SUMMARY INFORMATION *for Investors*

May 2004

LIFE RUNS ON ENERGY[SM]

TECO ENERGY

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Investment Considerations

The information which follows contains forward-looking statements, which are subject to the inherent uncertainties in predicting future results and conditions. These forward-looking statements include references to TECO Energy's anticipated capital investments, financing requirements, future transactions and other plans. Certain factors that could cause actual results to differ materially from those projected in these forward-looking statements include the following: energy price changes affecting the merchant plants at TECO Wholesale Generation, Inc. (formerly known as TECO Power Services) (TWG); TECO Energy's ability to complete the transfer of the ownership of the Union and Gila River power plants to the lending banks as described below or otherwise insulate itself from the adverse financial impact of those plants; TWG's ability to sell the output of its remaining merchant plants in the spot markets or to obtain power contracts to reduce earnings volatility; any unanticipated need for additional debt or equity capital that might result from lower than expected cash flow or higher than projected capital requirements; and TECO Coal's ability to successfully complete the sale of its synthetic fuel production facilities and to successfully operate its synthetic fuel production facilities in a manner qualifying for Section 29 federal tax credits which could be impacted by changes in law, regulation or administration. Other factors include: general economic conditions, particularly those in Tampa Electric's service area affecting energy sales; weather variations affecting energy sales and operating costs; regulatory actions affecting Tampa Electric, Peoples Gas System or TWG; commodity price changes affecting the competitive positions of Tampa Electric and Peoples Gas System, as well as the margins at TECO Coal; changes in and compliance with environmental regulations that may impose additional costs or curtail some activities; TWG's ability to successfully operate its projects; the ability of TECO Energy's subsidiaries to operate equipment without undue accidents, breakdowns or failures; and, interest rates, credit ratings and other factors that could impact TECO Energy's ability to obtain access to sufficient capital on satisfactory terms. Some of these factors and others are discussed more fully in the "Investment Considerations" section under Tab VIII. Any forward-looking statement speaks only as of the date on which it was made, and the company undertakes no obligation to update any forward-looking statement to reflect subsequent developments or circumstances other than as may be required by law.

Summary Information

SECTION I

LIFE RUNS ON ENERGY[SM]

TECO ENERGY

2003 Highlights

- Strategic shift
    * Refocus on the regulated Florida utilities
    * Cease unregulated power development
- Sold a 49 percent interest in TECO Coal's synfuel production facilities
- Sold Hardee Power Partners for $100 million of net proceeds and the assumption of all outstanding project-related debt
- Tampa Electric's 752 MW Bayside Power Station Unit 1 became commercial April 2003
- TECO Wholesale Generation's Union and Gila River power stations entered commercial service
- Completed corporate reorganization to focus on utility operations
- Built and maintained a strong liquidity position, with $700 million of cash and unused bank capacity available at year-end

Year-to-Date 2004 Highlights

- Tampa Electric's 1,022 MW Bayside Power Station Unit 2 became commercial January 2004
- TECO Coal entered into an exclusive non-binding memorandum of understanding to sell an additional 40 percent interest in its synthetic fuel production facilities subject to negotiation of a final purchase and sale agreement and customary final due diligence

Capital Investments

	Actual 2003	Forecast (millions) 2004	2005	2006-2008	Total 2004-2008
Florida Operations	337	224	255	916	1,395
Independent Power	276	14	25	75	114
Transportation	20	20	20	60	100
Other	21	21	19	53	93
Total	$654	$ 279	$ 319	$ 1,104	$ 1,702

- For 2004, Tampa Electric's electric division expects to spend $183 million, consisting of $9 million for the completion of the repowering project at the Bayside Station and $174 million to support system growth and generation reliability.

- Capital expenditures for Peoples Gas System are expected to be about $40 million in 2004. Total capital expenditures for PGS during the 2005-2008 period are projected to be $160 million. Included in this amount is approximately $25 million annually for projects associated with customer growth and system expansion. The remainder represents capital expenditures for ongoing renewal, replacement and system safety.

- TWG expects to invest $14 million in 2004 for capitalized maintenance, and $100 million in the 2005-2008 period for the completion of the Dell and McAdams power stations only if market conditions justify the expenditures.

- The transportation and other unregulated companies expect to invest $41 million in 2004 and $155 million during the 2005-2008 period. Included in these amounts is normal renewal and replacement capital, including coal mining equipment and river barge replacements.

- Tampa Electric's total capital expenditures over the 2005-2008 period are projected to be $1,006 million, including $221 million for compliance with the Environmental Consent Decree. The environmental compliance expenditures are eligible for recovery of depreciation and a return on investment through the Environmental Cost Recovery Clause.

Credit Rating/Senior Unsecured Debt

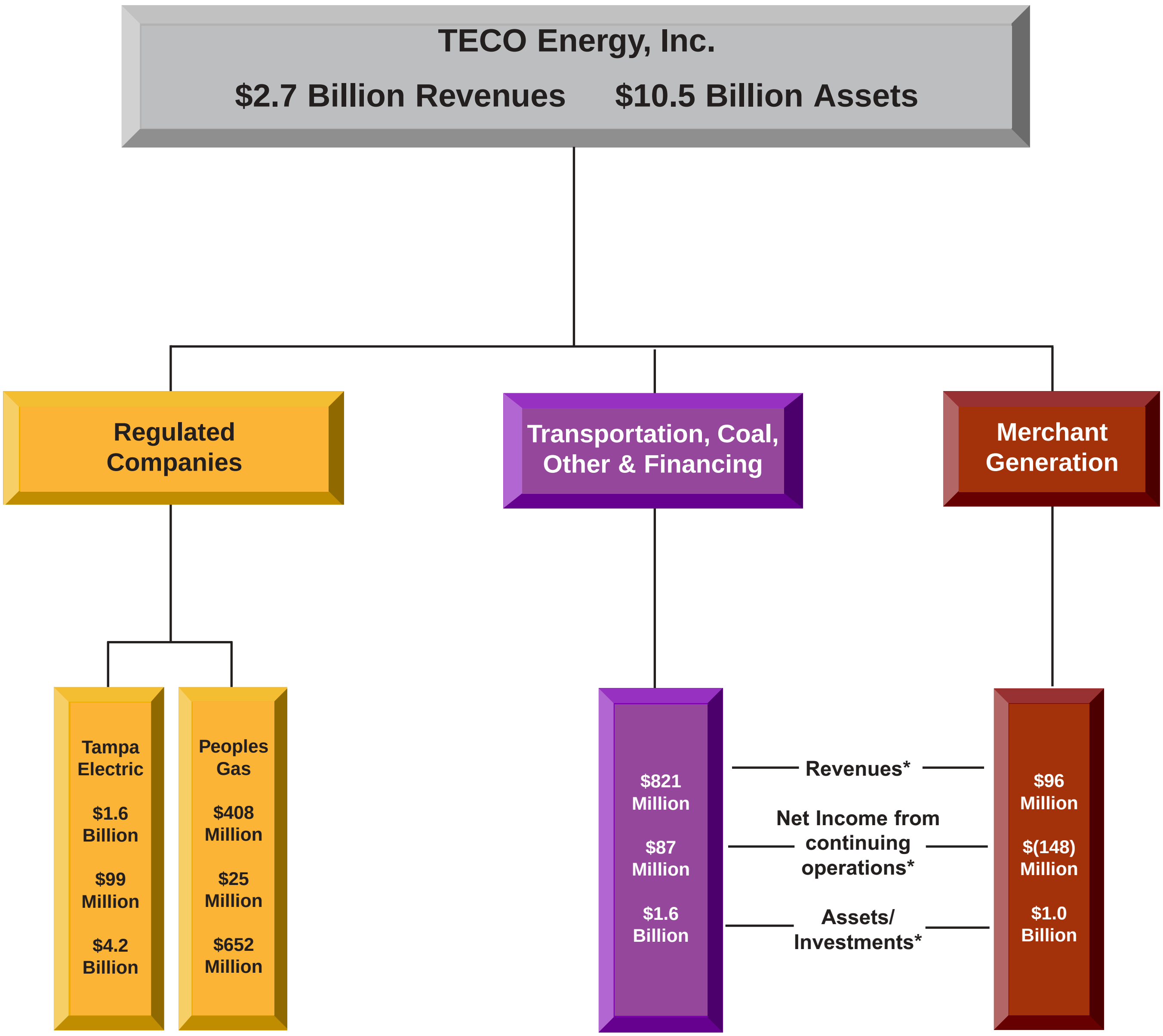
(As of Feb. 10, 2004)	*Fitch*	*Moody's*	*Standard & Poor's*
Tampa Electric	BBB+	Baa2	BBB-
TECO Finance / TECO Energy	BB+	Ba2	BB+
Outlook	Negative	Negative	Negative

In February 2004, Moody's lowered the ratings on TECO Energy's senior unsecured debt securities, and those of TECO Finance and Tampa Electric. The ratings assigned to TECO Energy and TECO Finance were below investment grade, while the rating assigned to Tampa Electric remained investment grade. These ratings changes followed actions taken by Moody's, S&P and Fitch in April and May 2003. The outlook assigned by all of the rating agencies to both TECO Energy and Tampa Electric is negative. The ratings actions were attributed to increased debt levels and the changing risk profile associated with the expansion of TECO Energy's investment in merchant generation facilities through TWG, as well as the required capital outlays of Tampa Electric, the outlook for low power prices in the merchant energy sector and the resulting impacts on earnings and cash flow, and the additional risks and obligations undertaken by TECO Energy with respect to the Union and Gila River power stations. These downgrades followed downgrades in 2002 and 2001 by all of the rating agencies due to the changing risk profile of TECO Energy related to the increased emphasis on merchant power.

In February 2004, S&P stated that the announcement to exit the Union and Gila River projects was favorable for credit quality but took no ratings action and maintained its negative outlook.

Any downgrades in credit ratings may affect TECO Energy's ability to borrow and may increase financing costs, which may decrease earnings. TECO Energy's interest expense is likely to increase when maturing debt is replaced with new debt with higher interest rates due to the lower credit ratings. (See Investment Consideration section under TAB VIII).

2003 FINANCIAL SUMMARY



* Unconsolidated

Environmental Highlights

TECO Energy companies are committed to protecting the environment, as evidenced by a wide variety of projects and affiliations. (See TAB VII Appendix for additional information).

Tampa Electric

- By 2010 Tampa Electric's recent and future initiatives are projected to result in the reduction of SO2, NOx, and PM emissions by 89 percent, 90 percent, and 70 percent, respectively, below 1998 levels. With these improvements in place, Tampa Electric's facilities will meet the same standards required of new power generating facilities and help to significantly enhance the quality of the air in the community.

Tampa Electric has engaged in numerous other activities and projects to protect the environment:

- Stewardship programs to protect and restore important environmental sites
- Recapture of coal combustion products for use in manufacturing processes
- Recycling programs
- Green Energy and Energy Conservation programs

Peoples Gas System

- Peoples Gas offers energy conservation rebates to both residential and commercial customers as incentives to increase the conservation of energy resources with the installation of new energy efficient natural gas appliances.

Environmental Highlights – continued

TECO Transport and TECO Coal

- The transportation and Coal companies are engaged in various community programs of environmental stewardship.

- TECO Coal is testing innovative reclamation methods.

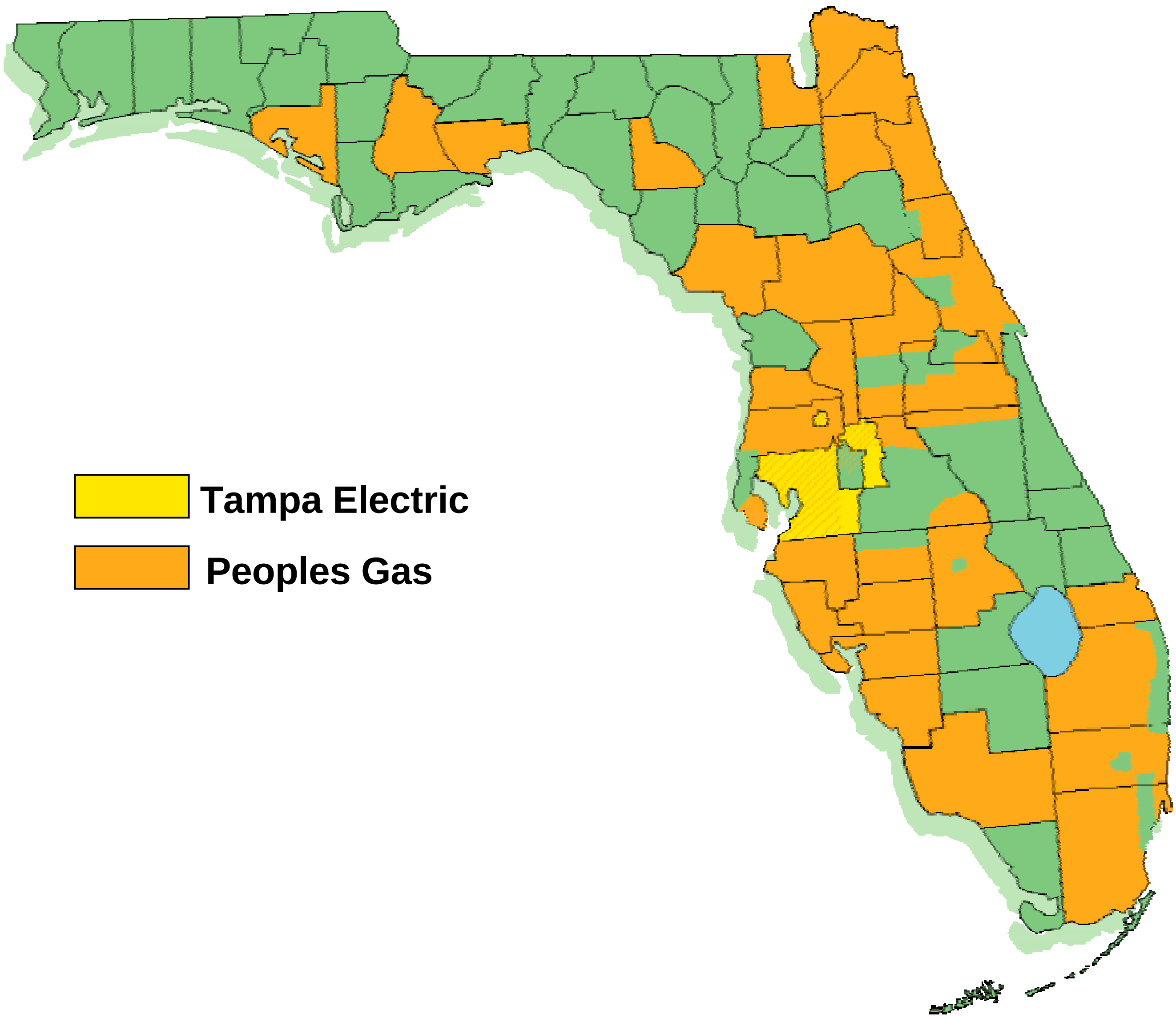
Unregulated Power Generation

- Project designs incorporate state-of-the-art emission control technologies, including low nitrogen oxide (NO_X) combustion technologies to control emissions of NO_X and carbon monoxide (CO) while firing on natural gas or fuel oil.

