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TECO Energy, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Greg Gordon of Citi Investments.

Greg Gordon – Citi Investments

Thanks. Good morning, gentlemen.

Gordon Gillette

Good morning.

Greg Gordon – Citi Investments

First question is, looking at the guidance – the last time you gave guidance on the percentage of your coal that was hedged and what the average price is versus the percentage of your coal now hedged and the average price. The math is a little bit confusing as the hedging went up, but the price went down a lot. Algebraically that seems to infer a pretty low price on the marginal tons hedged. Could you – is there a way that you can sort of walk me through how the hedging profile changed?

John Ramil

Yes. Greg, this is John Ramil. I think last time we talked we were about 88% contracted and about \$77 a ton price on that. We picked up a little bit more, but we've also given the conditions have done a little bit of renegotiations with some of our tentative sales and swapped out a little bit of price for some better conditions for us on the other side.

Greg Gordon – Citi Investments

And so you contracted more volumes than agreed to lower the weighted average price of the contract?

John Ramil

In total, yes, that's what's happened.

Greg Gordon – Citi Investments

Great. Thank you. Second question is, in Guatemala you've given pretty good disclosure on what you are looking at here vis-à-vis the worst case scenario on lost earnings from the tariff issue. You

have also given – there was I guess a non-recurring item that was worth about \$3 million. You have disclosed that. And you have talked qualitatively about just opportunity costs associated with spot sales. Can you give us a sense of what sort of average net income or gross margin has been from spot sales in prior year so we can get a sense of sort of what the min/max is of what you might be at risk there at the coal plant?

Gordon Gillette

Sure. In the past, Greg – this is Gordon – we have been selling our 8 megawatts that we have the capacity to generate over and above our 120-megawatt PPA at about an 85% capacity factor. And we've seen spot prices in Guatemala that have raised as high as \$140 per megawatt hour in Guatemala and averaged for 2008 in the \$110 to \$120 per megawatt hour range. This year, as we look to 2009, it's going to be interesting to see the dynamics between coal on the margin and oil. There are a lot of bunker fire or residual oil fire diesel units with pretty good heat rates that now have fairly low oil prices. And so the level of spot sales that we are going to be able to make I think is questionable. And I think it's even possible that we make very little of any spot sales this year. So that should give you some parameters to work with on.

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