Alliance Coal (Pattiki)		2.42		Bid Solicitation	1
American Energy Corporation		4.81		*Coal Daily* index, August 1, 2008	2
Arch Coal Company		4.05		Telephone Bid Solicitation	1
City of Lakeland		5.74		*Coal Daily* index, April 18, 2008	2
Coal Sales (Peabody) Gateway		2.32		Bid Solicitation	1
Coal Sales (Peabody) Arclar		1.94		Bid Solicitation	1
Dodge Hill (No.1 mine)		2.42		Bid Solicitation	1
Dodge Hill (No.1 mine)		3.42		Bid Solicitation	1
Dodge Hill (No.1 mine)		4.42		Bid Solicitation	1
Emerald International (various)		5.22		*Coal Daily* index, June 20, 2008	2
Emerald International (various)		4.79		*Coal Daily* index, February 29, 2008	2
Emerald International (various)		5.38		*Coal Daily* index, August 1, 2008	2
Knight Hawk Coal, LLC (Creek Paum)		2.42		Bid Solicitation	1
Knight Hawk Coal, LLC (Creek Paum)		2.47		Bid Solicitation	1
Oxbow Carbon Minerals, LLC		3.14		Bid Solicitation	1
Oxbow Mining, LLC		3.71		Bid Solicitation	1
Phoenix Coal Corporation		2.48		Bid Solicitation	1
Phoenix Coal Corporation		2.47		Bid Solicitation	1
SMCC Inc.		2.48		Bid Solicitation	1
SMCC Inc.		2.47		Bid Solicitation	1
Williamson Energy, LLC		2.47		Bid Solicitation	1

Notes:
The contract $/MMBTU refers to the initial price of the contract at its inception. This price could be subject to escalation per the terms of the contract. All prices are determined on a fully delivered basis. Index values have also been calculated on a delivered basis for comparison purposes.

1. The bid solicitation price is the average price submitted of all acceptable coal bids.
2. *Coal Daily*, Physical Market Assessments.

- Natural Gas

  Tampa Electric purchases natural gas at prices that are set by published indexes that reflect the market price. Most of the monthly baseload gas is purchased at a price relative to the New York Mercantile Exchange ("NYMEX") natural gas futures last day settlement price. Tampa Electric purchases additional baseload gas at monthly index prices published in *Inside FERC, Gas Market Report*. Tampa Electric uses the indexes representing market prices for natural gas on the Gulf Coast that can be transported to Tampa Electric's service area: Henry Hub, Mobile Bay, or Florida Gas Transmission ("FGT") Zone 1, Zone 2 or Zone 3. For daily and short-term natural gas, Tampa Electric typically purchases natural gas based on the FGT index price published in *Gas Daily*. In rare instances,

Tampa Electric also purchases small volumes of spot natural gas needed for short durations at fixed prices.

Since the price of natural gas Tampa Electric purchases is based upon a published market index, the company's natural gas purchases are at market.

- No. 2 Oil
  Tampa Electric purchases No. 2 oil for combustion turbines at Polk Station and for Big Bend Station startup. The purchase price is based upon the daily index price published in Platt's *Oilgram* for Gulf Coast Waterborne spot purchases of low sulfur No. 2 oil. Since the price is determined by the published market index, the price paid by Tampa Electric is at market.

- No. 6 Oil
  Tampa Electric purchases No. 6 oil for Phillips Station. The purchase price is based upon the daily index price published in Platt's *Oilgram* for Gulf Coast Waterborne spot purchases of one percent and three percent No. 6 oil. Since the price is determined by the published market index, the price paid by Tampa Electric is at market.

- Propane
  Tampa Electric purchases propane for Polk Unit No. 1. The purchase price is based upon the average of daily index prices published by Oil Price Information Service at Mont Belvieu, the primary propane hub for the southern United States. Since the price is determined by the published market index, the price paid by Tampa Electric is at market.