SECTION II

LIFE RUNS ON ENERGY℠ TECO ENERGY

Florida Operations



Tampa Electric Company, incorporated in 1899, is TECO Energy's principal subsidiary. Tampa Electric, the electric division, now serves over 612,000 customers in its 2,000-square-mile West Central Florida service territory, including Hillsborough County and parts of Pasco, Pinellas and Polk counties.

Strengths

- One of the best energy markets in the United States
- Stable regulatory environment with history of balanced regulation benefiting both customers and the company
- Strong local employment and new business growth
- Forecast strong energy sales growth of approximately 3% annually over the next five years
- Favorable customer mix – 84% of base revenues from residential and commercial
- Competitive generation
- The consolidation of certain functions among business units resulted in personnel reductions of approximately 7 percent in 2002, and an additional 5 percent personnel reduction in 2003

Electric operations

Installed Capacity

Tampa Electric has five electric generating plants and four combustion turbine units in service with a total net winter generating capability of 3,256 megawatts. These plants, the fuel they use and their capabilities are:

Plant	*Fuel*	*MW (at 12/31/03)*
Big Bend	Coal	1,759
Bayside 1	Natural gas	752
Polk Unit 1	Coal / gasification	260
Polk Unit 2	Natural gas / Oil	180
Polk Unit 3	Natural gas / Oil	180
Phillips	Diesel or #2 oil	34
Big Bend peaking units	Diesel or #2 oil	85
City of Tampa	Natural gas or #2 oil	6
System total		3,256

Gannon Station repowering

- The repowering of Gannon station to Bayside Station was completed with the conversion of Gannon unit 5 to Bayside unit 1 (752 MW capability) in April 2003 and Gannon unit 6 to Bayside unit 2 (1,022 MW capability) in January 2004.
- Gannon units 1 and 2 were placed on long term reserve standby (LTRS) in April 2003 and retired in January 2004. Gannon units 3 and 4 were placed on LTRS in September 2003 and retired from coal operation in January 2004, after which the assets may be utilized for future gas operations.
- The agreement between Tampa Electric and the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (DEP) required all coal burning at Gannon Station to cease by the end of 2004, but allows the units to be repowered on natural gas.

Demand

- Tampa Electric's peak demands occur in the winter because of electric heating. An all-time winter instantaneous peak load record of 4,092 MW was set on Jan. 24, 2003. Summer peaks are brought on by air conditioning. An all-time summer instantaneous peak load record of 3,887 MW was set on July 17, 2002.

High reliability

- Fewest and shortest service interruptions per 1,000 customers of peninsular Florida's investor-owned utilities (IOUs) for each of the past six years.

  * Reliability is a key consideration for relocating or expanding high technology and computer-intensive customers.

Competitive position

- No large contractual commitments to high cost purchased power.
- Customer per employee ratio has increased from 150 customers/employee in 1993 to 244 customers/employee at year-end 2003, an improvement of almost 63 percent.
- All employees have pay-at-risk based on achievement of corporate goals. The 2004 goals include net income, cash flow, safety, environmental, customer favorability, reliability and cost recovery clause issues.

Retail energy sales growth

- Tampa Electric continues to benefit from the growth in west central Florida.

	December 31, 2003 12 Months Ended Growth		*5-Year Avg. Historical Annual Growth*	
	Customers	*kWh Sales*	*Customers*	*kWh Sales*
Residential	2.4%	2.7%	2.6%	3.3%
Commercial	2.1%	0.5%	2.4%	2.5%
Industrial	26.9%	(1.2)%	12.3%	0.8%
Other retail	6.1%	7.2%	5.8%	3.7%
Total retail	2.5%	1.8%	2.7%	2.7%

Customer sales outlook

- Tampa Electric expects customer growth of more than 2 percent in 2004.

- Tampa Electric forecasts indicate that summer retail demand growth is expected to average more than 100 MW per year for the next five years.

- Tampa Electric expects customer growth of more than 2 percent annually and retail energy sales growth of about 2.76 percent annually over the 2004 through 2008 period.

- These growth projections assume continued local area economic growth in the current national economic climate, normal weather and a continuation of the current market structure.

Economic outlook

- In December 2003, the Florida jobless rate stood at 4.7 percent compared to 5.7 percent for the nation. The Tampa area's relatively low 3.7 percent unemployment rate attests to the strength of its diverse economy.

Unemployment Rate Comparison

	Tampa	*Florida*	*National*
12/31/2003	3.7%	4.7%	5.7%
12/31/2002	4.3%	5.0%	6.0%
12/31/2001	4.0%	5.7%	5.8%
12/31/2000	2.4%	3.8%	3.9%

- Third largest electricity market in the US
  - Only Texas and California are larger
  - Larger than Australia or Mexico

- High per customer electricity consumption
  - Long duration summer peaks due to air conditioning load
  - Florida per customer usage almost double California

- Strong growing economy
  - Diversified economy heavily service and commercial based
  - Continued strong population and customer growth

- Favorable regulatory environment

- Tampa metropolitan area:

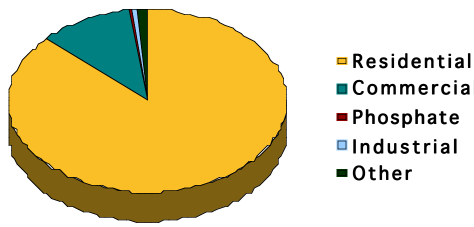
  * The service sector accounts for 40 percent of all jobs, while just over 7 percent of total employment comes from the manufacturing sector.

  * The area's relatively small reliance on manufacturing as a source of employment and income has helped insulate it from cyclical downturns in the national economy.

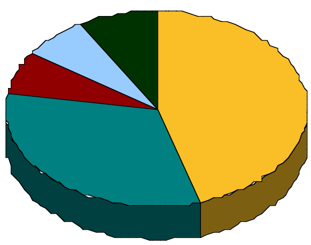
TAMPA ELECTRIC

Tampa Electric Favorable Customer Mix

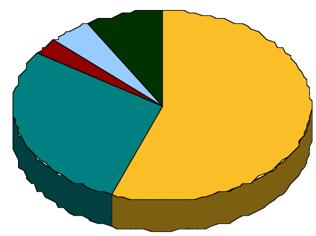
Customers



Energy



Base Revenues



12 Months ended December 31, 2003 (thousands)

	Average Customers	*MWH Sales*	*Sales %*	*Revenue %*	*Revenue/ MWH*
Residential	531.3	8,265	45.3	55.4	$50
Commercial	66.0	5,860	32.1	28.9	37
Phosphate	–	1,277	7.0	2.6	15
Industrial	1.2	1,303	7.2	4.8	28
Other retail	6.4	1,538	8.4	8.3	40
Total retail	604.9	18,242	100.0	100.0	$41

* Average residential and commercial customer usage is growing, with average annual growth of 3.3 percent and 2.5 percent respectively over the last five years.

TECO
TAMPA ELECTRIC

Regulatory information

Current Regulatory Environment

- Upon expiration of the regulatory agreements that determined earnings for 1995 through 1999, Tampa Electric returned to traditional ROE-based regulation in January 2000. The current allowed ROE midpoint is 11.75 percent, with an allowed range of up to 12.75 percent.

- Annually in September of each year, Tampa Electric along with all other Florida investor owned utilities files with the Florida Public Service Commission (FPSC) for approval of fuel and purchased power, capacity, environmental and conservation cost recovery clause rates for the upcoming year

- In December 1999, the Florida Department of Environmental Protection (DEP) approved a comprehensive 10 year environmental plan which includes:

  * Repowering Gannon Station to natural gas, which has been completed. Commercial operation for the two repowered Bayside units occured on April 24, 2003 and January 15, 2004.

  * Nitrogen oxide (NOx) control at Big Bend Station in 2010 and beyond.

  * By 2010, reducing Tampa Electric's sulfur dioxide emissions by 80 percent and NOx emissions by 85 percent from 1994 levels.

- In February 2000, the Environmental Protection Agency (EPA) and Tampa Electric reached a settlement on an environmental plan with provisions similar to the state agreement.

- In September 2000, the Florida Public Service Commission (FPSC) approved the first of many projects required by the DEP Consent Final Judgment and EPA Consent Decree for recovery through the Environmental Cost Recovery Clause (ECRC).

- Subsequently, the FPSC has consistently approved projects required by the DEP and EPA agreements through the ECRC.

Current Regulatory Environment – continued

Coal Transportation Contract

- Tampa Electric's contract for coal transportation and storage services with TECO Transport expired on Dec. 31, 2003. TECO Transport had been providing river, cross-gulf transportation services and storage services under that contract since 1999 and under a series of contracts for more than 40 years. In June, Tampa Electric issued a Request For Proposal (RFP) to potential providers requesting services for the next five years. The result of the RFP process was the execution of a new contract between Tampa Electric and TECO Transport, effective Jan. 1, 2004, with market rates supported by the results of the RFP and an independent expert in maritime transportation matters. The prudence of the RFP process and final contract were originally scheduled to be reviewed by the FPSC in the course of the normal fuel cost recovery hearings in November 2003. That hearing was deferred due to protests from other parties seeking more time to evaluate the contract information. The matter is scheduled to be heard by the FPSC in May 2004 with a decision expected in July 2004.

- In the meantime, Tampa Electric is recovering fuel transportation costs at the rates from the now expired contract, which are slightly higher than those in the contract effective Jan. 1, 2004.

TAMPA ELECTRIC

Federal Energy Regulatory Commission (FERC) Restructuring Initiatives

- The Federal Energy Regulatory Commission (FERC) has renewed its focus on creating a more efficient wholesale electric industry, and it has begun several key initiatives since its regional transmission organization (RTO) order in late 1999.

- A significant initiative is FERC's recently issued Standards of Conduct for Transmission Providers, which are meant to ensure all transmission customers, affiliated and non-affiliated, are treated on a non-discriminatory basis.

The Standards require that

  * All transmission function employees operate independently of the marketing function employees and energy affiliates

  * Shared employees do not actively share certain information with a marketing or energy affiliate

  * Related training is enhanced

  * Companies provide timely and improved reporting of organizational structure, changes and possible merger activities

- TECO Energy has reviewed the order's implications and will be compliant by the currently required date of September 1, 2004.

TECO

TAMPA ELECTRIC

Outlook

- Expect continued strong retail energy sales growth from an expanding state and local economy

    * Project average combined commercial and residential annual energy sales growth of more than 3 percent annually over the next five years

- Bayside Units 1 entered into commercial service in April 2003, and Unit 2 entered into commercial service in January 2004

- 2004 AFUDC will be essentially eliminated due to completion of the Bayside 2 construction in January 2004 and Bayside 1 in April 2003

- Depreciation expense is expected to be lower in 2004 due to the end of accelerated amortization of the coal assets in 2003 which more than offset the Bayside 2 additions in 2004

- No new base load generation required until after 2010

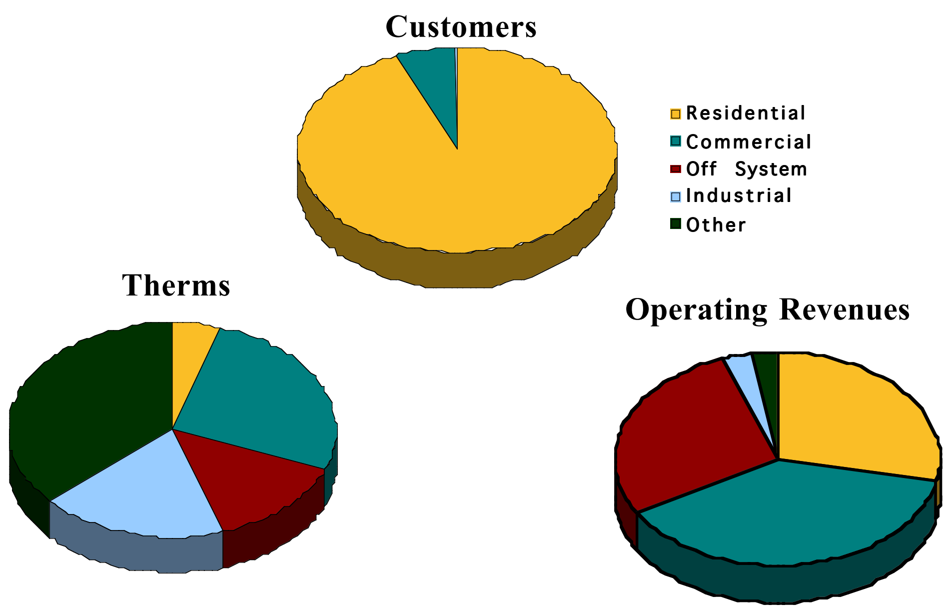
TECO
PEOPLES GAS

Peoples Gas System, acquired in 1997, is Florida's leading provider of natural gas. With a presence in all of the state's major metropolitan areas, Peoples Gas serves more than 300,000 residential and commercial customers.

