February 12, 2004

Dear Fellow Shareholders,

TECO Energy this month announced its most significant step to return the company to its business and financial performance roots. We decided as of December 31, 2003, the end of our fiscal year, to write off the company's equity in our two largest independent power plants, Union and Gila River, a total after-tax write-off of up to $780 million. At this time, we are moving forward to sell the projects, either to the project lending banks or to a third party.

The decision to invest in independent power

Our decision to invest in these plants was made more than three years ago based on the outlook for energy markets at that time. Many states were opening their markets to wholesale or retail electric competition, electric demand was growing with the economy, and we saw opportunities to earn attractive long-term returns on our investments.

In fact, federal regulators in the mid-1990s laid out a comprehensive vision to make the transmission of electricity available equally to all competitors. In addition, the aggressive environmental policy in place at that time, directed predominantly at older power stations, would have accelerated the retirement of numerous plants across the country.

The business model embraced by numerous companies like TECO Energy, and promoted almost unanimously by Wall Street, is today in limbo. The national, one-size-fits-all model of wholesale competition has been put on hold. Regulatory uncertainty continues to exist in the nation's environmental policy. Quite simply, the business and regulatory circumstances in which these investments were made no longer exist.

Our refocus on company basics

Our choice to step away from this chaos is a difficult but necessary milestone toward our refocus on our core utility businesses and a return to a financial performance profile our long-term investors seek. Like many others in our industry, we are parting with good assets – highly efficient, environmentally friendly facilities that will perform well for their future owners. Their viability should improve as the wholesale markets recover, but continued ownership is not consistent with our refocus toward more predictable earnings and cash flow.

With this action, we move forward. Our Florida energy market continues to grow and thrive, and in that market we've renewed our emphasis on our regulated utilities, a business model that provides more sustainable growth with risks that we have successfully managed for a long time.

As we work toward our "back to basics" business strategy and exit the Union and Gila River facilities, we expect 2004 to be a year of transition. Effective January 1, 2004, these plants are categorized as discontinued operations for accounting purposes. As a result, our reporting of continued operations will provide our investors a transparent view of the core businesses' performance.

Over time, we expect that through financial discipline and good fundamental operations we will be able to return the company to its utility roots and to a position of financial strength, restoring confidence and value for you, our shareholders.

Thank you for your investment in TECO Energy.

Sincerely,

Robert D. Fagan

Robert D. Fagan
Chairman of the Board, President and Chief Executive Officer

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