

TECO ENERGY, INC.

CORPORATE GOVERNANCE GUIDELINES

Role of the Board

The Board of Directors is elected by the shareholders to oversee the management and operation of the business. The Board in turn selects the senior management, provides guidance and advice to management, and ultimately monitors management's performance. More specifically, the Board, among other things, reviews with management and approves business and financial strategies and other major corporate actions, and assesses the major risks facing the Company and monitors the management of those risks. The Board believes that it is imperative that all aspects of the Company's business are carried out with integrity and in compliance with applicable laws, rules and regulations, and the Board shall act to ensure that adequate processes are in place to provide for full, timely, and accurate disclosure of all material matters.

Director Qualifications

The Governance and Nominating Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board and considers candidates to fill new positions created by expansion and vacancies that occur by resignation, by retirement, or for any other reasons. Candidates are selected for their character and professional ethics, judgment, business and financial experience, expertise and acumen, familiarity with issues affecting business, and other relevant criteria, including the diversity, age, skills and experience of the Board as a whole. Final approval of a candidate is determined by the full Board.

The Board shall be comprised of a majority of directors who qualify as independent directors under the listing standards of the New York Stock Exchange and applicable law ("Independent Directors"). There shall be no more than three management directors on the Board at any one time. The Board shall review at least annually the relationships, if any, that each director has with the Company, and only those directors who the Board affirmatively determines have no relationship with the Company that would impair their independent judgment will be considered Independent Directors. The Board has established the following guidelines to assist in making that determination:

1. A director shall not be independent if, within the preceding three years: (i) the director was employed by the Company; (ii) an immediate family member of the director was employed by the Company as an executive officer; (iii) the director or an immediate family member of the director received more than \$120,000 in direct compensation from the Company, other than director fees,

pension, or other deferred compensation for prior service in any 12-month period; or (iv) a Company executive officer was on the compensation committee of a company which during that same time period employed the director, or which employed an immediate family member of the director, as an executive officer.

2. A director shall not be independent if (i) the director is a current employee or partner of the Company's independent or internal auditor; (ii) an immediate family member of the director is a current partner of the Company's independent or internal auditor, or is a current employee who personally works on the Company's audit; or (iii) the director or an immediate family member was a partner or an employee of the independent auditor and personally worked on the Company's audit within the last three years.
3. The following business or charitable relationships, based on the last completed fiscal year, shall not be considered to be material relationships that would impair a director's independence: (i) if a director is an employee, or if the immediate family member of the director is an executive officer, of another company that does business with the Company and the annual sales to, or purchases from, the Company are less than the greater of \$1 million or one percent of the consolidated annual gross revenues of the company for which he or she serves as an executive officer or employee; (ii) if a director is an executive officer of another company which is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other is less than one percent of the total consolidated assets of the company for which he or she serves as an executive officer; and (iii) if a director is an executive officer, director or trustee of a charitable organization, and the Company's discretionary charitable contributions to the organization are less than the greater of \$1 million or one percent of that organization's total annual charitable receipts. Item (iii) above recognizes the Board's view that its members should not avoid volunteering as directors or trustees of charitable organizations and that the Company should not cease ordinary course contributions to organizations for which a director has volunteered.
4. For relationships the character of which are not included in the categories in paragraphs 1-3 above, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who satisfy the independence guidelines set forth in paragraphs 1-3 above.
5. The Board shall annually determine whether directors meet these categorical independence tests and this determination shall be made public annually. The Company shall make appropriate disclosure of the basis for any Board determination that a relationship was immaterial despite the fact that it did not meet the categorical standards of immateriality in paragraph 3 above.

Directors must be willing to devote the time and effort necessary to properly discharge their responsibilities. No director may serve (i) on the board of directors of more than 2 other public companies, or 3 other public companies if the director is not employed on a full-time basis, or (ii) on the audit committee of more than 2 other public companies, unless in either case the Board determines that doing so would not impair the director's ability to serve on the Company's Board. Directors are expected to advise the Chairman of the Board and the Chairman of the Governance and Nominating Committee prior to accepting an invitation to serve on the board or audit committee of another public company. It is the sense of the Board that directors should offer their resignation in the event of any significant change in their personal circumstances, including retirement or a change in their principal job responsibilities. We do not believe that in every instance the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board, but there should be an opportunity for the Governance and Nominating Committee to review the circumstances and make a recommendation to the Board.

The Board does not believe that term limits on directors' service are appropriate, but shall consider from time to time whether the institution of term limits is in the Company's best interest, and if so, set such term limits. Consideration shall be given to a director's past attendance and participation in Board and committee meetings when deciding whether a director should be re-elected. The Board believes that 75 is an appropriate age for a director to not stand for election or re-election to the Board.