Strengths

- Gas in Florida is significantly underserved, providing major growth opportunities for natural gas usage
- Florida opportunities
  - Ability to expand into areas currently not served
  - Key Accounts – supplying gas to new and established commercial customers
  - Statewide Developer Agreements – supplying gas to new residential projects
- Customer growth averaged more than 4 percent over the last five years
- Regulation is gas friendly
  - Commodity gas cost is a pass through

Operating Information



Therms sold (millions)		
	2003	***2002***
Residential	64.2	60.2
Commercial	354.8	327.6
Industrial	406.3	423.8
Power Generation	363.7	492.6
Total	1,189.0	1,304.2
Customers (average)	291,919	277,530

* 2002 sales reflect 4.1 percent customer growth and mild winter weather. 2003 sales reflect 5.2% customer growth and favorable winter weather.

TECO
PEOPLES GAS

* In November 2000, Peoples Gas System instituted its "NaturalChoice" program, which unbundles gas services from all non-residential customers, affording these customers the opportunity to purchase the commodity gas from any provider. The net result of this unbundling is a shift from commodity sales to transportation sales. Because commodity sales are included in operating revenues at the cost of the gas on a pass-through basis, there is no net financial impact to the company of the transportation only sales. The program is expected to increase gas use due to increased marketing by third parties. At year-end 2003, 10,500 customers had elected to take services under this program.

* In December 2002, the FPSC authorized an increase to annual base revenues of $12.05 million. The new rates allow for an 11.25 percent midpoint ROE and a capital structure with 57.43 percent equity.

TECO
PEOPLES GAS

Good prospects for growth

- Gas is underserved in the residential and commercial markets in Florida.

Southeastern U. S. Residential Gas Market Penetration 2002 Data

State	Total Households (millions)	Utilization
Louisiana	1.7	57%
Tennessee	2.3	45%
Georgia	3.1	56%
Alabama	1.7	46%
Mississippi	1.0	42%
S. Carolina	1.6	33%
N. Carolina	3.2	28%
Florida	**6.6**	**9%**

- Florida's growing residential/commercial market offers significant opportunities.

- Peoples Gas serves the high growth areas of Ft. Myers, Jacksonville, Naples, Ocala, Orlando, Palm Beach, Sarasota, Tampa, and surrounding areas.

- In May 2002, Gulfstream Natural Gas Pipeline initiated service. This interstate pipeline starts in Mobile Bay, Alabama, crosses the Gulf of Mexico and comes ashore in Florida just south of Tampa. Gulfstream is the first new pipeline serving Florida since 1959. This pipeline increases gas transportation capacity into Florida by 50 percent. PGS entered into a service agreement for capacity in 2002, which grew in 2003 and will grow in 2004. The addition of the Gulfstream pipeline enhances reliability of service and helps to meet the capacity needs for PGS' growing customer base.

Good prospects for growth - continued

- Current committed major projects present attractive opportunities for significant residential and commercial gas use growth.

  * Developers want to offer homes with natural gas service.

  * Commercial and residential customers want natural gas.

- Targeting high-end residential developments with significantly higher annual usage than the current residential usage rate.

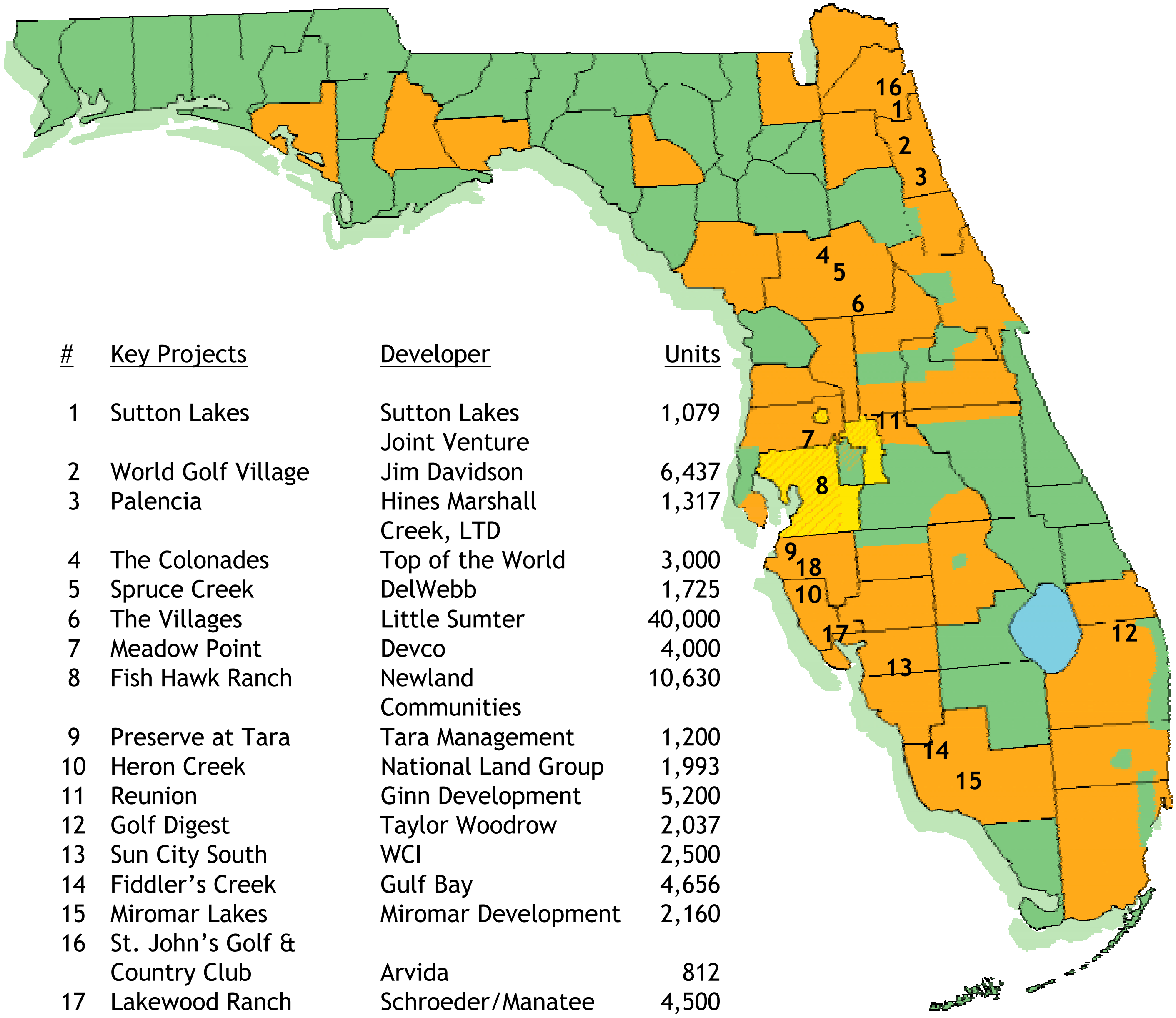
  * High usage commercial customers follow the residential, enhancing the expansion payback.

- Recent expansions into the previously unserved booming Naples/Ft. Myers area and the high growth Jacksonville to St. Augustine corridor.

- In 2003, over 23,000 residential and commercial customers and over 300 miles of pipeline were added to the distribution system.

Developers / Builders

TECO
PEOPLES GAS



#	Key Projects	Developer	Units
1	Sutton Lakes	Sutton Lakes Joint Venture	1,079
2	World Golf Village	Jim Davidson	6,437
3	Palencia	Hines Marshall Creek, LTD	1,317
4	The Colonades	Top of the World	3,000
5	Spruce Creek	DelWebb	1,725
6	The Villages	Little Sumter	40,000
7	Meadow Point	Devco	4,000
8	Fish Hawk Ranch	Newland Communities	10,630
9	Preserve at Tara	Tara Management	1,200
10	Heron Creek	National Land Group	1,993
11	Reunion	Ginn Development	5,200
12	Golf Digest	Taylor Woodrow	2,037
13	Sun City South	WCI	2,500
14	Fiddler's Creek	Gulf Bay	4,656
15	Miromar Lakes	Miromar Development	2,160
16	St. John's Golf & Country Club	Arvida	812
17	Lakewood Ranch	Schroeder/Manatee	4,500
18	University Park	Neal Communities	1,600

SECTION III

LIFE RUNS ON ENERGY[SM]

TECO TRANSPORT

TECO Transport, a water transportation business, operates a U.S.-flag ocean-going fleet, a river barge fleet, and a deep-water dry-bulk commodity transfer and storage terminal. TECO Transport built its business on moving coal and other products via domestic inland rivers, the Gulf of Mexico, the Caribbean, and to worldwide markets, including South America, Asia, Africa and Europe.

Strengths

- Contributed $14.5 million to net income in 2003, down from previous years due to Gannon conversion and poor economic conditions. TECO Transport has been profitable for more than 38 consecutive years, and has consistently made significant contributions to earnings and cash flow.

- TECO Transport offers unique turnkey services from origination on the river system, through storage and transfer to destination.

  * Good product and market diversity in all sectors of the business.

  * Operating assets acquired at attractive prices.

  * Equipment flexibility.

- Significant multi-year contract business provides a stable business base.

- In October 2003, Tampa Electric signed a contract with TECO Transport for its water transportation and terminal services needs for its solid fuel needs for the next five years. TECO Transport has successfully provided these services to Tampa Electric for more than 40 years, and since 1988 these services have been provided at market based rates. The Florida Public Service Commission has scheduled a hearing to review the prudency of the RFP Process and final contract for May ’04 with a decision expected in July.

TECO TRANSPORT

Business description

TECO Ocean Shipping (formerly known as Gulfcoast Transit)

- Largest U.S.-flag coastwise dry-bulk ocean-going company.
- Operates 8 tug-barge units ranging in size from 19,200 to 42,800 short tons and three ships at 33,500, 40,900 and 41,400 short tons for a combined capacity of over 335,000 short tons.
- Transports a variety of bulk commodities across the Gulf of Mexico as well as to all of the Americas, the Caribbean, Asia, Africa and Europe.
- Transports coal to Tampa for Tampa Electric Company from Louisiana and phosphate products on return trip.

TECO Barge Line (formerly known as Mid-South Towing)

- Seventh largest inland river barge company.
- Operates 18 towboats and approximately 725 barges primarily on the Mississippi, Illinois and Ohio rivers and their major tributaries.
- Moves coal for Tampa Electric, petroleum coke, export coal, grain and scrap steel south and phosphate fertilizers, steel related products and petroleum coke north.
- 250 covered barges move grain, fertilizer and other high-value commodity products.

TECO Bulk Terminal (formerly known as Electro-Coal Transfer)

- Largest transfer facility on the Gulf Coast and the second largest in the U. S.
- 18 million ton annual capacity; throughput in 2003 was 9 million tons, down from 10 million in 2002 due to the soft economy and lower Tampa Electric coal tonnage.
- Handles a variety of products for both domestic and foreign movements, including Tampa Electric coal.

TECO TRANSPORT

Outlook

- National economy recovering which will help results.

- Markets:

  * Tampa Electric volumes declined in 2004 due to conversion of Gannon Station from coal to gas.

  * Export coal market starting to improve.

  * Export petroleum coke movements expected to improve.

  * Opportunities for TECO Ocean Shipping to diversify into new foreign and domestic cargoes.

  * Rates on both grain and steel-related products improving.

- Significant factors that could influence TECO Transport's results include general economic conditions in the industries and geographic areas it serves, both nationally and internationally; variations in weather conditions which affects its operations and the demand and prices for its services; changes in commodity prices for the prices paid for raw materials; operational risks, including accidents or equipment breakdown or failure and operations below expected levels of performance or efficiency; and regulation by various governmental authorities dealing with air, water and other environmental matters. (See Investment Considerations under Tab VIII)

SECTION IV

LIFE RUNS ON ENERGY[SM]

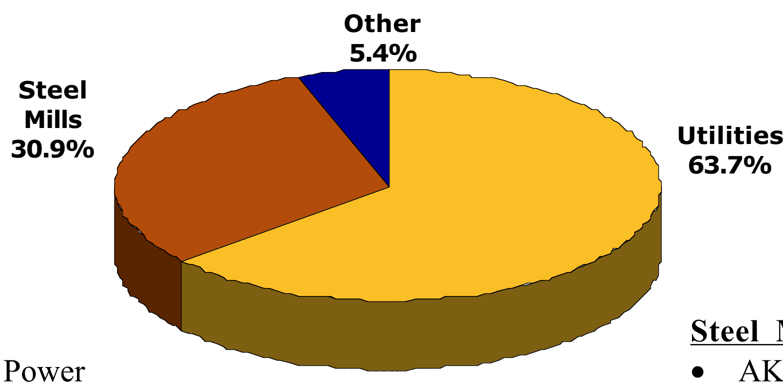
TECO ENERGY

TECO Coal owns and operates low-sulfur coal mines and preparation facilities in Kentucky and Virginia. The company expects to mine, process and ship more than 9 million tons of conventional coals and synthetic fuel (synfuel) in 2004. Primary customers include domestic utilities, the U.S. and European steel industry, as well as industrial customers. For its sales of synthetic fuel, the company qualifies for federal tax credits created to encourage the production of fuel from non-conventional sources.

TECO Coal's major third party market segments

- Since 1988: Industrial applications
  Coals of specialty size and characteristics primarily for metallurgical markets.

- Since 1992: Electric utilities
  Low-sulfur and compliance coals.



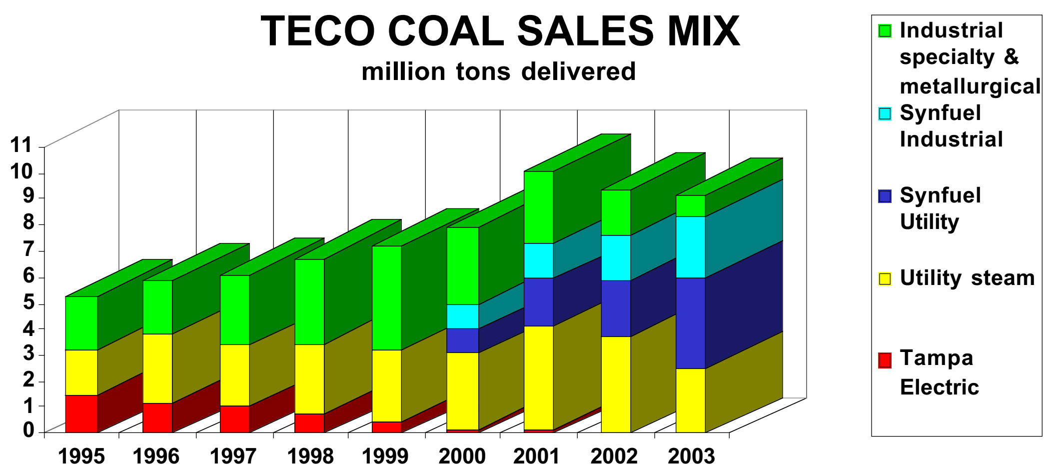
Utilities
- Consumers Power
- Detroit Edison
- Duke Power
- East Kentucky Power
- Kentucky Utilities
- Orlando Utilities Commission
- South Carolina Electric & Gas
- TVA
- VEPCO

Steel Mills
- AK Steel
- Arcelor
- Bethlehem Steel
- Corus
- Dafasco
- Ilva
- Inland Steel
- Italiana Coke
- National Steel
- US Steel

Sales

- Sales of utility steam and specialty coals have grown significantly, even as Tampa Electric volumes declined. The Tampa Electric contract expired in 1999 and was not renewed.

- Total sales of 9.2 million tons in 2003, compared to 9.3 in 2002. Expect 2004 total sales to be in excess of 9.2 million tons.



Synthetic Fuel Production

- Purchased synthetic fuel production facilities in January 2000.

  * Currently located at TECO Coal's Premier Elkhorn, Clintwood Elkhorn and Perry County Coal mines in Kentucky.

  * Began operations in second quarter of 2000.

  * Produced and sold more than 5.8 million tons of synthetic fuel in 2003.

  * Sold 49.5 percent of the ownership interest to a Fortune 200 company and entered into an exclusive non-binding memorandum of understanding to sell another 40 percent ownership interest during 2004.

  * In October 2003, received a Private Letter Ruling from the IRS that resolved any uncertainty related to the sale and confirmed that the synthetic fuel produced by TECO Coal is eligible for Section 29 tax credits and that its test procedures are in compliance with the requirements of the IRS.

Outlook for 2004

- Volumes are expected to exceed 9 million tons, including about 6 million tons of synthetic fuel.

- Results are expected to be driven by increased synthetic fuel production of about 6 million tons generating positive cash flow by selling an additional 40 percent interest in the synfuel facilities, but retaining the responsibility for operating the facilities.

- Expects to produce over 3 million tons of conventional steam and metallurgical coal.

- Based on current market estimates, coal prices are expected to be higher than those achieved in 2003.

- Significant factors that could influence TECO Coal's results include general economic conditions in the industries and geographic areas it serves, both nationally and internationally; variations in weather conditions which affects the demand and prices for coal; changes in commodity prices for either the prices paid for raw materials or for the coal and synfuel produced; operational risks, including accidents or equipment breakdown or failure and operations below expected levels of performance or efficiency; regulation by various governmental authorities dealing with air, water and other environmental matters; continued generation of Section 29 tax credits, the completion of the announced sale of an additional 40% portion of its interest in its synfuel production facilities; and the ability to use Section 29 tax credits and changes in law regulation or administration. (See Investment Considerations under Tab VIII)

SECTION V

LIFE RUNS ON ENERGY[SM] TECO ENERGY

Other Unregulated Companies

We now include the non-merchant independent power operations in our Other Unregulated Companies segment for financial reporting purposes. These include the San José and Alborada power stations in Guatemala, our ownership interest in EEGSA, the Guatemalan distribution utility, our 50 percent ownership of the Hamakua Power Station in Hawaii. Other unregulated companies include TECO Solutions, TECO Partners and TECO Investments.

Independent Power Project Summary

Project	*Location*	*Size MW*	*Economic Interest*	*Net Size MW*	*In Service/ Participation Date*[1]
Alborada Power Station	Guatemala	78	96%	75	9/95
Empresa Eléctrica de Guatemala S.A.(EEGSA) (a distribution utility)	Guatemala		24%		9/98[2]
San José Power Station	Guatemala	120	100%	120	1/00
Hamakua Energy Project	Hawaii	60	50%	30	8/00, 12/00
Total non-merchant		258		225	

(1) Unless otherwise indicated, each date appearing in this column is an in-service date. When more than one in-service date appears, it indicates when different phases of the project went into operation.
(2) Dates on which TWG acquired its economic interest in the project.

- Detailed fact sheets are provided for each project at the end of this section.

- Guatemalan assets performing well and producing strong cash flows and good returns.

TECO Solutions

Many of the TECO Solutions companies were formed or acquired during the early stages of Florida's proposed electric industry restructuring, as a vehicle through which we could potentially expand our services to other parts of the state. The subsequent rollback of the proposed deregulation and our refocus on our core utility operations caused us to reexamine our continued participation in these liens of businesses. As a result, we have sold most of the TECO Solutions businesses including Prior Energy, TECO Propane Ventures, TECO Energy Services (formerly BGA) and the book of business of TECO Gas Services.

Unregulated Power Generation

Alborada Power Station

Name	Alborada Power Station
MW	78-MW Simple-Cycle
Technology	The project consists of two GE LM6000 combustion turbines operating in simple-cycle mode with inlet air chillers. The chiller system cools the combustion turbine inlet air to achieve the combustion turbine optimum inlet temperatures raising the total plant output from 65-MW to 78-MW at site ambient conditions. The facility includes a 230-kV switchyard and 1.7 km of transmission line connecting the switchyard with EEGSA's substation.
Project Cost	$50 Million
Ownership	96%, local partner owns 4%.
Commercial Operation	September 1995
Fuel Supply	TWG is providing fuel management services to EEGSA for the 15-year term of the power purchase agreement and is responsible for negotiating the fuel-related contractual arrangements. The combustion turbines are fired with low sulfur distillate oil.
Power Purchaser	Empresa Eléctrica de Guatemala, S.A. (EEGSA)
Term of Purchase	From 1995, 15 years + option for 5 additional years at Alborada's discretion.
Operator	TWG
Financing	Banco Industrial and Westrust.
Political Risk Insurance	Under a global policy.
Currency Risk	Weekly payments under the PPA are denominated in U.S. dollars; paid in Guatemalan quetzales.
Payment Risk	Minimized through a lockbox arrangement and TWG's ownership in EEGSA.

Unregulated Power Generation

Empresa Eléctrica de Guatemala, S.A.

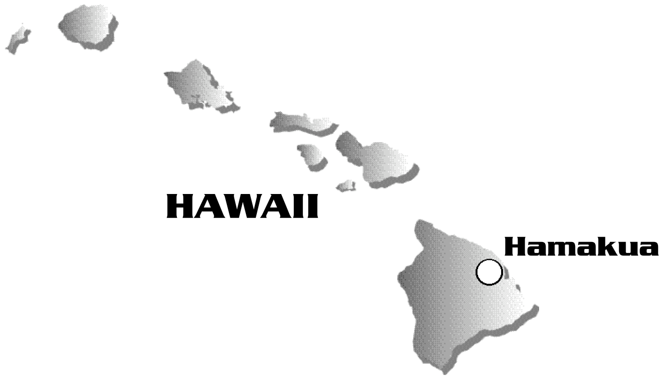
Name	EEGSA
Location	Guatemala, Central America
Number of Customers	695,235 electric customers (as of 6/30/03)
Ownership	24%, Consortium 80%, (Iberdrola 49%, TWG 30%, Electricidade de Portugal, S.A. 21%).
Partners	Iberdrola, Electricidade de Portugal, S.A., private investors, & Guatemalan Government.
Purchase Price	$520 million (9/98)
Operator	Iberdrola
Financing	$200 million term loan from a group of lenders led by ABN Amro.
Energy Sales Growth	6%+ projected growth annually
Annual Energy Sales	4,289 Gwh (2002), up 8% from 2001
Revenues	$436 million (2002), up 7% from 2001
Employees	460 (2002), up 2% from 2001
Political Risk Insurance	Under a global policy.
Tariff/ Currency Risk	Energy costs adjusted quarterly. Value added distribution component adjusted semi-annually.

Unregulated Power Generation

San José Power Station

Name	San José Power Station
MW	120-MW Pulverized coal
Technology	The project consists of a steam turbine using a cooling tower for condenser cooling, a steam generator and a substation. Low NOx burners and a pulse jet fabric filter complement the low-sulphur coal selected as the fuel.
Project Cost	$190 Million
Ownership	100%
Commercial Operation	January 2000
Fuel	TWG is performing ongoing fuels management for this project. This activity includes management of the day-to-day procurement process, as well as fuel contract negotiations and administration under a 6-year fuel supply contract.
Power Purchaser	Empresa Eléctrica de Guatemala, S.A. (EEGSA)
Term of Purchase	From 2000, 15 years + option for 5 additional years at Power Station's discretion.
Operator	TWG
Financing	Bank of America - led bank group and Overseas Private Investment Corp.
Political Risk Insurance	Under a global policy.
Currency Risk	Monthly payments under the PPA are denominated in U.S. dollars; paid in Guatemalan quetzales.
Payment Risk	Minimized through revenue trust and TWG's ownership in EEGSA.

Unregulated Power Generation



Hamakua Energy Project

Name	Hamakua Energy Project
MW	60-MW Naptha-Fired, Combined-Cycle Cogeneration Facility.
Technology	The project consists of two GE LM2500 combustion turbine generator sets and one 20 MW steam turbine.
Project Cost	$115 Million
Ownership	50%, Energy Investment Fund 50%
Commercial Operation	Phase I - Aug. 2000, Phase II - Dec. 2000
Fuel Supply	Naptha fuel is provided to the project under a 10-year fuel contract with Tesoro Petroleum. Low sulphur No. 2 fuel oil as back up.
Power Purchaser	Hawaii Electric Light Company
Term of Purchase	30 years
Operator	TWG
Financing	27.5 year private placement with John Hancock closed in March 2001.
Payment Risk	Hawaiian Electric Light Company (long-term rating of BBB+).

SECTION VI

LIFE RUNS ON ENERGY[SM]

TECO WHOLESALE GENERATION

TECO Wholesale Generation (TWG) owns and operates independent power plants. The company's efficient domestic fleet provides electricity to wholesale customers including utilities and large industrial customers.

Unregulated Power Generation Project Summary

TWG Project Summary

	Project	*Location*	*Size MW*	*TWG Economic Interest*	*TWG Net Size MW*	*In Service/ Participation Date (1)*
Operating:	Frontera Power Station	Texas	477	100%	477	5/00, 3/01(2)
	Odessa and Guadalupe	Texas	2,000	50%	1,000	9/00, 8/01
	Commonwealth Chesapeake Power Station	Virginia	315	100%	315	9/00, 8/01
			2,792		1,792	
Suspended:	Dell	Arkansas	599	100%	599	
	McAdams	Mississippi	599	100%	599	
			1,198		1,198	
Held for Sale:	Union	Arkansas	2,200	100%	2,200	1/03-6/03
	Gila River	Arizona	2,145	100%	2,145	2/03-8/03
			4,345		4,345	

(1) Unless otherwise indicated, each date appearing in this column is an in-service date. When more than one in-service date appears, it indicates when different phases of the project went into operation.
(2) Dates on which TWG acquired its economic interest in the project.

- Detailed fact sheets are provided for each project at the end of this section.

- As part of its focus on utility operations, TECO Energy has significantly changed its approach to its competitive power assets. In addition to the sale of its Hardee Power Station, in early 2004 the company reached an agreement to transfer the ownership of its two largest merchant facilities, Union and Gila River power stations, back to the lending bank group. The company continues to work to maximize the value of its other independent power holdings and reduce financial risks associated with them.

Energy Markets

- Power plants are located in markets that have a history of high load growth.
- The forward curve for electricity prices reflects the price for energy that is delivered on a standard schedule. Because TWG's assets can be dispatched with some flexibility and sales of ancillary services are possible, the forward curve price may understate the realized price or profit margin.
- Original strategy for selling plant output at project inception was:
  - Enter into two to five-year contracts with load-serving entities, for up to 50 percent of the output of the plants.
  - Contract another 25 percent of the output in the intermediate term market (less than two years).
  - Remaining 25 percent sold in the shorter-term spot market.
- Current markets are not supporting multi-year contracts.