Director Resignation Policy

The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Board shall nominate for election or re-election as director only candidates who agree to tender irrevocable resignations that will be effective upon (i) the failure to receive the required vote at the next annual meeting at which they face re-election and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other directors in accordance with this Board practice. If an incumbent director fails to receive the required vote for re-election, the Governance and Nominating Committee will act on an expedited basis to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation, except that: (a) if every member of the Governance and Nominating Committee is an unsuccessful incumbent, the Independent Directors who are not unsuccessful incumbents shall name a committee comprised of some or all of the Independent Directors to make recommendations under this paragraph to the Board; and (b) if the number of Independent Directors who are not unsuccessful incumbents is three or fewer, all Directors may participate in the decisions under this paragraph. The Governance and Nominating Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation. The

Board shall publicly disclose its decision regarding the resignation within 90 days after the results of the election are certified.

Director Responsibilities

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company. Directors are expected to attend Board meetings and meetings of all Board committees on which they serve, and to spend the time needed and meet as frequently and for as long as necessary to properly discharge their duties. Information and data that is important to the Board's understanding of the business to be discussed at meetings shall be distributed as much in advance as practicable and is expected to be reviewed by directors prior to the meeting.

The Board has no mandatory policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes that this is part of the succession planning process and is best addressed by the Board when it elects a new Chief Executive Officer.

The Board has at least four regularly scheduled meetings per year, and special meetings are called from time to time as required by the needs of the business. The Chairman establishes the agenda for each meeting. Each Board member may request that an item be included on the agenda and raise at any Board meeting subjects that are not on the agenda for that meeting.

Meetings of the non-management directors without management present are held at least quarterly, and meetings of the Independent Directors are held at least annually (collectively, "Executive Sessions"). A presiding director (the "Presiding Director"), who is elected by the Independent Directors, chairs each Executive Session of the non-management directors and Independent Directors and presides at Board meetings at which the Chairman is not present. The Presiding Director establishes the agenda and scheduling of Executive Sessions, approves meeting agendas and information sent to the Board for regularly scheduled meetings, and is available to discuss concerns of any Board member or senior executive and to supplement the direct lines of communication between the Chairman and the Independent Directors by serving as a liaison, as necessary.

The Board believes that management should speak for the Company. This policy does not preclude non-management directors from meeting, from time to time, with shareholders or other constituencies that are involved with the Company, but we expect that any such meeting would be held with the knowledge of management and, absent unusual circumstances or as contemplated by the Committee charters, only at the request of management. Directors receiving inquiries from institutional investors, the press or others are requested to refer them to the CEO or other appropriate officer of the Company.

The Board believes that directors should be shareholders and have a significant financial stake in the Company. Non-management directors have a stock ownership

guideline of five times their annual retainer, which requires that they retain a minimum of 50% of the shares acquired upon vesting of restricted stock awards or exercise of stock options until this level of ownership is met.

Board Committees

The standing committees of the Board currently are the Audit Committee, Compensation Committee, Finance Committee, and Governance and Nominating Committee. Special committees of the Board may be formed as needed. The members of the Audit, Compensation, and Governance and Nominating Committees shall be Independent Directors. The Board, upon recommendation of the Governance and Nominating Committee, appoints the members and chairs of all committees. We contemplate changes to the membership of the committees periodically, ideally on a staggered basis to foster diverse views while at the same time ensuring continuity, but do not believe that mandatory rotation is in the best interests of the Company.

Each standing committee shall have its own charter setting forth, among other things, the purposes, membership criteria, and key responsibilities of the committee, as determined by the Board from time to time, and providing for an annual evaluation of its performance. The committee charters shall be published on the Company's website at www.tecoenergy.com.

The chairman of each committee, in consultation with the committee members, determines the timing of the committee meetings, consistent with any requirements set forth in the committee's charter. The meeting schedule for each committee is provided to all directors, and any non-committee members interested in attending a meeting are requested to contact the chairman of the committee prior to the time that the agenda and meeting materials are distributed. The chairman of each committee, in consultation with appropriate committee members and management, develops the agenda for committee meetings. Each Board member may also recommend agenda items for any committee meeting. Sufficient time shall be allowed at the meetings to consider all agenda items, and the materials related to the agenda items shall be provided to the committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting.

Board Access to Officers, Employees and Independent Advisors

Board members are granted complete access to the Company's management, subject to reasonable advance notice to the Company and reasonable efforts to avoid disruption to management, business and operations.