TECO WHOLESALE GENERATION

TECO EnergySource (TES)

- In 2001, TECO EnergySource (TES) began entering into power marketing and fuel procurement transactions for TWG assets. TES is actively seeking both short- and long-term contracts with purchasers for the output from the Frontera Power Station. TES has not hedged significant amounts of forward sales because our current below investment grade credit rating limits TES' ability to do so without posting collateral.

- The merchant operations normally balance their fixed-price physical and financial fuel purchase and energy sales contracts in terms of contract volumes and the timing of performance and delivery obligations. Net open positions may exist for short periods due to the origination of new transactions. When net open positions exist, the merchant operations will be exposed to fluctuating market prices. All fuel purchase and energy sales contracts and open positions are monitored closely by the TECO Energy risk management function, which is independent of the merchant operations.

- In addition to price risk, credit risk is inherent in TWG's energy risk management activities. The marketing business may be exposed to counterparty credit risk from a counterparty not fulfilling its obligations. Credit policies and procedures, administered by TECO Energy, attempt to limit overall credit risk. The credit procedures include a thorough review of potential counterparties' financial position, collateral requirements under certain circumstances, monitoring net exposure to each counterparty and the use of standardized agreements.

- Significant factors that could influence results at TWG include energy prices in its markets, weather, domestic economic conditions and commodity price changes. (See the Investment Considerations section under TAB VIII.)

TECO WHOLESALE GENERATION

Union and Gila River Power Stations

In February 2004, we announced our decision to exit from our ownership of the Union and Gila River projects and to cease further funding of these plants. We, as the equity investor, and the project companies that own the two large plants have entered into a non-binding letter of intent containing a binding settlement agreement with the lenders that provided the non-recourse project financing for these projects that contemplates negotiation of an agreement for the purchase and sale or other agreement to transfer ownership of the plants to these banks. As part of the contemplated transaction, the outstanding non-recourse project debt (owed by the project companies) would be satisfied. The decision to end the ownership of the plants and cease further funding is not, however, dependent on reaching final agreement with the lenders for a consensual transfer. Even without such an agreement, the project companies, which are currently indirect subsidiaries of TECO Energy, could pursue other disposition alternatives that would ultimately end TECO Energy's ownership of the plants.

Letter of Intent

The lending group for the Union and Gila River projects approved a non-binding letter of intent containing a binding settlement agreement on Feb. 5, 2004. Under the agreement, we and the project companies will work toward a definitive agreement with the lenders for a purchase and sale or other agreement to transfer of the ownership of the projects to the lenders in exchange for a release of all obligations under the project loan agreements. The letter of intent specifies target dates for a definitive agreement by Jun. 30, 2004 and for closing by Sep. 30, 2004. The settlement agreement provides for the treatment of the $66 million of letters of credit posted by us under the Construction Undertaking, with $35 million drawn in February 2004 for the benefit of the project companies and the remaining $31 million of letters of credit to be cancelled and returned to us. Under the letter of intent, all parties have specified a target completion of due diligence for final acceptance under the construction and undertaking contracts for both projects within 45 days from Feb. 6, 2004; however, we and the project companies will remain responsible to address certain permit issues at the Gila River project. We will make no new investment in the projects. Since the projects have achieved commercial operation on all facilities at Union and Gila River, we believe that we have met all but limited warranty and final acceptance responsibilities to the project companies. We and certain of our subsidiaries plan to continue to provide services and continue to provide expertise and operating support to help the project companies operate the facilities consistent with past practices at least through the completion of the transfer of ownership. The lenders and we and our affiliates have reserved the right to assert certain claims against one another until a definitive agreement is reached.

Expiration of Suspension/Standstill Agreement

The letter of intent permits the parties to reserve their rights against each other, including with respect to our failure to comply with the 3.0 times EBITDA-to-interest ratio coverage requirement in our Construction Undertakings for the quarters ending Sep. 30 and Dec. 31, 2003 (a cross default to the non-recourse credit agreements) that were covered by the Suspension Agreement, which has expired, and the failure of the project companies to make interest payments on the non-recourse project debt and payments under interest rate swap agreements due Dec. 31, 2003 when the project lenders declined to fund the debt service reserve.

As a result, the lending group could seek to exercise remedies against the project companies due to defaults in connection with the non-recourse project debt, including accelerating the non-recourse debt, foreclosing on the project collateral and suspending further funding; subject to the defenses we may have. While there can be no assurance that the lenders group will not exercise these rights, we believe that the lenders would prefer to affect a consensual transfer of the projects in accordance with the letter of intent.

Unregulated Power Generation

Frontera Power Station

Name	Frontera Power Station
MW	477-MW
Technology	The facility uses two GE 7FA combustion turbines, two heat recovery steam generators, and one ABB steam turbine in combined cycle.
Project Cost	$201 Million
Ownership	100%
Commercial Operation	May 2000, acquired 3/15/01
Power Market	ERCOT (with 150 MW capability to Mexico).
Transmission	The project is interconnected to the ERCOT market via three 138-kV transmission lines which tie to the Central and Southwest's JL Bates substation. The Frontera Power Station also consists of a 2-mile 138- kV transmission line which interconnects the project with the Comisión Federal de Electricidad (CFE) in Mexico.
Fuel Supply	The project company owns and operates a 12-inch gas header located within the Frontera plant site. The gas line is used to aggregate gas supplies delivered to the site from three pipelines.
Power Purchaser	Merchant
Financing	None.

Unregulated Power Generation

Odessa/Guadalupe

Name	Odessa/Guadalupe	
MW	2000-MW (1,000-MW each)	
Technology	Each facility uses a 4 GE 7FA combustion turbines, 4 heat recovery steam generators, and 2 steam turbines.	
Project Cost	$912 Million; investment of $160 million.	
Ownership	50%, 50% PSEG	
Commercial Operation	**Odessa** 1,000 MW - 8/01	**Guadalupe** 1,000 MW - 1/01
Power Market	ERCOT	
Transmission	Guadalupe interconnected via Lower Colorado River Authority's adjacent 345-kV switching station. Odessa interconnection via Texas Utilities adjacent 345-kV switching station.	
Fuel Supply	Guadalupe and Odessa connected to two and three pipelines, respectively. Each interconnects with major gas market hubs.	
Power Purchaser	Varies by project, marketed through BP Energy Company	
Operator	Texas Independent Energy (JV with 50% PSEG/50% TWG).	
Payment Risk	Investment grade power marketer assumes credit risk.	

Unregulated Power Generation

Commonwealth Chesapeake Project

Name	Commonwealth Chesapeake Project
MW	315-MW Oil-Fired, Simple-Cycle
Technology	The plant consists of seven General Electric LM6000 combustion turbines. The combustion turbines operate in simple-cycle mode, and are fired with low sulfur No. 2 fuel oil. Clutches are attached to four of the seven turbines in order to provide spinning reserve. In addition, the turbines are equipped with inlet air chillers and are water-injected for NOx control.
Project Cost	$175 Million
Ownership	TWG currently receiving close to 100% of the projects economics.
Commercial Operation	Phase I - Sept. 2000, Phase II - Aug. 2001.
Power Market	Pennsylvania-New Jersey-Maryland Interconnection power pool (PJM) system. Lighthouse Energy is power marketer.
Transmission	Interconnected to Delmarva Power & Light's 138 kV transmission line that runs adjacent to the facility.
Fuel Supply	The project utilizes low sulfur No. 2 fuel oil with the project performing ongoing fuel management and day-to-day procurement.
Operator	TWG
Financing	None.

Unregulated Power Generation

Dell Power Station

Name	Dell Power Station
MW	599-MW Combined Cycle
Technology	The Dell Project is configured with two GE 7FA combustion turbines, two heat recovery steam generators with supplemental firing and selective catalytic reduction for lowering NOx emissions and one reheat steam turbine.
Project Cost	$335 Million to suspend status.
Ownership	100%
Commercial Operation	Currently suspended.
Power Market	ENTERGY
Transmission	When complete the facility will be interconnected to Entergy-Arkansas's 500-kV/230-kV Substation located adjacent to the plant site. This will allow power sales from the plant to be made into the Entergy power market.
Fuel Supply	When complete natural gas will be delivered through the Reliant Energy Transmission system. Reliant will construct, own and operate a 2.5 mile lateral to connect to its existing 18" interstate pipeline to the Dell facility, as well as an upstream compresssion station to ensure gas pressure and deliverability to the project.
Power Purchaser	N/A
Operator	TWG
Financing	None.

Unregulated Power Generation

McAdams Power Station

Name	McAdams Power Station
MW	599-MW Combined Cycle
Technology	The facility is configured to use two GE 7FA combustion turbines, two heat recovery steam generators with supplemental firing and selective catalytic reduction for lowering NOx emissions and one reheat steam turbine.
Project Cost	$355 Million to suspend status
Ownership	100%
Commercial Operation	Currently suspended
Power Market	ENTERGY
Transmission	The facility will be interconnected to Entergy-Mississippi's McAdams 500-kV/230-kV Substation. This will allow power sales from the plant to be made into both the Entergy and TVA Subregions of SERC.
Fuel Supply	The location was chosen to take advantage of the close proximity of a number of different gas pipelines (Texas Eastern, SONAT, & Koch). Natural gas will be delivered through interconnections with Texas Eastern, SONAT and Gulf South. The project has a firm transportation position on TETCO and plans to optimize swing gas requirements with its multiple supply connections.
Power Purchaser	N/A
Operator	TWG
Financing	None.

Unregulated Power Generation

Union Power Station

Name	Union Power Station (formerly known as El Dorado Power Station).
MW	2,200-MW Combined Cycle
Technology	The Union Power Project is configured with eight GE 7FA combustion turbines, eight heat recovery steam generators with supplemental firing and selective catalytic reduction for lowering NOx emissions and four single-flow, axial exhaust condensing steam turbines.
Project Cost	$1.3 Billion
Ownership	100% - Held for sale (included in discontinued operations)
Commercial Operation	550-MW 1/03 550-MW 4/03 550-MW 5/03 550-MW 6/03 2,200-MW Total
Power Market	ENTERGY
Transmission	The project is interconnected to Entergy-Arkansas' 500-kV transmission substation adjacent to the site.
Fuel Supply	Natural gas, delivered via a new 42-mile, 30-inch pipeline (Trans Union) which is owned and operated by the project. The new line is connected connect to El Paso's Gulf States Interstate Pipeline and Texas Gas Transmission. These direct interconnects provide the project with access to additional major interstate pipelines.
Power Purchaser	Merchant.
Operator	TWG
Financing	5 year bank financing obtained June 2001. LOI outstanding with lending group to transfer asset to lenders by September 30, 2004.

Unregulated Power Generation

Gila River Power Station

Name	Gila River Power Station
MW	2,145-MW Combined Cycle
Technology	The Gila River Project is configured with eight GE 7FA combustion turbines, eight heat recovery steam generators with supplemental firing and selective catalytic reduction for lowering NOx emissions and four single-flow, axial exhaust condensing steam turbines.
Project Cost	$1.4 Billion
Ownership	100% - Held for sale (included in discontinued operations)
Commercial Operation	536-MW - 5/03 536-MW - 6/03 536-MW - 6/03 537-MW - 7/03 2,145-MW - total
Power Market	Western Systems Coordinating Council.
Transmission	Output delivered to the 500-kV PaloVerde-Kyrene transmission line via two new 19-mile, 500-kV transmission lines.
Fuel Supply	Natural gas is delivered through the El Paso Natural Gas Company pipeline system which links to multiple supply basins.
Power Purchaser	10% - 20% under contract seasonally, remainder merchant.
Operator	TWG
Financing	5 year non-recourse bank financing obtained June 2001. LOI outstanding with lending group to transfer asset to lenders by September 30, 2004.

SECTION VII

LIFE RUNS ON ENERGY[SM]

TECO ENERGY

Appendix

Financial Information

2003 Earnings Summary

(millions)	2003	2002	2001
Consolidated revenues	$2,740.0	$2,664.9	$2,483.3
Earnings (loss) per share – basic			
Earnings per share	$(5.05)	$2.15	$2.26
Less: Discontinued operations	(4.95)	0.34	0.28
Cumulative effect of change in accounting principle	(0.02)	–	–
Earnings from continuing operations before cumulative effect of change in accounting principle	$(0.08)	$1.81	$1.98
Less: Charges and gains from continuing operations	(1.00)	(0.18)	–
Earnings per share from continuing operations before charges and gains	$0.92	$1.99	$1.98
Net income (loss)	$(909.4)	$330.1	$303.7
Less: Net income (loss) from discontinued operations	(890.4)	52.9	38.2
Cumulative effect of change in accounting principle	(4.3)	–	–
Charges and gains from continuing operations	(179.5)	(28.6)	9.0
Net income from continuing operations before charges and gains	$164.8	$305.8	$256.5
Average common shares outstanding			
Basic	179.9[3]	153.2[2]	134.5[1]

(1) Average shares outstanding for 2001 reflects the issuance of 8.625 million shares in March 2001 and 3.5 million shares in October 2001.
(2) Average shares outstanding for 2002 reflects the issuance of 15.525 million shares in June 2002 and 19.385 million shares in October 2002.
(3) Average shares outstanding for 2003 reflects the issuance of 11 million shares in September 2003.

- Discontinued operations include TPGC, Coalbed Methane, Hardee, Prior Energy and TECO Gas Services.

Financial Information – continued

GAAP Earnings per Share by Segment

	2003	2002	2001
Regulated Companies			
Tampa Electric	$ .55	$ 1.12	$ 1.15
Peoples Gas System	.14	.16	.17
Total Regulated	$ .69	$ 1.28	$ 1.32
Unregulated Companies			
TWG	$ (.82)	.05	.00
TECO Transport	.08	.14	.20
TECO Coal	.43	.50	.44
Other Unregulated	(.03)	.18	.17
Total Unregulated	(.34)	.77	.81
Financing/other	(.43)	(.24)	(.15)
Earnings (loss) per share from continuing operations	(.08)	1.81	1.98
Discontinued operations	(4.95)	.34	.28
Earnings (loss) per share before cumulative effect of change in accounting principle	(5.03)	2.15	2.26
Cumulative effect of a change in accounting principle	(.02)		
EPS Total(1)	$ (5.05)	$ 2.15	$ 2.26
Average Shares Outstanding	179,862(2)	153,202(3)	134,521(4)

(1) Segment net income is reported on a basis that includes internally allocated financing costs. Internally allocated finance costs for 2003, 2002 and 2001 were at pre-tax rates of 8%, 7%, and 7%, respectively, based on the average investment in each subsidiary.

(2) Average shares outstanding for 2001 reflects the issuance of 8.625 million shares in March 2001 and 3.5 million shares in October 2001.

(3) Average shares outstanding for 2002 reflects the issuance of 15.525 million shares in June 2002 and 19.385 million shares in October 2002.

(4) Average shares outstanding for 2003 reflects the issuance of 11 million shares in September 2003.

TECO ENERGY

Financial Information – continued

Non-GAAP Earnings per Share by Segment – before charges and gains

	2003	2002	2001
Regulated Companies			
Tampa Electric	$ .86	$ 1.19	$ 1.14
Peoples Gas System	.15	.16	.17
Total Regulated	$ 1.01	$ 1.35	$ 1.31
Unregulated Companies			
TWG	$ (.33)	(.05)	.00
TECO Transport	.09	.14	.21
TECO Coal	.47	.50	.44
Other Unregulated	.10	.16	.10
Total Unregulated	.33	.75	.75
Financing/other	(.42)	(.11)	(.15)
Earnings (loss) per share from continuing operations before charges and gains	.92	1.99	1.91
Charges and Gains from continuing operations	(1.00)	(.18)	.07
Earnings (loss) per share from continuing operations	(.08)	1.81	1.98
Discontinued operations	(4.95)	.34	.28
Earnings (loss) per share before cumulative effect of change in accounting principle	(5.03)	2.15	2.26
Cumulative effect of a change in accounting principle	(.02)		
EPS Total[1]	$ (5.05)	$ 2.15	$ 2.26
Average Shares Outstanding	179,862[2]	153,202[3]	134,521[4]

(1) Segment net income is reported on a basis that includes internally allocated financing costs. Internally allocated finance costs for 2003, 2002 and 2001 were at pre-tax rates of 8%, 7%, and 7%, respectively, based on the average investment in each subsidiary.

(2) Average shares outstanding for 2001 reflects the issuance of 8.625 million shares in March 2001 and 3.5 million shares in October 2001.

(3) Average shares outstanding for 2002 reflects the issuance of 15.525 million shares in June 2002 and 19.385 million shares in October 2002.

(4) Average shares outstanding for 2003 reflects the issuance of 11 million shares in September 2003.

Financial Information – continued

2003 Non-operating Items Affecting Net Income

Net income impact (millions)	*Tampa Electric*	*TWG*	*Peoples Gas*	*TECO Transport*	*TECO Coal*	*Coalbed Methane*	*Other Unregulated*	*TECO Energy*	*Total*
Merchant power valuation [1]	$ -	$762.0	$ -	$ -	$ -	$ -	$ -	$ -	$762.0
Turbine valuations	48.9	-	-	-	-	-	28.5	-	77.4
Goodwill impairment	-	61.2	-	-	-	-	12.8	-	74.0
Loss on joint venture termination [1]	-	94.7	-	-	-	-	-	-	94.7
TMDP arbitration reserve	-	26.7	-	-	-	-	-	-	26.7
Restructuring costs	6.1	0.3	2.6	1.0	-	-	3.6	1.6	15.2
Project cancellation costs	-	-	-	-	-	-	9.0	-	9.0
Valuation adjustment	-	-	-	-	-	-	11.1	-	11.1
Tax credit reversals	-	-	-	-	7.0	-	2.7	-	9.7
Change in accounting	-	-	-	0.8	0.3	-	-	3.2	4.3
Total Charges	$ 55.0	$944.9	$ 2.6	$ 1.8	$ 7.3	$ -	$ 67.7	$ 4.8	$1,084.1
Gain on Asset sales	$ -	$ -	$ -	$ 3.5	$ -	$ 23.5 [1]	$ 35.2	$ -	$ 62.2

(1) Included in discontinued operations.

Financial Information – continued

Net Income Reconciliation

(millions)	2003	2002	2001
GAAP net income (loss)	$(909.4)	$330.1	$303.7
Add change in accounting	4.3	–	–
Exclude discontinued operations	(890.4)	52.9	38.2
GAAP net income (loss) from continuing operations	$(14.7)	$277.2	$265.5
Add: Tax credit reversals	9.7	–	–
Project cancellation costs	9.0	–	–
TECO Solutions valuation adjustment	7.9	–	–
Hamakua FIN 46 accounting valuation adjustment	3.2	–	–
Restructuring Costs	15.2	10.9	–
TMDP arbitration reserve	26.7	–	–
Debt extinguishment costs	–	20.9	–
ECKG valuation adjustment	–	5.8	–
Goodwill impairments	74.0	–	–
Turbine valuations	77.4	–	–
Subtract: Hardee gain on sale	(34.6)	–	–
Hardee operating results	(9.0)	(9.0)	(9.0)
Non-GAAP net income from continuing operations(1)(2)	$ 164.8	$ 305.8	$ 256.5

(1) Excludes adoption of FAS 143, FAS 142 adjustments and items noted in table above.
(2) A non-GAAP financial measure is a numerical measure of historical or future financial performance, financial position or cash flow that includes that amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure GAAP so calculated and presented.

Environmental Highlights

Tampa Electric

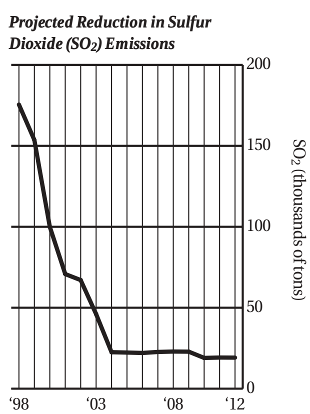
- Power Generation and Air Emission Reductions

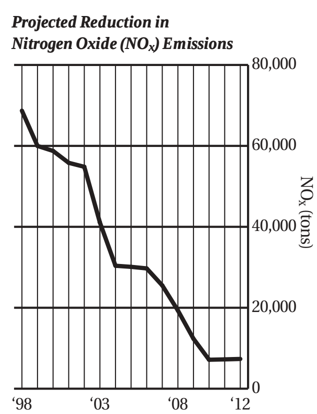
  * In April 2003, the former coal-fired Gannon Station, now renamed Bayside Power Station and fired by natural gas, began commercial operation on Unit 1. Bayside Power Station Unit 2 began commercial operation in January 2004. Bayside is improving Tampa Electric's ability to generate reliable electric power, significantly reduce emissions, and help protect Tampa Bay's environment.

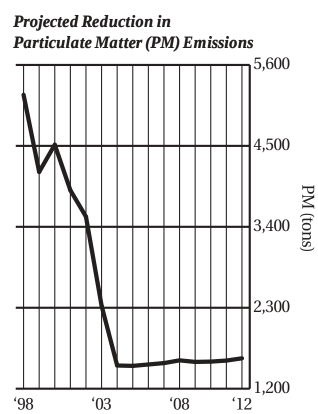
  * The flue gas desulfurization (FGD) systems (or scrubbers) at Big Bend Station have been improved, and now remove more than 95 percent of the sulfur dioxide from the flue gas in a cost-effective manner.

  * Overall, from 1998 to 2003, Tampa Electric has reduced annual emissions of sulfur dioxide (SO2), nitrogen oxides (NOx), and particulate matter (PM) from its facilities by over 108,000 tons, 13,000 tons, and 1,500 tons, respectively.

  * Tampa Electric is committed to additional emission reductions projects through 2014, and these efforts are expected to result in the additional phased reduction of SO2 by 5,400 tons per year and NOx by 23,600 tons per year.







Environmental Highlights – cont.

- In total, by 2010 Tampa Electric's recent and future initiatives are projected to result in the reduction of SO2, NOx, and PM emissions by 89 percent, 90 percent, and 70 percent, respectively, below 1998 levels. With these improvements in place, Tampa Electric's facilities will meet the same standards required of new power generating facilities and help to significantly enhance the quality of the air in the community.
- Polk Unit One is a state-of–the-art, clean-coal technology plant using an integrated, coal gasification, combined-cycle process in a cost-efficient and environmentally-friendly method to produce electricity from coal.

- Stewardship
  - Tampa Electric works with various environmental organizations such as Audubon of Florida, The Invasive Species Task Force of Hillsborough County and the Hillsborough Greenways Program to protect and restore important environmental sites around the Tampa Bay area.
  - The Manatee Viewing Center adjacent to Big Bend Station, where West Indian Manatees or Sea Cows, an endangered species, gather in the warm water discharge canal during the normally colder winter months, offers educational programs that include such topics as water conservation and responsible Florida landscaping. Since 1986, the Manatee Viewing Center at Big Bend Station has attracted more than one million visitors.

- Coal Combustion Products
  - Tampa Electric markets close to 1 million tons of Coal Combustion Products (CCP) each year for use as raw materials in manufacturing processes. CCPs are made when solid fuels, such as coal, are used to generate electricity. Using these products in manufacturing processes is environmentally friendly for a variety of reasons. Most importantly, it preserves natural resources that would otherwise be mined as raw materials. Also, on a ton by ton basis, it reduces the need for landfill space.
  - The scrubbers at Big Bend Station remove sulfur from the flue gas stream and make gypsum, the main raw material used in the manufacture of wallboard. It is also used in the production of Portland Cement. There are agricultural benefits as well, including improving calcium levels in soils without modifying pH.

Environmental Highlights – cont.

* Fly ash from Big Bend and Gannon Stations is used to make Portland Cement and as a Portland Cement replacement in ready mix concrete. An additional benefit to using fly ash in concrete is the ton for ton reduction of CO_2 produced for each ton of fly ash used. Bottom ash from Big Bend is used in the Portland Cement production and as a raw material in other cement products.

* Boiler slag from Big Bend is used as low free-silica blasting grit to clean large surfaces quickly, and as an aggregate to protect roofing shingles from the sun's ultraviolet rays.

* Polk Power Station, Tampa Electric's integrated coal gasification combined cycle (IGCC) plant, produces sulfuric acid when it removes sulfur from the gas stream. Municipalities all over the State of Florida use this product in their municipal water treatment process.

* Tampa Electric is a Champion member of the Coal Combustion Products Partnership (C2P2) Program, a cooperative effort between the U.S. EPA, the American Coal Ash Association (ACAA), the Utility Solid Waste Activities Group (USWAG), and the U.S. Department of Energy (DOE) to help promote the beneficial use of coal combustion products and the environmental benefits that result from their use. This program is designed to help meet the national waste reduction goals of the Resource Conservation Challenge - an EPA effort to find flexible, yet more protective ways to conserve valuable natural resources through waste reduction, energy recovery, and recycling.

- Recycling

  * The Environmental, Health & Safety Department has secured a contract with a vendor to purchase our surplus oil generated at Tampa Electric facilities.

  * In 2003, Refurbishing and reusing transformers saved the company over $1 million, and refurbishing and reusing pole-line hardware saved over $204,000.

  * Water recycling and beneficial reuse programs in the power stations account for approximately 3,900,000 gallons daily. The approximate beneficial reuse amounts are: 1,000,000 gallons daily at Big Bend Station, 600,000 gallons daily at Gannon/Bayside Station, and 300,000 gallons daily at Polk Station; and about 2,000,000 gallons daily of Hillsborough County treated sewage effluent is used to reduce potable water consumption at Big Bend Station.

Environmental Highlights – cont.

- Green Energy and Energy Conservation

  * Tampa Electric's Renewable Energy Program utilizes renewable energy sources such as natural sunlight, organic plant material, and landfill gas to generate electricity and offers residential and business customers the option to purchase unlimited 100 kilowatt-hour (kWh) blocks of green energy each month.

  * Tampa Electric manages a microturbine generator at the Hillsborough County Solid Waste Department's landfill site, which can convert potentially hazardous methane gas into clean electricity. This is the first application of this kind of technology in Florida.

  * The company has several energy conservation programs, including free home energy audits in which the company provides instruction to customers on measures and practices they can implement to lower their energy consumption. 7,000 - 8,000 audits are completed annually.

Peoples Gas System

- Peoples Gas offers energy conservation rebates to both residential and commercial customers as incentives to increase the conservation of energy resources with the installation of new energy efficient natural gas appliances.

- Peoples Gas is expanding the use of natural gas in Florida, including the follow efforts:

  * Use of compressed natural gas (CNG) in various vehicle fleets, trucks and buses statewide.

  * Testing and deployment of various desiccant technologies for both residential and small commercial applications to improve indoor air quality and reduce humidity.

- Converting industrial – particularly asphalt plants – from waste oil to natural gas

Environmental Highlights – continued

TECO Ocean Shipping

- TECO Ocean Shipping provides leadership to the Tampa Bay Harbor Safety Committee, which is a group of commercial, regulatory and public interest representatives that provides guidance and recommendations on navigation safety, Port Security and other matters to protect the waters of Tampa Bay.