The Board and each committee shall have access to any independent legal, financial or other advisors, as they may deem necessary in their sole discretion.

Director Compensation

The Governance and Nominating Committee is responsible for recommending the policy for Board compensation. The Compensation Committee is responsible for conducting a competitive assessment and recommending to the Board a specific compensation program that complies with the policy recommended by the Governance and Nominating Committee and that is not at such a level as to jeopardize the independent judgment of the directors. The form and amount of director compensation is then determined by the Board. It is the Company's policy that a significant portion of the directors' compensation be equity-based and that no retirement plan be provided to the directors by the Company.

Director Orientation and Continuing Education

Management is responsible for providing an orientation program for new directors which includes providing information designed to familiarize new directors with the Company's business and general industry, its strategic plans, its significant financial, accounting, and risk management issues, its compliance programs, its code of business conduct and ethics, its principal officers, its internal and independent auditors, and its key policies and practices. This orientation is designed to be conducted within a reasonable period of time after the meeting at which new directors are elected. In addition to the orientation program, management also periodically provides materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. Directors are also encouraged to attend appropriate sessions or programs, and review materials, relating to the responsibilities of directors of publicly-traded companies.

CEO Evaluation and Management Succession

The Compensation Committee, or the Board upon the recommendation of the Compensation Committee as set forth in the Compensation Committee's Charter, shall:

1. Annually approve the goals and objectives for compensating the Chief Executive Officer;
2. Evaluate the Chief Executive Officer's performance in light of these goals before setting his or her salary, bonus and other incentive and equity compensation;
3. Annually approve the compensation structure for the Company's officers; and
4. Evaluate the performance of the Company's executive officers before approving their salary, bonus, and other incentive compensation.

The Board plans for succession to the position of Chief Executive Officer as well as other senior management positions on an annual basis. To assist the Board, the Chief

Executive Officer, at a frequency established by the Board but at least biennially, provides the Governance and Nominating Committee with an assessment of senior managers and of their potential to succeed him or her and information on persons considered potential successors to senior management positions. These assessments are then reviewed by the Board to ensure it has in effect policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.

Annual Performance Evaluation

The Board of Directors shall conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The full Board shall discuss the results to determine what, if any, action could improve the Board's performance as a whole. The Governance and Nominating Committee shall consider the results of the evaluation in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board. The Governance and Nominating Committee shall review these Corporate Governance Guidelines at least annually and recommend any changes to the Board.

Reporting of Concerns to Independent Directors or Audit Committee

Anyone who has a concern about the Company's practices or conduct, or about its accounting, internal accounting controls, or auditing matters, may communicate that concern to any one of the Independent Directors or to the Audit Committee anonymously and confidentially by writing or e-mailing to special addresses published on the Investors page of the Company's website at www.tecoenergy.com. The Company and its officers, directors, employees, contractors, subcontractors, and agents are prohibited from retaliating or taking any adverse action against an employee of the Company for raising or helping to resolve any such concerns.

Ethics Policy

The directors, as well as all officers and employees, shall each acknowledge biennially their compliance with the Company's Code of Ethics and Business Conduct. Any waiver of the policy for a director or executive officer may only be granted by the full Board. The director or executive officer requesting the waiver shall be excluded from all meetings and votes on the matter. A copy of the *Code of Ethics and Business Conduct* is posted on the Company's website at www.tecoenergy.com.

Incentive Compensation Recovery Policy

It is the Board of Directors' policy that the Company shall, to the extent permitted by governing law, require reimbursement of a portion of any incentive award paid to any officer under the Company's Annual Incentive Compensation Plan where: a) the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement, and b) a lower payment would have been made to the officer based upon the restated financial results. In each such instance, the Company shall, to the

extent practicable, seek to recover the amount by which the individual officer's incentive award for the relevant period exceeded the lower payment that would have been made based on the restated financial results; provided that the Company shall not seek to recover incentive awards paid more than three years prior to the date the applicable restatement is disclosed, except in the event the restatement was caused by the officer's fraud or misconduct, in which case no time limit shall apply.

In addition, if an officer engaged in an act of embezzlement, fraud, or breach of fiduciary duty that contributed to the obligation for the Company to restate its financial statements, the officer shall be required to repay proceeds from the sale of shares issued upon exercise of a stock option, or vesting of restricted stock, occurring during the 12-month period following the first public issuance or filing with the SEC of the financial statements required to be restated, in an amount determined appropriate by the Compensation Committee to reflect the effect of the restatement on the Company's financial statements. These remedies would be in addition to other actions the Board may take, including dismissal, authorizing legal action, or other action to enforce the officer's obligations to the Company as it may deem appropriate.