- TECO Ocean Shipping exceeds international and US requirements on many of its vessels by voluntarily complying with International Safety Management Code and International Training conventions. These standards raise the level of safety and environmental protection, through policies, procedures and practices to minimize the potential for harm to our employees, the public and the environment.

TECO Barge Line

- TECO Barge Line is a sponsor of "Living Lands and Waters". Living Lands and Waters' mission is to aid in the protection, preservation and restoration of the natural environment of the nation's major rivers and their watersheds; to expand awareness of environmental issues and responsibility encompassing the river; and to create a desire and an opportunity for stewardship and responsibility for a cleaner river environment.

- TECO Barge Line is certified under the American Waterways Operators' Responsible Carrier Program. Through this program, TECO Barge Line implements procedures to ensure the highest standards of safety and quality. Independent audits are conducted every three years to renew the certification.

Environmental Highlights – continued

TECO Coal Corporation

- Rich Mountain surface mining operations has joined with the Federal Office of Surface Mining and Reclamation Enforcement in operating a test mine site utilizing "low-compaction reclamation methodologies" on the White Oak surface mine. This innovative methodology will permit the reclaimed areas to produce trees rather than grasslands to more closely resemble pre-mine conditions.

- TECO Coal recycles large tires from the rubber-tired mining equipment to reduce the amounts of space used in land-fills. These tires are now being recycled, by a third party, into a variety of products such as box scrapers for tractors and grader blades for road grading equipment. These rubber graders are used in the laying of asphalt and preparation of un-improved roads at a much lower cost than metal blades and metal blade components.

- TECO Coal Corporation is currently involved with local school groups and the regulatory agency in an experimental reforestation project. A natural forest is being planted on reclaimed mine lands. The growth and quality (site index), as well as survivability rates are being monitored and recorded annually with the expectations of releasing a prepared scientific report at the term of the project.

- TECO Coal Corporation is actively involved with the PRIDE (Personal Responsibility In a Desirable Environment) initiative. PRIDE was established by Congressman Hal Rogers and Environmental Protection Secretary James Bickford. The goal of PRIDE is to eliminate pollution of the land and water in eastern and southeastern Kentucky. In conjunction with PRIDE program, TECO Coal Corporation and its operating subsidiaries are involved in a variety of clean- up activities. The Company also sponsors a televised volunteer of the month recognition program on behalf of PRIDE.

Environmental Highlights – continued

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Environmental Highlights - continued

Unregulated Power Generation

- Project designs incorporate state-of-the-art emission control technologies, including low nitrogen oxide (NO_X) combustion technologies to control emissions of NO_X and carbon monoxide (CO) while firing on natural gas or fuel oil.

- Projects also use dry low nitrogen oxide combustors (DLN), along with selective catalytic reduction (SCR) to further reduce nitrogen oxide emissions and an oxidation catalyst to control carbon monoxide, and volatile organic compound emissions where required.

- Emissions of sulfur dioxide (SO_2), volatile organic compounds (VOC) and particulate matter (PM) are minimized by the choice of fuel and the high combustion efficiency inherent in a modern design.

- Wastewaters are collected and treated prior to discharge or returned back to the plant for reuse whenever possible.

- Implementation of comprehensive Environmental Health and Safety management plans to strictly comply with all environmental laws and laws pertaining to health and safety.

SECTION VIII

LIFE RUNS ON ENERGY℠ TECO ENERGY

Investment Considerations

The following are certain factors that could affect TECO Energy's future results. They should be considered in connection with evaluating forward-looking statements contained in this report and otherwise made by or on behalf of TECO Energy because these factors could cause actual results and conditions to differ materially from those projected in those forward-looking statements.

Financing Risks

We have substantial indebtedness, which could adversely affect our financial condition and financial flexibility.

In recent years, we have significantly increased our indebtedness which has resulted in an increase in the amount of fixed charges we are obligated to pay. The level of our indebtedness and restrictive covenants contained in our debt obligations could limit our ability to obtain additional financing or refinance existing debt and could prevent the repayment of subordinated debt and the payment of dividends if those payments would cause a violation of the covenants.

In order for us to use our credit facilities, we must meet certain financial tests. Our credit facilities require that at the end of each quarter our debt-to-capital ratio, as defined in the applicable agreements, not exceed 65%. Tampa Electric Company's credit facility requires that at the end of each quarter Tampa Electric Company's debt-to-capital ratio, as defined in the agreement, not exceed 60% and its earnings before interest, taxes, depreciation and amortization (EBITDA) to interest coverage ratio, as defined in the applicable agreement, not be less than 2.5 times. At Dec. 31, 2003, our debt-to-capital ratio was 61.9% and Tampa Electric Company's debt-to-capital ratio was 49.2% and its interest coverage ratio was 5.8 times. Similarly, certain long-term debt at Tampa Electric Company's Peoples Gas System division contains a prohibition on the incurrence of funded debt if Tampa Electric Company's debt-to-capital ratio, as defined in the applicable agreement, exceeds 65%. The Tampa Electric Company debt related to Peoples Gas also carries a requirement that Tampa Electric Company's interest coverage ratio, as defined in the applicable agreement, be 2.0 times or greater for four consecutive quarters.

Our construction undertaking obligations associated with TWG's Gila River and Union Power Projects, in effect until twelve months after commercial operation, require our consolidated EBITDA to interest coverage ratio, as defined in the applicable agreement, to equal or exceed 3.0 times for the twelve-month period ended each quarter and a debt-to-capital ratio not to exceed 65% at the end of each fiscal quarter. Under the suspension agreement between TECO Energy, the project companies and the lenders, TECO Energy was not required to calculate the EBITDA to interest coverage ratio required in the undertaking for the quarters ended Sep. 30, 2003 and Dec. 31, 2003 until Feb. 1, 2004 which was orally extended until Feb. 5, 2005. On that date, the calculations were made resulting in 2.7 and 2.4 times for the two quarters, respectively. Non-compliance with this covenant could accelerate the $1.395 billion of non-recourse construction debt absent the sale of the projects to the lenders. (See **TECO Wholesale Generation – Letter of Intent** section.)

Our 10.5% Notes due 2007 issued in November 2002, contain covenants that limit our ability to incur additional liens and require us to achieve certain interest coverage levels in order to pay dividends, make distributions or certain investments, or issue additional indebtedness. The 7.5% Notes issued in June 2003 contain the same limitation on liens covenant. The covenants apply only if either the notes are rated non-investment grade by either S&P or Moody's or the notes are rated below the level required by the equity bridge loan and Union and Gila River Construction Undertaking while those obligations are outstanding. The covenants became applicable upon Moody's downgrade of TECO Energy's senior unsecured debt in April 2003. The limitation on restricted payments restricts us from paying dividends or making distributions or certain investments unless there is sufficient cumulative operating cash flow, as defined in the agreement applicable to the 10.5% Notes, in excess of 1.7 times interest coverage to make contemplated dividend payments, distributions or investments. Our operating cash flow, restricted payments and interest coverage are calculated on a cumulative basis from the issuance of the 10.5% Notes in November 2002. As of Dec. 31, 2003, $285 million was accumulated and available for future restricted payments, representing a four quarter accumulation. Further, we are not permitted, with certain exceptions as stated in that agreement, to create any lien upon any of our property in excess of 5% of consolidated net tangible assets as defined, without equally and ratably securing the 10.5% Notes. As of Dec. 31, 2003 this limitation would apply to the creation of covered liens exceeding $206 million. Finally, our operating cash flow to interest coverage ratio, as defined in that agreement, for the immediate preceding four quarters must exceed 2.0 times for us to be able to issue additional indebtedness, with certain exceptions as provided in that agreement. As of Dec. 31, 2003, our operating cash flow to interest coverage ratio for the immediate preceding four quarters, with pro forma adjustments as provided in the agreement, was 2.6 times.

Tampa Electric Company's 6.25% Senior Notes Due 2016 contain covenants that require Tampa Electric Company to maintain, as of the last day of each fiscal quarter, a debt-to-capital ratio, as defined in the agreement, that does not exceed 60%, and prohibit the creation of any covered lien on any of its property in excess of $787 million, with certain

exceptions as defined in the agreement, without equally and ratably securing the 6.25% Senior Notes.
Finally, in addition to our debt-to-capital ratio requirement discussed above, our credit facility with an affiliate of Merrill Lynch has covenants that, if the facility is drawn, could limit the payment of dividends exceeding $40 million in any quarter unless, prior to the payment of any dividends, we deliver to Merrill Lynch liquidity projections demonstrating that we will have sufficient cash or cash equivalents to pay both the dividends contemplated and each of the three quarterly dividends next scheduled to be paid on our common stock.

We cannot assure you that we will be in compliance with these financial covenants. Our failure to comply with any of these covenants or to meet our payment obligations could result in an event of default which, if not cured or waived, could result in the acceleration of other outstanding debt obligations. We may not have sufficient working capital or liquidity to satisfy our debt obligations in the event of an acceleration of all or a portion of our outstanding obligations. In addition, if we had to defer interest payments on our subordinated notes that support the distributions on our outstanding trust preferred securities, we would be prohibited from paying cash dividends on our common stock until all unpaid distributions on those subordinated notes were made.

We also incur obligations in connection with the operations of our subsidiaries and affiliates, which do not appear on our balance sheet, including obligations related to the development of power projects by unconsolidated affiliates. These obligations take the form of guarantees, letters of credit and contractual commitments, as described in the sections titled **Off Balance Sheet Financing** and **Liquidity, Capital Resources** section. In addition, our unconsolidated affiliates from time to time incur non-recourse debt to finance their power projects. Although we are not obligated on that debt, our investments in those unconsolidated affiliates are at risk if the affiliates default on their debt.

Our financial condition and ability to access capital may be materially adversely affected by further ratings downgrades.

In February 2004, Moody's Investor Service, Inc. lowered the ratings on our senior unsecured debt to Ba2 with a negative outlook. This followed actions in April 2003, when Moody's and Fitch Ratings lowered their ratings on our senior unsecured debt to Ba1 and BB+, respectively, both with a negative outlook. In May 2003, Standard & Poor's Ratings Services lowered the ratings on our senior unsecured debt to BB+ with a negative outlook. These agencies also lowered the ratings on other of our securities, as well as those of TECO Finance and Tampa Electric. Tampa Electric Company's senior secured and unsecured debt ratings were lowered to Baa1 and Baa2, respectively, by Moody's, to A- and BBB+, respectively, by Fitch and to BBB- for both senior secured and unsecured debt by Standard & Poor's. Currently the outlook for Tampa Electric, TECO Energy and TECO Finance at all of the credit rating agencies is negative. The 2003 and 2004 downgrades and any future downgrades may affect our ability to borrow and may increase our financing costs, which may decrease our earnings. We are also likely to experience greater interest expense than we may have otherwise if, in future periods, we replace maturing debt with new debt bearing higher interest rates due to our lower credit ratings. In addition, such downgrades could adversely affect our relationships with customers and counterparties.

In addition, as a result of the 2003 ratings actions, TES, Prior Energy and TECO Gas Services were required to post collateral with counterparties in order to continue to transact in the forward markets for electricity and natural gas. Collateral or margin postings may fluctuate based on either the fair value of open forward positions or credit assurance assessments negotiated with counterparties. Based on the fair value of existing contractual obligations as of Dec. 31, 2003, the maximum collateral obligation, if all counterparties exercised their full rights, would be approximately $16 million. Counterparties with the right to call for collateral or margin postings are not obligated to do so. Based on our analysis of the rights of those counterparties that have the right to call for collateral or margin postings, we believe the maximum collateral obligation would be approximately $16.0 million (including actual collateral posted of $11.8 million).

In November 2003, S&P affirmed TECO Energy's current credit ratings and removed the ratings from Credit Watch with negative implications following the resolution of the Private Letter Ruling issues related to the production of synthetic fuel at TECO Coal, (see the TECO Coal section). At that time, S&P stated that future ratings stability was directly correlated with TECO Energy's exit from the merchant energy business and the use of future cash flows to reduce debt. S&P went on to state that a failure to exit the merchant energy business would likely result in addition credit rating reductions. Such reductions could result in Tampa Electric's credit rating falling below investment grade. In February 2004, S&P stated that the announcement to exit the Union and Gila River projects was favorable to credit quality but took no ratings action and maintained its negative outlook.

If we are unable to limit capital expenditure levels as forecasted or successfully complete planned facility sales to the extent anticipated, our financial condition and results could be adversely affected.

Part of our plans includes capital expenditures at the operating companies at maintenance levels for the next several years. We cannot be sure that we will be successful in limiting capital expenditures to the planned amount. Our plan also includes the sale of an additional 40% portion of our interest in facilities that produce synthetic fuel which qualifies for Section 29 tax credits at TECO Coal. TECO Coal has entered into an exclusive non-binding memorandum of understanding to sell an additional 40 percent interest in its synthetic fuel production facilities. The sale, is subject to the negotiation of a final purchase and sale agreement and customary final due diligence. We cannot be certain, however, that we will be able to sell these synthetic fuel production facilities at the prices we expect. If we are unable to limit capital expenditures to the forecasted levels or to sell the synthetic fuel production facilities at the prices we expect or at all, we may need to draw on credit facilities or access the capital markets on unfavorable terms or ultimately sell additional assets to improve our financial position. We cannot be sure that we will be able to obtain additional financings or sell such assets, in which case our financial position, earnings and credit ratings could be adversely affected.

Because we are a holding company, we are dependent on cash flow from our subsidiaries, which may not be available in the amounts and at the times we need it.

We are a holding company and dependent on cash flow from our subsidiaries to meet our cash requirements that are not satisfied from external funding sources. Some of our subsidiaries have indebtedness containing restrictive covenants which, if violated, would prevent them from making cash distributions to us. In particular, certain long-term debt at Tampa Electric Company's Peoples Gas System division prohibits payment of dividends to us if Tampa Electric Company's consolidated shareholders' equity is not at least $500 million. At Dec. 31, 2003, Tampa Electric Company's unrestricted retained earnings available for dividends on its common stock were approximately $5 million and its consolidated shareholders' equity was approximately $1.7 billion. Also, our wholly-owned subsidiary, TECO Diversified, the holding company for TECO Transport, TECO Coal and TECO Solutions, has a guarantee related to a coal supply agreement that could limit the payment of dividends by TECO Diversified to us.

Various factors could affect our ability to sustain our dividend.

Our ability to pay a dividend or sustain it at current levels could be affected by such factors as (i) the level of our earnings and therefore our dividend payout ratio, (ii) the level of our retained earnings could be affected by payment of dividends in excess of earnings and further write-offs of our merchant generation investments or other assets, (iii) pressures on our liquidity needs, including unplanned debt repayments, unexpected capital needs and shortfalls in operating cash flow and (iv) a breach of our 65% debt-to-total capital financial covenant, which could occur in the event of further erosion of our retained earnings without infusion of additional capital. These are in addition to any restrictions on dividends from our subsidiaries to us discussed above.

We are vulnerable to interest rate changes and may not have access to capital at favorable rates, if at all.

Changes in interest rates and capital markets generally affect our cost of borrowing and access to these markets. We cannot be sure that we will be able to accurately predict the effect those changes will have on our cost of borrowing or access to capital markets.

Merchant Power Project Risks

We and the project companies have not yet reached a definitive agreement with the non-recourse project lending banks for the transfer of our ownership of the Union and Gila River projects through a purchase and sale or other agreement to the lending group.

Our decision to exit from the ownership of the projects is not conditioned on reaching a consensual agreement with the lenders for the sale of the projects. If a definitive agreement cannot be reached, however, there could be a delay in the ultimate forgiveness of the non-recourse debt and there could be a change in the accounting treatment from discontinued operations back to continuing operations in a future period.

Under the letter of intent, the parties have retained the right to assert certain claims they may have against one another until a definitive agreement is reached. Assertion of such claims and defense against them could be time consuming and costly and delay the ultimate disposition of our interest in the projects.

TECO Wholesale Generation's (TWG) power plants are affected by market conditions, and they may not be able to sell power at prices that enable it to recover its investments in the plants.

The TWG power plants that are in operation currently sell most of their power based on market conditions at the time of sale, so TWG cannot predict with certainty:

- the amount or timing of revenue it may receive from power sales from operating plants;
- the differential between the cost of operations (in particular, natural gas prices) and power sales revenue;

- the effect of competition from other suppliers of power;
- regulatory actions that may affect market behavior, such as price limitations or bidding rules imposed by the Federal Energy Regulatory Commission (FERC) or state regulatory bodies or reimposition of regulation in power markets;
- the demand for power in a market served by TWG's plants relative to available supply;
- the availability of transmission to accommodate the sale of power; or
- whether TWG will recover its initial investment in these plants.

At present, several of the wholesale markets supplied by so-called "merchant" power plants are experiencing significant pricing declines due to excess supply and weak economies. The excess supply is partially due to the slowdown of electric deregulation in many states, or the outright repeal of electric competition legislation as occurred in Arkansas in 2003 (where the Dell and Union power stations are sited or located). This has allowed incumbent utilities to continue to operate older, less efficient generating facilities in lieu of purchasing power from newer, more efficient independent power plants. Consequently, only a small portion of the output of TWG's plants has been sold forward, or hedged, under short-term agreements. TWG's results could be adversely affected if it is unable to sufficiently sell the output of its plants under longer-term contracts or at a premium to forward curve prices for short-term sales or if we need to write off any of the capital already invested in the projects.

However, we cannot be sure how successfully TWG will be able to implement these risk management measures. For instance, in oversupplied markets, entering into long-term contracts could be difficult.

TWG may be unable to successfully complete current projects on schedule or within budget, and the book value of uncompleted projects could be impaired.

TWG currently has new power generating facilities where construction has been suspended. The construction and maintenance of these facilities involves risks of shortages and inconsistent qualities of equipment and material, labor shortages and disputes, engineering problems, work stoppages, unanticipated cost increases and environmental or geological problems. Any of these events could delay a project's construction schedule or increase its costs, which may impact TWG's ability to generate sufficient cash flow. In addition, if these projects remain suspended beyond the currently anticipated time frame, the book value of those projects would likely be impaired.

Asset valuation adjustments or sales of these facilities at prices below the book value would reduce our equity levels and could potentially result in a breach of our 65 percent debt-to-total capital covenant in our bank credit facility.

TWG's marketing and risk management policies may not work as planned, and it may suffer economic losses despite such policies.

TWG seeks to actively manage the market risk inherent in its energy and fuel positions. Nonetheless, adverse changes in energy and fuel prices may result in losses in our earnings or cash flows and adversely affect our balance sheet. TWG's marketing and risk management procedures may not always be followed or may not work as planned. As a result, we cannot predict with precision the impact that its marketing, energy management and risk management decisions may have on its business, operating results or financial position. In addition, to the extent it does not cover its positions to market price volatility, or the hedging procedures do not work as planned, fluctuating commodity prices would cause our sales and net income to be volatile.

TWG's and its affiliates' marketing and risk management activities also are exposed to the credit risk that counterparties to its transactions will not perform their obligations. Should counterparties to these arrangements fail to perform, it may be forced to enter into alternative hedging arrangements, honor underlying commitments at then-current market prices or otherwise satisfy its obligations on unfavorable terms. In that event, its financial results would likely be adversely affected.

General Business and Operational Risks

General economic conditions may adversely affect our businesses.

Our businesses are affected by general economic conditions. In particular, the projected growth in Tampa Electric's service area and in Florida is important to the realization of Tampa Electric's and Peoples Gas System's forecasts for annual energy sales growth. An unanticipated downturn in the local area's or Florida's economy could adversely affect Tampa Electric's or Peoples Gas System's expected performance.

Our unregulated businesses, particularly TWG, TECO Transport and TECO Coal, are also affected by general economic conditions in the industries and geographic areas they serve, both nationally and internationally.

Potential competitive changes may adversely affect our gas and electricity businesses.

The U.S. electric power industry has been undergoing restructuring. Competition in wholesale power sales has been introduced on a national level. Some states have mandated or encouraged competition at the retail level and, in some situations, required divestiture of generating assets. While there is active wholesale competition in Florida, the retail electric business has remained substantially free from direct competition. Changes in the competitive environment occasioned by legislation, regulation, market conditions or initiatives of other electric power providers, particularly with respect to retail competition, could adversely affect Tampa Electric's business and its performance.

The gas distribution industry has been subject to competitive forces for several years. Gas services provided by Peoples Gas System are now unbundled for all non-residential customers. Because Peoples Gas System earns margins on distribution of gas, but not on the commodity itself, unbundling has not negatively impacted Peoples Gas System's results. However, future structural changes that we cannot predict could adversely affect Peoples Gas System.

Our gas and electricity businesses are highly regulated, and any changes in regulatory structures could lower revenues or increase costs or competition.

Tampa Electric and Peoples Gas System operate in highly regulated industries. Their retail operations, including the prices charged, are regulated by the FPSC, and Tampa Electric's wholesale power sales and transmission services are subject to regulation by the FERC. Changes in regulatory requirements or adverse regulatory actions could have an adverse effect on Tampa Electric's or Peoples Gas System's performance by, for example, increasing competition or costs, threatening investment recovery or impacting rate structure.

Tampa Electric is seeking regulatory approval for the costs associated with a new contract for coal transportation services.

Tampa Electric has executed a new 5-year contract for coal transportation services with TECO Transport. These services have been provided by TECO Transport historically and represent about 40% of TECO Transport's revenues. The costs associated with the transportation services are subject to FPSC review and a number of parties, including alternative transportation providers have intervened in the proceedings, which are scheduled for hearings in May 2004. Failure to gain regulatory approval for the recovery of the costs associated with these services could adversely impact Tampa Electric's financial results.

Our businesses are sensitive to variations in weather and have seasonal variations.

Most of our businesses are affected by variations in general weather conditions and unusually severe weather. Tampa Electric's, Peoples Gas System's and TWG's energy sales are particularly sensitive to variations in weather conditions. Those companies forecast energy sales on the basis of normal weather, which represents a long-term historical average. Significant variations from normal weather could have a material impact on energy sales. Unusual weather, such as hurricanes, could adversely affect operating costs and sales.

Peoples Gas System, which has a single winter peak period, is more weather sensitive than Tampa Electric, which has both summer and winter peak periods. Mild winter weather in Florida can be expected to negatively impact results at Peoples Gas System.

Variations in weather conditions also affect the demand and prices for the commodities sold by TECO Coal, as well as electric power sales from TECO Wholesale Generation's merchant power plants. TECO Transport is also impacted by weather because of its effects on the supply of and demand for the products transported. Severe weather conditions could interrupt or slow service and increase operating costs of those businesses.

Electric power marketing may be seasonal. For example, in some parts of the country, demand for, and market prices of, electricity peak during the hot summer months, while in other parts of the country such peaks occur in the cold winter months. As a result, our power marketing results may fluctuate on a seasonal basis. The pattern of this fluctuation may change depending on the nature and location of the facilities we operate and the terms under which we sell electricity.

Commodity price changes may affect the operating costs and competitive positions of our businesses.

Most of our businesses are sensitive to changes in coal, gas, oil and other commodity prices. Any changes could affect the prices these businesses charge, their operating costs and the competitive position of their products and services.

In the case of Tampa Electric, fuel costs used for generation have been affected primarily by the cost of coal. Tampa Electric's fuel costs will be increasingly impacted by the cost of natural gas with the completion of the Bayside repowering. Tampa Electric is able to recover the cost of fuel through retail customers' bills, but increases in fuel costs affect electric prices and, therefore, the competitive position of electricity against other energy sources.

Regarding wholesale sales of electricity, the ability to make sales and margins on power sales is affected by the cost of fuel to Tampa Electric, particularly as it compares to the costs of other power producers.

In the case of TECO Wholesale Generation, results are impacted by changes in the cost of fuel and the market price for electricity. The profitability of merchant power plants is heavily dependent on the price for power in the markets they serve. Wholesale power prices are set by the market assuming a cost for the input energy and conversion efficiency, but the fixed costs may not be reflected in the price for spot, or excess, power.

In the case of Peoples Gas System, costs for purchased gas and pipeline capacity are recovered through retail customers' bills, but increases in gas costs affect total retail prices and therefore the competitive position of Peoples Gas System relative to electricity, other forms of energy and other gas suppliers.

We rely on some transmission and distribution assets that we do not own or control to deliver wholesale electricity, as well as natural gas. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver power and natural gas may be hindered.

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we sell to the wholesale market, as well as the natural gas we sell and purchase for use in our electric generation facilities. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual and service obligations may be hindered.

The FERC has issued regulations that require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems will not be available or that sufficient transmission capacity will not be available to transmit electric power as we desire. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities in specific markets.

In addition, the independent system operators that oversee the transmission systems in certain wholesale power markets have from time to time been authorized to impose price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of our wholesale power marketing business.

The uncertain outcome regarding the creation of regional transmission organizations, or RTOs, may impact our operations, cash flows or financial condition.

Although Tampa Electric Company continues to make progress towards the development of its RTO, GridFlorida, which would independently control the transmission assets of participating utilities in peninsular Florida, progress has slowed considerably. Given the regulatory uncertainty of the ultimate timing, structure and operations of GridFlorida or an alternate combined transmission structure, we cannot predict what effect its creation will have on our future consolidated results of operations, cash flow or financial condition.

We may be unable to take advantage of our existing tax credits.

We derive a portion of our net income from Section 29 tax credits related to the production of non-conventional fuels. Although we sold a significant portion of our interest in the production facilities in April 2003 and plan to sell the majority of our remaining interest in the production capacity, until and unless we successfully do so, our use of these tax credits is dependent on our generating sufficient taxable income against which to use the credits. The future results of this business could be negatively impacted by administrative actions of the Internal Revenue Service or the U.S. Treasury or changes in law, regulation or administration.

Problems with operations could cause us to incur substantial costs.

Each of our subsidiaries is subject to various operational risks, including accidents or equipment breakdown or failure and operations below expected levels of performance or efficiency. As operators of power generation facilities, Tampa Electric and TECO Wholesale Generation could incur problems such as the breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes which would result in performance below assumed levels of output or efficiency. Our outlook assumes normal operations and normal maintenance periods for our subsidiaries' facilities.

The international projects and operations of TECO Transport are subject to risks that could result in losses or increased costs.

Our subsidiaries are involved in certain international projects. These projects involve numerous risks that are not present in domestic projects, including expropriation, political instability, currency exchange rate fluctuations, repatriation restrictions, and regulatory and legal uncertainties. The international subsidiaries attempt to manage these risks through a variety of risk mitigation measures, including specific contractual provisions, obtaining non-recourse financing and obtaining political risk insurance where appropriate.

TECO Transport is exposed to operational risks in international ports, primarily in the form of its need to obtain suitable labor and equipment to safely discharge its cargoes in a timely manner. TECO Transport attempts to manage these risks through a variety of risk mitigation measures, including retaining agents with local knowledge and experience in successfully discharging cargoes and vessels similar to those used.

Changes in the environmental laws and regulations to which our regulated businesses are subject could increase our costs or curtail our activities.

Our businesses are subject to regulation by various governmental authorities dealing with air, water and other environmental matters. Changes in compliance requirements or the interpretation by governmental authorities of existing requirements may impose additional costs on us or require us to curtail some of our businesses' activities.